

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

Application of Southern California Edison
Company (U 338-E) for Approval of the Results
of Its 2013 Local Capacity Requirements Request for
Offers for the Western Los Angeles Basin.

Application 14-11-012
Filed November 21, 2014

RESPONSE OF THE WESTERN POWER TRADING FORUM

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January 12, 2015

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Pursuant to Rule 2.6 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, the Western Power Trading Forum (“WPTF”)¹ hereby files its Response² to the Application of Southern California Edison Company (“SCE”) for approval of the results of its 2013 Local Capacity Requirements (“LCR”) Request for Offers (“RFO) for the Western Los Angeles Basin (“West LA Application”).

I. INTRODUCTION

SCE requests that the Commission approve the LCR RFO, SCE’s conduct with respect to the LCR RFO, and the contracts selected through the LCR RFO process for the Western LA Basin as prudent and reasonable.³ While WPTF does not opine on the specific contracts offered

¹ WPTF is a California non-profit, mutual benefit corporation dedicated to enhancing competition in Western electric markets in order to reduce the cost of electricity to consumers throughout the region while maintaining the current high level of system reliability. WPTF actions are focused on supporting development of competitive electricity markets throughout the region and developing uniform operating rules to facilitate transactions among market participants.

² Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Protests and Responses are due 30 days after notice of the Application first appears in the Daily Calendar. However, a December 19, 2014 email ruling from Administrative Law Judge Regina M. DeAngelis extended the due date for protests and responses for both applications to January 12, 2015; therefore, this response is timely filed.

³ West LA Application at p. 4.

for approval in each application, it sees no reason to argue that any appear to be either unreasonable or imprudent.⁴ Our comments, therefore, focus on SCE's conduct with respect to the LCR RFO.

II. COMMENTS ON SCE'S CONDUCT OF THE RFO

The LTPP Track 1 decision ordered SCE to procure between 1,400 and 1,800 MW of electrical capacity in the West LA Basin to meet long-term local capacity requirements by 2021, largely due to the expected retirement of once-through-cooling ("OTC") generation facilities.⁵ The same decision ordered SCE to file an LCR procurement plan to explain the utilities' plans to conduct its LCR RFO.⁶ SCE filed its LCR Procurement Plan on July 15, 2013. After Energy Division reviewed and suggested certain modifications to SCE's LCR Procurement Plan, SCE filed its final modified LCR Procurement Plan on August 30, 2013. Energy Division approved the modified plan five days later and SCE launched its LCR RFO on September 12, 2013.

Chapter 4 in the West LA Application testimony provides the LCR Solicitation Process Overview. The testimony in each describes (1) the schedule and structure of the solicitation, (2) bidder requirements, (3) outreach efforts, (4) procurement challenges, (5) SCE's attempts to procure EE and DR incremental to existing programs, (6) SCE's consultation with the CAISO, (7) the role of the IE and SCE's consultation with the CAM group and Energy Division, and (8) the impact of debt equivalence.

It is apparent that SCE's outreach efforts were quite extensive, as measured by the extensive RFO responses. The testimony indicates that "SCE received a very robust set of

⁴ As a "market participant," WPTF does not have access to the detail of the proposed contracts and thus cannot render an informed judgment thereon.

⁵ D.13-02-015 at 130-131 (Ordering Paragraph ("OP") 1).

⁶ *Id.* at 133-134 (OP 5-7).

indicative offers. In total, SCE received 1,136 offers from bidders, spanning all of the technology types SCE solicited.”⁷ Furthermore, the success of the utility’s outreach efforts is supported by the fact that many of the counterparties who bid into the LCF RFO were new to SCE’s structured procurement programs.⁸

In summary, SCE appears to have conducted a well-planned and well-executed RFO. WPTF believes there is an object lesson to be taken from this experience. Namely, there is a large market of would-be suppliers of both conventional and preferred resources. By tapping this market through its RFO outreach efforts, SCE has encouraged competition among these suppliers and achieved competitive market prices and terms and conditions for the benefit of its ratepayers. WPTF has long believed and advocated that competitive markets achieve better results for ratepayers and the results of the West LA Application support that proposition. A secondary lesson is to note that utility-owned generation by its very nature fails to achieve equivalent outcomes as it lacks the competitive element that is so vital to assuring beneficial results for ratepayers. In conclusion, WPTF commends SCE for its conduct of the LCR RFO and recommends that the Commission insist on such thorough competitive efforts in future utility procurement activities, whether by SCE or other investor-owned utilities.

III. COST ALLOCATION ISSUES

The LTPP Track 4 decision instructed SCE to propose a cost allocation methodology for the resources procured through the LCR RFO. Whereas the methodology for conventional resources was expected to be consistent with D.13-02-015 and the CAM adopted in D.06-07-029, D.07-09-044, D.08-09-012 and D.11-05-005, it was recognized that this methodology might

⁷ West LA Application testimony, at p. 35.

⁸ *Ibid.*

not be appropriate for preferred resources. Therefore, SCE recommends methods of cost allocation for each resource type for which SCE is seeking procurement approval. In this regard, WPTF supports the comments of the Alliance for Retail Energy Markets (“AReM”) filed concurrently herewith with regard to the need for there to be greater specificity as to precisely what resource adequacy benefits are to be allocated to non-utility load-serving entities in SCE’s service territory, and the manner in which the net capacity costs will be calculated.

IV. PROCEDURAL MATTERS

A. Category and Hearings

SCE proposes that this Application be categorized as a ratesetting proceeding and further suggests that hearings are not needed, although it includes a proposed schedule for them to be held. WPTF concurs that the matter should be categorized as ratesetting and offers no opinion as to the need for hearings.

B. Party Status Pursuant to Rule 1.4(a)(2)(i)

WPTF respectfully requests party status for this proceeding, pursuant to Rule 1.4(a)(2)(i).

WPTF will be represented by:

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V. CONCLUSION

SCE has conducted a thorough and well-planned RFO, for which it should be commended. While WPTF takes no position as to the prudence of any of the individual contracts offered in the West LA Application, it believe the process utilized by the utility to

supply the needs authorized in the Track 1 and Track 4 decisions was appropriate and well-executed. In conclusion, the Application demonstrates that competitive markets offer ratepayers the best and most price-responsive options. WPTF also endorses the comments of AReM with regard to the issue of cost allocation and resource adequacy benefits. WPTF thanks the Commission for its attention to the issues and discussion contained herein.

Respectfully submitted,



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