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

Order Instituting Rulemaking to Develop an Electricity
Integrated Resource Planning Framework and to
Coordinate and Refine Long-Term Procurement
Planning Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

**NRG ENERGY, INC. OPENING COMMENTS ON
ADMINISTRATIVE LAW JUDGE'S PROPOSED
DECISION ADOPTING PREFERRED SYSTEM
PORTFOLIO AND PLAN FOR 2017-2018 INTEGRATED
RESOURCE PLAN CYCLE**

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In accordance with Rule 14.3 of the Rules of Practice and Procedure, NRG Energy, Inc.¹ (“NRG”) hereby submits these opening comments on Administrative Law Judge Julie Fitch’s March 18, 2019 Proposed *Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle* (“Proposed Decision” or “PD”).

I. INTRODUCTION AND SUMMARY

The PD, relevant to NRG’s comments:

- Declined to adopt the Hybrid Conforming Portfolio (“HCP”) as the Preferred System Portfolio (“PSP”) because the HCP did not achieve 2030 greenhouse gas

¹ NRG Energy, Inc. is the parent of NRG Power Marketing LLC, Sunrise Power Company, LLC, and Long Beach Generation LLC, each of which owns and operates or markets generating resources in California. Because the focus of this proceeding is on California issues, NRG Energy, Inc. appears on behalf of these entities.

(“GHG”) reduction targets or the statutory 2030 60% Renewable Portfolio Standard (“RPS”) target and was less reliable than the Reference System Portfolio (“RSP”) using the 2017 Integrated Energy Policy Report (“IEPR”) assumptions;²

- Adopted the RSP), with the 2017 IEPR assumptions and the assumption that gas-fired generation will retire after a 40-year lifespan, as the PSP;³
- Found that the Integrated Resource Planning (“IRP”) proceeding is the only proceeding that provides a comprehensive look at all operational resource needs across all time periods;⁴
- Found that renewable and storage resources alone are not sufficient to provide enough renewable integration services to ensure electric system reliability;⁵
- Concluded that maintaining reliability while eliminating natural gas-fired resources by 2030 required technological solutions well beyond any of those that have been surfaced or analyzed in the IRP proceeding to date;⁶ and
- Opened a “procurement track,” with a focus on procurement activities addressing these types of resources: (1) diverse renewable resources at levels sufficient to meet 2030 climate change goals; (2) near-term resources with load following and hourly or sub-hourly renewable integration capabilities; (3) existing natural gas-fired generation resources; and (4) long duration (eight-hour or greater) energy storage.⁷

² PD, Finding of Fact 14.

³ PD, Finding of Fact 16.

⁴ PD at 129-130.

⁵ PD Finding of Fact 31.

⁶ PD at 129.

⁷ PD at 136-137.

NRG's opening comments on the PD focus on the PD's discussion of natural gas-fired resources and the proposed procurement track. In sum, NRG supports the PD (while noting lingering concerns about the assumption regarding gas-fired resources), appreciates the PD's clear-eyed and even-handed discussion of the ongoing need for gas-fired resources, and supports the proposed procurement track.

II. OPENING COMMENTS

1. The PD's Rejection of the Hybrid Conforming Portfolio and Adoption of the Modified Reference System Portfolio Is Reasonable but Leaves a Flawed Assumption Unaddressed

NRG supports the PD's rejection of the HCP in favor of the modified RSP for the reasons articulated in the PD: that the HCP fails to achieve either the IRP 42 MMT GHG target or the statutory-mandated 2030 60% RPS target. That said, the modified RSP is still significantly flawed. The assumption that gas-fired generation will retire after a 40-year life span is an incrementally better assumption than the assumption that all non-once-through-cooled generation will remain in operation in 2030, independent of its age. But it is still not the right assumption. The relevant issue is not whether gas-fired generation will remain around after it turns 40 years old; the relevant issue is whether the mechanisms are in place to identify what gas-fired generation will be needed and ensure that needed gas-fired generation will remain economically viable or will be forced to retire before it turns 40. Because the 40-year retirement assumption still fails to account for the economic realities facing gas-fired generation, the RSP almost certainly still overstates the amount of gas-fired generation that will remain economically viable in 2030. This, in turn, causes the PSP to continue to paint an overly optimistic reliability picture.

2. **The PD's Discussion of Natural Gas-Fired Generation Issues Is Both Timely and Necessary**

The PD refreshingly includes practical and even-handed findings about the current and future role of gas-fired generation in ensuring reliability and integrating increasing amounts of variable renewable generation.⁸

The PD properly concludes that “Natural gas plant owners understandably want to plan for the future of their assets, and without any assurances from buyers, they face even greater uncertainty. This adds up to a need to focus 3-4 years out for the retention of necessary reliability and renewable integration resources to support the system for the planning horizon.”⁹ The PD further notes that “...comments received in the initial cycle lead us to conclude that we need to put more emphasis on analysis focused on existing resources needed for reliability and their economic viability, particularly natural gas[-fired] resources.”¹⁰ NRG strongly agrees. NRG notes that while the Resource Adequacy (“RA”) proceeding recently adopted three-year forward local capacity requirements, that adoption does not amount to the comprehensive three- to four-year-ahead focus called for in the PD.¹¹ The multi-year forward requirements recently adopted in the RA proceeding apply only to local capacity and not

⁸ See, e.g., PD Findings of Fact 31, 32 and 33; PD at 129 (“It is possible that there are fewer gas-fired resources needed between now and 2030, but there are certainly some, based on our analysis to date. Eliminating natural gas-fueled resources altogether by 2030, while maintaining reliability, would require technological solutions well beyond any of those that have been surfaced or analyzed in this proceeding to date.”); PD at 133 (“While that is admirable and necessary, it is also the case that even by 2030, if we meet our GHG emissions goals, the need for natural gas resources to help support system reliability will not be reduced to zero. While we are focused on minimizing the operation of fossil-fueled resources to the extent possible, especially in disadvantaged communities, there will still be the need to contract with existing natural gas resources needed to maintain system reliability as well as affordable electricity in the state while this broader transition is underway.”)

⁹ PD at 135.

¹⁰ PD at 129.

¹¹ The PD concluded at 129: “While the resource adequacy proceeding addresses planning reserve margins one year ahead, and now has a three-year procurement requirement for local resources, it currently does not provide a comprehensive look at all of the operational resource needs across all time periods addressed by the IRP process.”

to the renewable integration services that the PD asserts every existing non-renewable resource is current required to meet.¹² Moreover, the three-year forward local capacity requirements adopted in the RA proceeding only require 50% procurement in the third year, bringing into question whether the new multi-year forward requirements meaningfully ensure reliability in the third year.

The PD's recognition of the ongoing need for gas-fired generation is a very positive, but initial, step. While the recent modifications to the RA program help promote the ongoing viability of needed gas-fired resources, those modifications are incomplete and should be supported by the proposed procurement track, as discussed below.

3. NRG Supports the Proposed Procurement Track, Especially the Focus on Retaining Needed Existing Gas-Fired Generation.

The PD directs the establishment of a procurement track that is intended, among other things, to address the need to secure existing gas-fired resources.¹³ The current and future role of gas within an integrated portfolio for which cost, reliability and GHG reduction are co-equal considerations is a critically important issue, and a serious discussion about retaining gas-fired generation that is backed by rigorous publicly-specified analytical work and considers *all* reliability needs is overdue.

Work is already underway in the next (2019-2020) IRP cycle to better consider the economic viability of gas-fired generation and to increase the span of reliability issues examined. While the PD's procurement track is welcome, it is not clear how that procurement track will be coordinated with this already-underway work in next IRP cycle. The needed reliability and economic analysis is important enough that it should not be spread haphazardly between, or

¹² PD at 133, Finding of Fact 32.

¹³ PD at 136-137.

duplicated in, the procurement track and the next IRP cycle. Instead, the Commission should clarify whether the critical work to determine the need for and economic viability of the gas fleet will be undertaken the procurement track or in the 2019-2020 IRP cycle.

With regards to the PD's "who will procure" question underlying the procurement track,¹⁴ NRG observes that the most promising answer to many of the questions the PD poses about the future of procurement lies with the creation of an independent, centralized procurement entity freed from the credit rating of any single load-serving entity and backed by the full faith and credit of California's robust and diverse ratepayer base. Such a centralized procurement entity, well designed and timely implemented, can overcome the issues of entity-specific credit risk, fragmented procurement, and equitable, durable and accountable cost allocation that currently cast a shadow over California's existing procurement structure. Such an entity does not exist now and cannot be deployed overnight, but remains the best hope for addressing the myriad challenges identified in the PD.

¹⁴ PD at 136.

III. CONCLUSION

NRG appreciates the opportunity to provide these opening comments.

Respectfully submitted,

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