Alternative Proposal
(SCE & SDG&E)

Long-Term Procurement Plan Proceeding
(R.08-02-007)

August 7, 2009
General Reaction to Staff Proposal

- Proposed work scope reflects the feedback of parties in many instances
- Appreciate the recognition that resource planning should not conflict with the Commission’s goal to advance markets
- Potential consideration of a sequential process to first address policy issues and subsequently address specific utility procurement plans is constructive
- Proposed scope of the proceeding creates some significant concerns
  - In particular, the proposed planning analyses are utility-centric and do not equitably encompass all CPUC-jurisdictional entities
Concerns with Staff Proposal

- Bulk of work scope is policy-related material
  - Should be applicable to all CPUC-jurisdictional entities

- Work scope and input assumptions are too prescriptive and may be wrongly viewed as IOU work product

- Work scope is unwieldy and will lead to AB57 Procurement Plan delays

- Coordinated approach is problematic
  - Requires Energy Division to be very prescriptive to ensure consistency between IOU plans
  - Duplication of effort by IOUs and intervenors that must try to follow three separate analyses
  - Likely intervenor concerns regarding possible IOU biases

- Joint approach is unrealistic
  - IOU inability to share market-sensitive information, if needed to develop assumptions
  - Difficulty resolving differences of opinion
  - Likely intervenor concerns regarding possible IOU biases
SCE-SDG&E Proposal Objectives

- Continue to have a CPUC proceeding that allows for sufficient review and timely approval of
  - IOU’s AB57 Procurement Plans for bundled customers
  - System need determination to ensure reliability, while considering impact to the environment and consistency with preferred loading order until a longer term RA market structure solution is developed

- Maintain comparable procurement obligations for all LSEs and equitable cost allocation to all benefiting customers

- Provide a process that will inform CPUC of the cumulative impact of all state policies that have procurement implications

- Provide a forum for stakeholders to advance various policy and procurement interests
SCE & SDG&E Alternative Proposal

- Open a separate proceeding for the system-wide policy analysis

- New OIR will address Integrated Resource Planning (IRP) and related policy issues

- Existing proceeding will be limited to:
  - Approval of AB57 procurement plans
  - Authorized system procurement
Alternative Proposal Process Diagram

1) IRP Objectives:
   - Focus on policies that are aligned with the Guiding and Working Principles outlined in Staff's Proposal
   - e.g., Assess AB32-Compliant Preferred Resource Mix
   - e.g., Assess RPS Cost & Implementation Feasibility
2) Other studies or proposals that parties want CPUC to take into consideration
   - OTC Policy

Timeline TBD

Notes: Dates, inputs and scope are illustrative and would be set by the CPUC each cycle.
New IRP OIR Proceeding

- **What:**
  - New IRP OIR will be a forum for system wide policy-related analysis
  - Topics and analysis will evolve over time

- **Who:**
  - Scope and use of analysis must be specified by the Commission
  - Energy Division Staff to manage the proposed system-wide policy analysis
    - Analysis will be performed by consultants
  - Study to be funded by all customers, not just bundled customers
  - Proceeding is applicable to all CPUC-jurisdictional entities
New IRP OIR Proceeding: Policy Inputs

- CPUC Preliminary Scoping Memo requests input on policy issues
- CPUC Scoping Memo identifies scope and use of analysis
New IRP OIR Proceeding: Data Inputs

- CPUC to hire consultants to conduct resource policy analysis and screen stakeholder feedback on policy and data inputs

- IRP Analysis relies on public assumptions and inputs information (e.g., CPUC proceedings and studies, CEC studies, CAISO studies, and RETI) for input assumptions and utilizes existing policies (e.g., EE goals) as base assumptions
  - Consultant could request confidential data from parties to help develop and inform assumptions

- A CPUC ruling provides direction to the consultant on scenarios, sensitivities and data inputs.
New IRP OIR Proceeding: Stakeholder Process

- All parties will have access to the model used for the analysis

- All parties can provide recommendations to input assumptions

- The process will include an opportunity to comment (and have hearings if necessary) on the analysis.

- All parties should have an opportunity to provide competing analyses based on their own view of appropriate scenarios, sensitivities, data inputs and portfolio designs
New IRP OIR Proceeding: Results

- IRP studies will provide policy guidance for regulatory/legislative initiatives and ongoing CPUC proceedings (e.g., LTPP, RPS, Transmission Planning, DR, EE, etc.)

- IRP studies may identify inconsistencies in existing CPUC policies; CPUC decision may direct further investigation in applicable proceedings
**What:**
- AB57 procurement plan review and approval for bundled customer requirements
  - Establish up-front achievable standards and criteria for eligible procurement activity
- Coordinated IOU spreadsheet system need analysis
  - Adoption of new capacity requirement for system benefit, if needed
- Will incorporate CPUC 2006 LTPP guidance and guidance from subsequent IRP proceedings as available

**Who:**
- IOUs will continue to perform individual service area bundled customer LTPP analysis
- Non-market participants will have access to confidential bundled customer procurement information pursuant to applicable CPUC rules
AB57 Proceeding: Process Initiation

- **Phase 1**
  - IOUs identify system capacity needs using coordinated spreadsheet analysis
    - Demonstrate consistency with CPUC mandates
  - Parties address “in scope” policy issues related to procurement rules

- **Phase 2**:  
  - IOUs submit their respective AB57 Procurement Plan filings for bundled customer requirements
    - Plans will incorporate all requirements and policy objectives that result from the separate IRP proceeding and previous CPUC decisions
    - Revisions from previously approved plan should be clearly identified

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**CPUC Inputs:**
- PRM (reserve margin)
- NQC (RA capacity)
- MPR (Gas/CO2 methodology)

**CEC Inputs:**
- Load Forecast
- Energy Efficiency
- Customer Generation

**CAISO Inputs:**
- RPS Integration Study (type and amount of integration resources needed)
Bundled customer analysis will be available to intervenors consistent with applicable confidentiality rules.

System capacity spreadsheet analysis will be available to all intervenors.

CPUC may schedule workshops and/or hearings as necessary.
AB57 Proceeding: Results

- Phase 1 CPUC decision:
  - Act on “in scope” policy issues related to IOU procurement programs and rules
  - Direct IOUs to engage in system procurement, if needed
    - All system procurement would be eligible for CAM treatment

- Phase 2 CPUC decision:
  - Adopt AB57 procurement plan for each IOU
Benefits of Alternative Proposal

- Allows for better framing and consideration of policy-related analysis
- More flexible process for addressing changing needs
- Streamlines the review and approval of AB57 Procurement Plans
- Leads to analysis based on more accurate information