

Natural Gas Power Plants

Agenda Item No. 29
Governing Board Meeting
February 7, 2014



Background

- Staff Oct 2013 presentation on Governor's Grid Reliability Task Force Report
 - Takes 7+ years to permit and build new or repower Generation projects
 - New Conventional Generation requires:
 - Timely approval
 - Actions by Air Agencies to provide path for emission offsets
- Federal PM10 attainment status

“Contingency Plans

The advancement of preferred resources, transmission alternatives, and generation projects must be carefully monitored to ensure the resources are developing and performing as expected. *Contingency plans for fast-tracking additional conventional generation may also be considered as a backstop in the event* repowering projects do not proceed, preferred resources do not materialize on schedule or in the amounts required for meeting reliability needs, or in the event identified transmission projects are found to be infeasible or unavailable in a timeframe consistent with OTC policy. These contingency plans could also serve to facilitate a more competitive environment for securing the needed conventional generation at least cost to ratepayers”

Objectives

- Promote preferred resources consistent with CPUC loading order, CARB AB32 Scoping Plan and SCAQMD Air Quality-Related Energy Policy
- Facilitate grid reliability
- Level playing field to increase competition, thereby lowering electricity rates
- Assist in implementation of attainment strategy

Proposal Overview

- To be part of a grid reliability ***contingency plan***
 - Eliminate roadblock to necessary natural gas generation capacity beyond R1304(a)(2)
 - Make offsets available from SCAQMD's Internal Bank
 - Regardless of ownership of existing units

Key Elements

Eligibility
Criteria

Process

Safeguards

Key Elements Eligibility Criteria

- Greenfield/New plants
- Increased capacity at existing plants
- IOUs approved and capped by CPUC
Long-Term Procurement Proceeding
determination
- MUNIs for native load only
- All emission rates are at applicable BACT

Key Elements Process

- Obtain offsets in 3 steps
 - Reserve project-specific offsets when permit applications deemed complete
 - Conditional approval when permits issued
 - Full approval when utility contracts awarded and offsets granted
- Offset fees required

Key Elements Safeguards

- IOUs: Offsets granted after contracts awarded & capped by total capacity authorized by CPUC procurement agreement and
- MUNIs: native load only; prohibit transfer/sale of capacity to third party
- Obtained offsets not tradable, but refundable if not built
- Annual report to be part of Rule 1315 report to stay below the CEQA cap

SB 288 Compliance

- Existing offset requirements satisfied through SCAQMD Internal Bank tracked by Rule 1315
- Amendments to SB288 not needed

Initial Feedback Business Community

- Generally supportive of staff recommendations to proceed
- Clear rule language to protect existing District internal offset users (small sources and essential public services) for their future needs

Initial Feedback

Environmental Community

- Questioned the shortage of power supply in Southern California
 - Response: If no shortage, no offsets will be granted without CPUC's and CEC's approval
- Contingency plan hurts preferred resource development
 - Response: Maximize time frame allowed for the development and implementation of preferred resources

Initial Feedback

Environmental Community (cont)

- CPUC long term procurement proceedings(LTPP)- a reliable process to determine needs
 - Response: Used as a gatekeeper for offset outflow
- NOx emission increase not allowed while AQMP consists of large NOx “black box”
 - Response: Consider the need for NOx offsets during rulemaking

Initial Feedback

Environmental Community (cont)

- Not to proceed with rulemaking but report back in Feb 2015
 - Response: Staff proposal relies on CPUC LTPP
- Decision can be delayed until after 2016 AQMP
 - Response: No regulatory certainty; not sufficient time to begin rulemaking, permitting, and construction by 2020

Initial Feedback

Environmental Community (cont)

- Implement SCAQMD air quality related energy policy on preferred resources
 - Response: Ongoing effort and offset fees have been and can be invested in preferred resources

Benefits

- Create a path forward to add necessary capacity
- Greater support to preferred resources by reducing the lead time needed to build natural gas plants
- Offset fees to mitigate emissions where being impacted & consistent with AQMP long term strategy, including preferred resources
- More complete market competition between project proponents creating opportunities to benefit rate payers

Staff Recommendation

- Direct staff to work with all stakeholders to develop a regulatory proposal for Board **consideration**