

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Integrate and Refine
Procurement Policies and Consider Long-Term
Procurement Plans.

Rulemaking 13-12-010
(Filed December 19, 2013)

**COMMENTS OF THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION ON ASSUMPTIONS AND
SCENARIOS FOR 2015-2016 PROCEEDINGS**

**INDEPENDENT ENERGY PRODUCERS
ASSOCIATION**

Steven Kelly, Policy Director
1215 K Street, Suite 900
Sacramento, California 95814
Telephone: (916) 448-9499
Facsimile: (916) 448-0182
Email: steven@iepa.com

**GOODIN, MACBRIDE, SQUERI,
DAY & LAMPREY, LLP**

Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com

Attorneys for the Independent Energy Producers
Association

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In response to the *Administrative Law Judge's Ruling on Assumptions and Scenarios for 2015-2016 Proceedings* (Ruling), issued on December 23, 2014, the Independent Energy Producers Association (IEP) respectfully submits its comments.

IEP will address some general issues before commenting of some specific proposed assumptions.

I. THE ADOPTED ASSUMPTIONS SHOULD BE USED FOR THE DURATION OF A PROCEEDING

IEP agrees that standardized assumptions and scenarios allow for a greater ability to compare the results of different parties' analyses. Standardized assumptions and scenarios also provide a baseline that establishes a common context for alternative scenarios that parties may study. However, the value of standardized assumptions and scenarios is undermined if the assumptions are modified by individual parties or are disregarded. In addition, if a party modifies the standard assumptions, the transparency of the modeling process is compromised, because other parties will be unable to detect the changed assumption unless the party expressly

notes the change. For that reason, once the Assigned Commissioner develops and specifies the standard assumptions and scenarios for a proceeding, the parties should be required to use the standard assumptions for the standard scenarios throughout the proceeding, unless unexpected and extraordinary circumstances justify a modification of the assumptions. If other assumptions are used in the development of an alternative scenario, the party should clearly identify the standard assumptions that have been modified or that have not been used and any additional assumptions used for the alternative scenario.

The experience in this proceeding illustrates this point. After the ruling specifying the standardized assumptions and scenario was issued,¹ some of the modeling parties were instructed to use an additional assumption that all renewable energy generators could be curtailed without limit.² That new assumption, which was not part of the assumptions specified in the Assigned Commissioner's ruling, directly led to ambiguous results that do not allow the Commission to make an informed determination of whether or not additional resources were needed in 2024. IEP and the California Independent System Operator (CAISO) proposed additional studies that would reverse this assumption to “bookend” the study results and provide additional context for the Commission's consideration, but IEP's motion proposing those additional studies³ has not yet been acted on.

The typically long lag between when the standard assumptions are specified and the Commission is ready to decide procurement issues creates a temptation to “update” certain assumptions to better suit an individual party's positions. That temptation should be resisted,

¹ *Assigned Commissioner's Ruling on Assumptions, Scenarios and Renewable Portfolio Standard (RPS) Portfolios for Use in 2014 Long Term Procurement Plan (LTPP) and 2014-2015 California Independent System Operator (CAISO) Transmission Planning Process (TPP)*, Feb. 27, 2014.

² *Opening Testimony of William A. Monsen on Behalf of the Independent Energy Producers Association Regarding Phase 1A of the 2014 Long-Term Procurement Planning Proceeding*, Sept. 24, 2014, p. 27.

³ *Motion of the Independent Energy Producers Association To Modify the Administrative Law Judge's Ruling and Require Additional Phase 1A Studies*, Oct. 27, 2014.

except in the most extraordinary circumstances. Updating the assumptions undermines the purpose of having standard assumptions, and selective updating of only certain assumptions can distort the resulting analysis.

For these reasons, the Assigned Commissioner should insist that parties use the adopted standard assumptions throughout the proceeding and that the differences between the standard scenarios and any alternative scenarios are clearly identified.

II. THE STANDARD SCENARIOS SHOULD BE DESIGNED TO YIELD USEFUL INFORMATION

In recent Long-Term Procurement Plan (LTPP) proceedings, certain scenarios have been prescribed. For the most part, the prescribed scenarios have attempted to test the effect of certain energy policies on the grid.

In developing the standard scenarios, it is important to continue to attempt to test the effect of certain policies on the future grid. The scenarios should be selected so that any threats to grid reliability can be identified as early as possible, and in that sense the standard scenarios should attempt to challenge the grid's ability to respond to the identified circumstances while at the same time presenting a realistic possible path. The required scenarios should not be designed to further any particular policy or to wrongly suggest that a particular policy can be pursued without any complications for the reliability of the grid.

Moreover, if the standard assumptions include assumptions that are particularly sensitive, like the added assumption of unlimited curtailment of renewables, the Assigned Commissioner should also prescribe a scenario with assumptions that will "bookend" the possible results, to provide a context to consider the effect of the assumption.

III. IMPORT ASSUMPTIONS

The supply-side assumptions of the Proposed Assumptions and Scenarios seem to overstate the role of imports in meeting demand. Section 4.2.12 of the Proposed Assumptions and Scenarios sets a default value for imports equal to the maximum imports minus Existing Transmission Contracts. That figure, however, represents the maximum amount of imports that could enter the state. In practice, the actual level of imports is much lower than this maximum and will depend on market conditions and the willingness of out-of-state resources to sell into the California market. The alternative suggested in the Proposed Assumptions and Scenarios is to base the import value on historical expected imports, and that approach seems more likely to reflect the actual level of imports, rather than the maximum potential level.

Section 4.2.12 of the Proposed Assumptions and Scenarios then suggests that the import level used in the modeling will be derived from the CAISO's import tool. This section would be improved if it more clearly explained whether the assumption is for the maximum level of imports (*i.e.*, the absolute limit on potential imports) or the level of imports that actually or economically will occur.

IV. GENERATION RESOURCES WITH PENDING APPLICATIONS

The Ruling asks parties to respond to a specific question: "Should this A&S document include generation resources with pending applications for modeling purposes?"

IEP observes that few generating resources begin construction in California before the Commission has approved the power purchase agreement (PPA) with the utility. In fact, many PPAs expressly do not become effective until the utility has received a "final and unappealable" Commission decision approving the PPA. In light of those facts, the better modeling approach is for the modeling assumptions **not** to include generation resources with pending applications. Experience has shown that the Commission does not approve every

application put before it, that the Commission's approval of an application can be overturned by the appellate courts, and that the Commission may require a deferral of the facility's commercial operation date as a condition of approval. In each of these instances, including the pending resource in the modeling would lead to distorted results.

For that reason, modeling to identify a shortfall or the need for additional resources should not include pending resources and should not assume that pending resources will come on-line as proposed.

V. CONCLUSION

IEP respectfully asks the Assigned Commissioner and Administrative Law Judge to consider IEP's comments as they develop the standard assumptions and scenarios to be used in the 2015-2016 proceedings.

Respectfully submitted January 12, 2015 at San Francisco, California.

GOODIN, MACBRIDE, SQUERI,
DAY & LAMPREY, LLP
Brian T. Cragg
505 Sansome Street, Suite 900
San Francisco, California 94111
Telephone: (415) 392-7900
Facsimile: (415) 398-4321
Email: bcragg@goodinmacbride.com

By /s/ Brian T. Cragg

Brian T. Cragg

Attorneys for the Independent Energy Producers
Association