Energy Action Plan

CPUC LTPP Proceeding Status Update

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Background

- Long Term Procurement Plans (LTPP):
  - LTPPs are a form of integrated resource plans
  - LTPPs use a 10 year timeframe
  - Procurement plans incorporate EAP loading order: EE, DR, Renewables, Solar, plus new, existing, and/or repowered conventional generation
  - LTPP proceeding is an "**umbrella**" proceeding in which we consider, **in an integrated fashion**, all of the Commission's electric resource procurement policies and programs
  - IOUs forecast demand and identify how they will meet needs
- Resource Adequacy ("RA"):
  - Utilities and other LSEs must acquire sufficient generating capacity to serve customers needs at peak, plus a 15% reserve margin
  - Based on CEC demand forecast
  - Rules are coordinated with ISO market and operations

Procurement and Resource Adequacy Under One Umbrella

- State focus on Load Serving Entities (LSE)
- Two Pronged approach:
  - IOUs develop and follow procurement plans
  - LSEs make Resource Adequacy (RA) showings
- CPUC gets Resource Adequacy in the short term through the 1 year RA requirement/RA program
- Longer term, RA comes through procurement pursuant to Long Term Procurement Plans
- The two proceedings work in tandem to achieve the big picture goal of statewide Resource Adequacy over the long term

Long Term Procurement Goals

- Integrate EAP II Goals into LTPP
  - Are the IOUs following the Loading Order?
  - How do the IOUs assess resource trade offs?
  - Put the focus on Integrated Resource Planning
- Review Selected procurement practices & procedures; e.g., credit & collateral, independent evaluator, competitive solicitations, etc.
- Review 10-year Resource Plans
- Identify need for new resources
- Assessment performed well in advance to avoid “just-in-time procurement”

Resource Need Determination

- LTPPs identify the need for new resources (2007-2016) based on CEC IEPR forecasts
- Establish the specifics of any need determination
  - Range of Need (e.g. 500-700 MW)
  - Timeframe (e.g. 2010-2012)
  - Location (e.g. x % in Local Areas)
  - Type of resource needed (Blackstart, quickstart, VAR support, wind integration, baseload/shaping/peaking)
  - Timeframe of RFO
- Establish need on a system and bundled customer basis
- The Commission established a cost allocation mechanism that stays in place until it is replaced by subsequent directives, therefore, LTPPs must look at both bundled and system need
  - LTPP Phase 2 decision will determine whether cost allocation mechanism is extended to next round of contracts

Proposed IOU Needs

- San Diego Gas & Electric:
  - Requests 900 - 1900 MW; 2008 – 2012 timeframe
  - Requests 250 MW required to be new 2008 peaking capacity
  - SDG&E is seeking early Commission action on these peakers so that the needed capacity is online and operational when needed in 2008

Proposed IOU Needs, continued…

- Southern California Edison:
  - Asserts that SP-26, under certain conditions, is resource sufficient through 2012 and does not explicitly seek authorization for additional long term procurement authority in the early years. In the outer years, SCE states that SP-26 needs approx 1340 MW by 2016
  - States that its net short position can be met through various short term contracting methods from existing and planned resources.

Proposed IOU Needs, continued…

- Pacific Gas & Electric:
  - Requests up to 2,300 MW of new dispatchable and operationally flexible capacity starting in 2011
  - Need requested base on a 16% PRM on a 1- in-10 temperature expected peak demand
  - Request includes 200 MW to replace the reduction in DR associated with D.06-11-049
  - Also requests 500 MW for commercial contingency

2006 LTPP Policy Issues

- SDG&E requests an advance ruling on the need for up to 250 MW of new peaking capacity to be online by August 2008
- Creation of a procurement “rulebook”
- AB1576 - repowering legislation
- 50/50 cost cap/sharing provision
- RECs
- Role, function and scope of the Independent Evaluator
- Role, function and scope of the PRG
- Clarification of the interrelated nature of the Commission’s RA and LTPP proceeding

Resource Adequacy Issues

- Structure of the Capacity Market
  - Bilateral vs Centralized
- Forward Procurement Obligation
  - 1 year vs multiple years
- Planning Reserve Margin
  - Components and Methodology

What Does the Future Hold for CPUC Procurement?

- Number 1 goal: Move the procurement decisions/actions further out in the future to avoid just-in-time procurement activity
- Create a “Procurement Rulebook”
- Increased attention to greenhouse gas forecasts and carbon constraints in the LTPPs
- Longer Term Resource Adequacy program – improvements in how capacity is traded
- Further integration of planning tools – Forecasts, Planning Reserve Margins, Resource Metrics, etc.
- Continually looking to increase the effectiveness of Commission procurement policies and procedures
- Continued cooperation between the CEC and the CPUC