California Energy Commission
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California Energy Commission
1516 Ninth Street
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RE: Draft Lead Commissioner Report - 2012 Integrated Energy Policy Report Update - CEC-100-2012-001-LCD

Dear Commissioners:

As in past years, the 2012 Integrated Energy Policy Report Update (IEPR Update) represents a substantial effort on the part of the Energy Commission, its staff, and the parties that participated in the various workshops. San Diego Gas and Electric Company (SDG&E) offers the following comments on the IEPR Update Recommendations:

1) SDG&E supports the Chapter 1 recommendation "The Energy Commission should begin an effort to reflect more comprehensively uncertainty surrounding the demand forecast, particularly regarding the interaction and implementation of California's policies for zero emission vehicles, combined heat and power, and distributed generation." (p. 15) The State needs to better understand potential interactions to better identify and resolve incompatible goals, and the overall impact of the environmental policies on the State's electrical system.
2) SDG&E supports the recommendation of Chapter 2 to assure natural gas infrastructure can support renewable integration. Given that the likely impact of renewable integration will be to increase the variability of gas demand throughout the day as gas-powered generation provides increased ramping and regulation ancillary services, the natural gas infrastructure needed to support renewable integration should also include in-state natural gas storage and intrastate pipelines. In-state natural gas storage can be used to meet hourly fluctuations, while intrastate pipelines will experience increased fluctuations of pipeline pressures.
3) Chapter 3 of the IEPR Update, "Combined Heat and Power Assessment and Barriers," is based on the ICF International report and a staff white paper identified in footnotes 20 and 21. The flaws of the analyses and recommendations contained in those documents regarding combined heat and power (CHP) were addressed in SDG&E comments on the staff white paper filed with the CEC on October 19, 2012 and will not be repeated here. Chapter 3 recommendations should be modified as follows:
    a. The first recommendation should be modified from "the Energy Commission should revisit and update its CHP technical assessments" to "the Energy Commission should revisit and update its CHP technical **<u>and economic</u>** assessments". Technical viability must be tempered with economic reality as described in SDG&E comments on the staff white paper.

b. The second recommendation should be deleted. The underlying case described in the staff white paper that led to this recommendation involved a contractual dispute. It is not appropriate for the IEPR Update to address contractual disputes.

c. The third recommendation should be expanded to report on all programs to promote the State's CHP goals, not just investor-owned utility (IOU) programs. Specifically, the report should include comparable details on each publically-owned utility (POU) CHP program implemented.

4) In Chapter 5, the CEC provides a comprehensive look at the future of renewable energy development. As the Commission assesses what it should do in this area, it is important to recognize that the major IOUs have completed contracts for the vast majority of renewable energy to meet the 33 percent RPS, and in some scenarios, all of the renewable energy that will be needed to meet the 33 percent RPS. Thus, there is little these recommendations will do to alter a large portion of renewable development. Thus the Commission should specifically state that, for the most part, these recommendations are focused on distributed renewable energy development apart from the RPS, renewable energy development of POUs, or are looking to influence renewable development after 2020.

5) Chapter 5 lists a number of strategies and 31 recommendations. The following are comments on some of the 31 recommendations of Chapter 5:

a. #1 – "Incorporate Distributed Renewable Energy Development Zones Into Local Planning" This recommendation should not have utilities in the lead. IOUs already provide detailed distribution planning data that can be used in the process, but the Energy Commission is much better situated to influence local planning and permitting.

b. #3 –"Conduct 2030 Analysis" This recommendation should be expanded to also consider utility need for non-dispatchable CHP in light of the IEPR demand forecasts, the IEPR Update's Renewable Action Plan, and the State's 2050 goals.

c. #5 – "Modify Procurement Practices to Develop a Higher Value Portfolio" This recommendation includes POUs in the discussion, but includes only the CPUC as the lead. There seems to be very little public information on POU or Energy Service Provider (ESP) renewable procurement practices. The Energy Commission should be listed as a lead agency, providing input to non-IOU procurement practices, which account for one-third of all renewable procurement in the State, to account for the factors listed as important in this recommendation.

d. #6 – "Revise Residential Electric Rate Structures" SDG&E supports this recommendation and would encourage the CPUC to move quickly on making necessary changes required to be compatible with a low carbon future.

e. #7 – "Improve Transparency of Renewable Generation Costs" The recommendation for transparency would be improved if the Energy Commission were to compile data on renewable generation costs in aggregate for POUs and ESPs for renewables similar to the CPUC report to the legislature. There is little compiled information on one third of all renewable procurement in the State associated with non-IOU retail providers.

f. #12 – "Develop a Dialogue on Distribution Planning and Opportunities for a more Integrated Planning Process." This section should include a listing of specific examples of the type of costs that will likely be incurred with higher penetrations of distributed renewables. These costs include increased costs 1) to shift load between circuits and/or substations for reliability purposes, 2) to mitigate voltage stability, system protection, and conductor thermal limit violations, and 3) from increased line losses if distributed renewables are not located near load or exceeds local load.

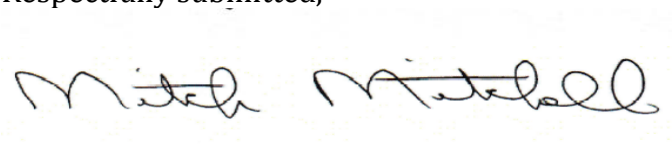
g. #13 – "Disaggregate the Energy Commission's Demand Forecast" This recommendation should be eliminated since it will not produce useful information. The problem with distributed generation is not that developers do not know where demand is located; it is that land is cheap and the wind blows in areas that are less populated and where utilities have a weaker distribution infrastructure.

h. #14 – "Create a Statewide Data Clearinghouse for Renewable Energy Planning" This recommendation should be deleted as redundant since the data is addressed in other recommendations.

i. #16 – "Develop a Forward Procurement Mechanism" This recommendation is focused on the CAISO balancing authority. The recommendation should be expanded to discuss the need for flexible resources and the procurement of flexible resources in the other balancing authorities in California that may also have issues with renewable integration.

j. #17 – "Define Clear Tariffs, Rules, and Performance Requirements for Integration Services" The recommendation only addresses CAISO. The recommendation should address the other balancing authorities in California.

6) While there were 31 recommendations, SDG&E would suggest the following recommendation should be added to the IEPR Update – "Flexible gas-fired generation and energy storage needed to integrate renewables should be placed just behind renewables in the loading order." If reliability of the system is to be maintained, flexible resources should be added in conjunction with expanded renewable generation, both centralized and distributed. The need for complementary resources is highlighted throughout the IEPR Update as a necessary service to maintain a safe and reliable electric grid that meets the state's environmental policy goal of 33 percent RPS. The agencies that developed the loading order should revisit the loading order with respect to this particular question.

In closing, SDG&E appreciates the opportunity to provide comments on the draft 2012 IEPR Update.

Respectfully submitted,