

March 3, 2011

California Energy Commission
Docket Office, MS-4
Re: Docket No. 11-IEP-1D
1516 Ninth Street
Sacramento, CA 95814-5512
docket@energy.state.ca.us

DOCKET	
11-IEP-1D	
DATE	Mar 03 2011
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Re: California Energy Commission (“Energy Commission”) Docket No. 11-IEP-1D Reliability: Joint Agency Workshop on Emission Offset Challenges for Fossil Power Plants in Southern California

To Whom It May Concern:

Southern California Edison Company (“SCE”) participated in the Joint Agency Workshop on Emission Offset Challenges for Fossil Power Plants in Southern California on February 15, 2011. The purpose of the workshop was to provide an opportunity for the Energy Commission, the Air Resources Board (“ARB”) and other collaborating state agencies (collectively referred to as the “Joint Agencies”) to solicit public comments, questions, and suggestions on managing the emission offset challenges for power plants in Southern California and on the Joint Agencies’ proposed work plan¹ entitled, “Assessment of the Electrical System Reliability Needs in South Coast Air Basin and Recommendations on Meeting those Needs” (the “Draft Work Plan”). SCE appreciates the opportunity to provide written comments as a follow up to our oral statements at the workshop.

SCE supports the Joint Agencies’ efforts to address the emission offset challenges facing power plant owners and developers in the South Coast Air Basin (“SCAB”). SCE agrees with the Draft Work Plan’s assessment that more detailed studies are needed to better understand how grid system reliability can be maintained in a manner that is sensitive to the state’s environmental goals. As part of these studies, the Joint Agencies should recognize certain changes in the production and use of electricity expected over the next 20 years. For instance, Southern California has a large fleet of fossil fueled power plants that are aging and whose owners will face a decision on retirement, refurbishment or replacement; increasing renewable energy resources and distributed generation will create grid operational challenges that increase the need for flexible conventional fossil generation resources; and electrification of mobile sources produces environmental benefits (e.g. electricity is less GHG-intensive than gasoline fuel) but increases the demand for electricity.

¹ Assembly Bill 1318 requires the Joint Agencies to prepare a report for the Governor and Legislature that evaluates the electrical needs of the SCAB while ensuring compliance with State and Federal law.

Specifically, the California Independent System Operator's ("CAISO") 33% Renewable Integration Study reports a need of about 2,000 to 4,300 MW of flexible conventional fossil generation resources to maintain grid system reliability across all of the CAISO area in 2020². Moreover, the CAISO's Load and Resource Analysis Screening Tool³ indicates that the L.A. Basin alone could need an additional 1,000 MW to 4,500 MW of resources to meet local capacity requirements for grid operations purposes. The conventional resources that may be needed to resolve the grid operational challenges related to renewable energy could concomitantly reduce the resource deficit in the L.A. Basin.

California's current situation may not allow for a means to acquire all the necessary emission offsets to permit and build the conventional generation that may be needed in the SCAB. While SCE agrees with the Draft Work Plan that modifying State law to provide more flexible options to increase offset availability will be helpful, SCE encourages the Joint Agencies to further consider all possible avenues to increase emission offset availability. Additional options for consideration should include reviewing the timelines of State laws and policies that result in the need for emission offsets or using mobile source offsets. A number of mechanisms under the current Clean Air Act should also be explored such as those identified at the workshop⁴ and by the South Coast Air Quality Management District's ("SCAQMD") 2009 New Source Review ("NSR") Working Group⁵. SCE encourages the Joint Agencies to work together with the CAISO as well as other state agencies to determine the role that emission offsets can play in maintaining grid system reliability when facing these potential changes. SCE would also like to offer its support to the Joint Agencies regarding the technical details of these studies.

SCE appreciates the Joint Agencies' efforts to address the balancing of grid system reliability in the SCAB with environmental goals and involving SCE and the public in the process. SCE hopes to continue to be an active participant in preparing and finalizing the Draft Work Plan, the detailed studies and the entire Integrated Energy Policy Report process.

Sincerely,

/s/ Manuel Alvarez

Manuel Alvarez, Manager
Regulatory Policy and Affairs

² CAISO 33% RPS Study Presentation - CPUC LTPP Workshop 11/30/10.

³ Released December 2010 – Assumptions below
(High Net Load, 33% by 2020, OTC retirements, Proposed Transmission) L.A. Basin (4660) MW,
(Low Net Load, 33% by 2020, OTC retirements, Proposed Transmission) L.A. Basin (717) MW.

⁴ For example, revised measurement methods as described by Sierra Research.

⁵ The NSR Working Group was created by the SQAAMD to explore alternatives for emission offset reform. The NSR Working Group was headed by the Deputy Executive Officer of the SQAAMD and held several meetings that were attended by utilities, industry groups, environmental organizations and government agencies.