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California Energy Commission report projects local electric reliability deficits by 2021, potentially triggering the need for new natural gas power generation

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The California Energy Commission (CEC) has released an August 2015 [report](#) projecting local reliability shortfalls in the Los Angeles basin planning area as early as

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2021. The deficits may require new natural gas power generation to maintain grid reliability.

This finding is part of the Integrated Energy Policy Report, a collaborative effort with the California Public Utilities Commission (CPUC), California Independent System Operator, and the California Air Resources Board.

The report recommends that the CPUC “[i]nclude in its 2016 [Long Term Procurement Plan (LTPP)] rulemaking an explicit focus on local capacity requirements. Further, the CPUC should not assume that such requirements in the intermediate period 5-8 years forward have been satisfied through decisions in the 2012 LTPP rulemaking and the procurement activities authorized by D.14-03-004.” This recommendation would represent a significant shift in the CPUC’s planning horizon because the 2016 LTPP is intended to evaluate the need for new power resources beginning in 2026, not as early as 2021. Now, it appears that new resources may be needed much faster than the CPUC had anticipated.

The potential shortfall results in part from the ripple effects of the 2013 closing of the San Onofre Nuclear Generating Station and the coming retirement of a number of fossil fuel-powered once-through-cooling plants. New, natural gas-powered facilities and renewable energy sources have made up much of this shortfall, but the CEC now anticipates that supplemental capacity will be necessary to assure grid stability.

To meet this need, the CEC proposes two alternatives: First, parties could work with the State Water Resources Control Board to delay by several years the compliance dates for some once-through-cooling facilities, which are being taken offline due to environmental concerns. Second, as a longer-term solution, the CEC is also considering bringing a number of natural gas plant proposals as far through the permitting and procurement processes as possible—and then holding those proposals in reserve—so that the project could receive final approval and begin construction on “short” notice, if additional capacity becomes necessary. However,

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even with this accelerated approval, projects would still require *three to four years of lead time* before energy production could commence.

The report recognizes reliability risks with relying too heavily on projected increases in energy efficiency, demand response and battery storage (so-called “preferred resources”) to address electricity demand: “The scale of future savings expected from such programs in Energy Commission, CPUC, and California ISO electricity planning studies is so large that credible degrees of failure can lead to resource shortfalls large enough to affect local reliability in one or more areas.” In other words, “[t]reating goals as credible planning assumptions *may threaten* future reliability and *will limit* resource choices as the time horizon to effectuate resource additions shrinks.”^[1]

The CEC is requesting input regarding these plans from utilities, air permitting districts, and the general public. Comments are due by August 31, 2015.

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