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

R. 08-02-007  
(Filed February 14, 2008)
BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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

PRE-WORKSHOP COMMENTS OF THE ENERGY PRODUCERS AND USERS
COALITION AND THE COGENERATION ASSOCIATION OF CALIFORNIA ON
PLANNING SCENARIOS AND METRICS

Pursuant to the Energy Division’s email distributed on August 13, 2008,
the Energy Producers and Users Coalition ¹ (EPUC) and the Cogeneration
Association of California ² (CAC) serve the following pre-workshop comments.

Staff has asked for these pre-workshop comments on long-term procurement
plan (LTPP) planning scenarios and metrics in part, to ensure that the 2010 utility
LTPPs account for GHG uncertainty. While many critical issues related to GHG
policy are still under consideration in the GHG docket (R.06-04-009) and by the
California Air Resources Board (CARB), preliminary development of scenario
assumptions and metrics is possible. In particular,

• Different planning scenario assumptions should be used to account for
  the differing operational features of combined heat and power (CHP)
  and California Solar Initiative (CSI) resources;

¹ EPUC is an ad hoc group representing the electric end use and customer generation
interests of the following companies: Aera Energy LLC, BP West Coast Products LLC, Chevron
U.S.A. Inc., ConocoPhillips Company, ExxonMobil Power and Gas Services Inc., Shell Oil
Products US, THUMS Long Beach Company, Occidental Elk Hills, Inc., and Valero Refining
Company - California
² CAC represents the combined heat and power and cogeneration operation interests of
the following entities: Coalinga Cogeneration Company, Mid-Set Cogeneration Company, Kern
River Cogeneration Company, Sycamore Cogeneration Company, Sargent Canyon Cogeneration
Company, Salinas River Cogeneration Company, Midway Sunset Cogeneration Company and
Watson Cogeneration Company.
I. DIFFERENT PLANNING SCENARIO ASSUMPTIONS SHOULD BE USED FOR CHP AND CSI RESOURCES

The Energy Division’s proposed scenario template, perhaps unintentionally, suggests that planning assumptions will be the same for CHP and solar photovoltaic resources of the CSI program. While the E3 GHG modeling results reveal that both of these resources have a negative utility GHG cost, the resources have materially different operational characteristics. These differences in operational characteristics warrant different assumptions for different scenarios. In fact, it is noteworthy that CARB’s GHG recommendations for these resources vary considerably. While CARB recommends an increase in CHP resources by 4,000 MW, it recommends maintaining the existing program target for the Million Solar Roofs program. Accordingly, the planning scenario template should accommodate different assumptions for each of these resources.

II CARB DRAFT SCOPING PLAN RECOMMENDATIONS ARE A REASONABLE SOURCE FOR CHP ASSUMPTIONS TO BE USED IN PLANNING SCENARIOS

The CARB draft scoping plan recommendations are a reasonable starting point for planning scenario assumptions regarding CHP resources. One goal of this proceeding is to ensure that utility LTPP planning scenarios and metrics take account of GHG uncertainty. Importantly, through their consideration of GHG

3 CARB Draft Scoping Plan, at 11.
policy, both the CPUC and CARB are considering different treatment and/or increased use of CHP resources.\(^4\) Reliance on CARB’s draft scoping plan recommendations for CHP growth is therefore appropriate given that they are indicative of the state’s proposed GHG reduction strategy. In particular, the CARB draft scoping plan recommends an increase in CHP by 4,000 MW by 2020.\(^5\) At a minimum, this estimate should be used in the planning scenarios. A proposed planning scenario is presented below:

<table>
<thead>
<tr>
<th>Line</th>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Scenario Name:</td>
<td>CARB CHP Policy Scenario</td>
</tr>
<tr>
<td>2</td>
<td>Purpose of Scenario:</td>
<td>Evaluate the cost, reliability and GHG impacts resulting from implementation of the CARB CHP Policy Scenario</td>
</tr>
<tr>
<td>3</td>
<td>Load forecast:</td>
<td>Reference Case load forecast</td>
</tr>
<tr>
<td>4</td>
<td>Energy efficiency achievement:</td>
<td>Reference Case load forecast</td>
</tr>
<tr>
<td>5</td>
<td>Demand response achievement:</td>
<td>Reference Case load forecast</td>
</tr>
<tr>
<td>6</td>
<td>California Solar Initiative (CSI)</td>
<td>CSI at Reference Case achievement</td>
</tr>
<tr>
<td>7</td>
<td>Combined heat and power (CHP) achievement:</td>
<td>Existing CHP at current levels and new CHP at CARB target levels.</td>
</tr>
<tr>
<td>8</td>
<td>Plant retirements:</td>
<td>Reference Case assumptions</td>
</tr>
<tr>
<td>9</td>
<td>Fuel price forecast:</td>
<td>Reference Case assumptions</td>
</tr>
<tr>
<td>10</td>
<td>CO2 allowance price forecast:</td>
<td>Reference Case assumptions</td>
</tr>
<tr>
<td>11</td>
<td>Greenhouse gas (GHG) regulation scheme:</td>
<td>Reference Case assumptions</td>
</tr>
<tr>
<td>12</td>
<td>CO2 emissions limits:</td>
<td>Reference Case assumptions</td>
</tr>
<tr>
<td>13</td>
<td>Renewable Portfolio Standard (RPS) definition:</td>
<td>RSP at legislated levels.</td>
</tr>
<tr>
<td>14</td>
<td>Resource characterizations for preferred – EE, DR, DG/CSI, renewables (intermittent &amp; baseload) – and fossil resources.</td>
<td>Order for Preference: EE; DR; DG/CSI; DG/CHP; renewables, and fossil</td>
</tr>
</tbody>
</table>

\(^4\) See Administrative Law Judges’ Ruling Requesting Comments on Combined Heat and Power Policies; CARB Draft Scoping Plan Appendices, at C-73 – C-76.

\(^5\) See CARB Draft Scoping Plan Appendices, at C-73 – C-76.
III. A CONSISTENT SET OF METRICS THAT ACCURATELY QUANTIFIES IMPACTS OF PLANNING SCENARIOS SHOULD BE USED

Staff asks parties to comment on the use of planning metrics in the planning process. The workshop notice clarifies that metrics are important to provide a “quantitative measure by which the performance of a given portfolio will be evaluated.” At a minimum, the planning metrics used by the utilities should include the following broad categories: cost, reliability, and environmental performance. Importantly, the adopted metrics must adequately reflect impact on these categories. Use of the same metrics for each scenario will also ensure that the inherent strengths and weaknesses of one scenario may be fairly compared to others.

The developed metrics must accurately quantify impact of chosen scenario. For example, in evaluating cost and environmental performance, the metric selected must be structured to encompass all relevant costs and performance associated with the individual resources comprising the portfolios. Likewise, the metric evaluating system needs to adequately reflect a portfolio’s impact on reliability. For instance, an appropriate reliability metric should indicate that a portfolio with a high level of intermittent resources will not have the same level of reliability as a comparable portfolio with natural gas-fired combustion turbine and/or combined cycle gas turbine resources. Use of a reserve margin metric alone therefore, would be insufficient. Instead, a more rigorous reliability analysis that considers the probability that generation will be insufficient must be used.

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Notice of August 28, 2008 Energy Division Workshop on Planning Scenarios and Metrics and Data Request, at 6.
The same metrics must be applied to measure impacts of planning scenarios. Where different metrics are used, an apples-to-apples comparison of different planning scenario results will not be possible. This, in turn, means that the scenario results cannot be fairly compared with each other, which defeats the purpose of using the metrics. In short, to ensure that this process generates useful information, the utilities must use the same metrics to evaluate planning scenario results.

IV. CONCLUSION

The 2010 LTPPs will benefit from maintaining the open and transparent process promoted by Energy Division in the development of LTPP standards. Meaningful public participation will be ensured by continued posting and publication of all generic, standard planning information, including scenarios and metrics.

Respectfully submitted,

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August 22, 2008