

## **Transcribed Testimony of Opening Remarks of Colin Cushnie**

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Thank you, honorable Chair Hueso and members of the Senate Energy committee, I appreciate the opportunity to be here. My name is Colin Cushnie, I am the Vice President of Southern California Edison responsible for the company's energy procurement, wholesale market operations, and the limited power plant operations that we have. I have been with the utility for 32 years, and I have seen a lot. I'll be relying on that experience for the remarks I make here. Most notably, I was very much involved at SCE when California moved to pass AB 1890, and I'll remind this committee respectfully that AB 1890 moved on a unanimous vote – everyone supported it because everyone got something. Nobody had stepped back and looked at what the ramifications could be, and those ramifications exist today almost 20 years later after our first energy crisis. Billions of dollars of excessive procurement costs are still being paid for by our customers across the State. I want to make sure that doesn't happen again. My comments will focus on that a bit. We heard a lot this morning. Quite frankly, 3-4 minutes is just not enough time to really give it the conversation that it needs. Instead, let me just highlight a few key principles and a few issues that I think need to be addressed immediately. I certainly welcome any invitation to return to talk about this in more detail.

In order for California to achieve its clean energy goals, we have to do so in a manner that makes sure electricity is affordable and reliable for all customers. But I am hearing right now that a disaggregated model where we are going to create electricity products that meet certain customers' needs but maybe not others. And the grid, as everyone knows, is greatly interconnected. The grid resources cannot operate independent of one another; that is why central planning is also very important. We need to make sure whatever the forum, our CCAs, our ESPs, and our investor-owned utilities, and to the extent our POUs are connected to the CAISO grid, that we are all working in concert to achieve our shared goals. To do this we need a comprehensive and integrated planning process – SB 350 created an integrated resource planning process, also referred to as the IRP, to accomplish this task. However, the CCAs and ESPs, which will soon be more than 50% of the CPUC's jurisdictional load, have been largely resistant to having their IRPs and the procurement they will do be directly regulated by the CPUC. This is just untenable. California's electrical grid needs to be planned for in a thoughtful, comprehensive manner. And we need to make sure everyone is operating in concert for the betterment of all. The grid is not the internet, it is a complex mechanism. You can't just add stuff to it and keep hoping it will work. It has to be built in the right locations, with the right attributes, and it has to be operated for the benefit of everyone, and not for a few – it has to be centrally planned to get there. I assert, to the questions I heard earlier, that the CPUC does need more authority over our ESPs and CCAs, or *some* entity needs more authority, to make sure that everything that is being developed will actually meet our needs.

The amount of central procurement that is needed – I didn't hear anyone disagreeing about there being a need for central procurement – the amount of central procurement that we need is directly a function of how much ESPs and CCAs are willing to be overseen in their procurement. If they're willing to have a fair amount of central oversight and procurement requirements, then the central procurement can be small. If they want to continue to rely on their city councils and county supervisor boards to tell them

what to build, there will be large gaps developed on our system, and the central buyer will have to do lots of procurement in that environment. That will be much more expensive for all of California because we would effectively be double-procuring resources that we could have procured at the outset to meet all the needs. A simple example – and I am not saying this is how it would've worked out – we have CCAs right now forming in Santa Monica and Beverly Hills. What if we need resources in Santa Ana or Hesperia? Are they going to build the right resources in those locations? If they build the resources that their customers want, will the grid be reliable for everyone? When we have rolling blackouts, we blackout everybody except for essential service customers. It is critically important that we don't pretend that somehow load-serving entities are not directly connected to the grid that exists today.

Who should be the central buyer? I submit that the Legislature has already decided this. The Legislature instructed that the CPUC would require the IOUs to do reliability procurement -- system and local – and recover those costs on a nonbypassable basis from all customers. It is called the CAM, the cost allocation mechanism. Utilities have done thousands of megawatts of procurement since mid-last decade for reliability. In 2005, we had near-energy shortages during peak demand, and the utilities were ordered to procure thousands of megawatts under the CAM. Recently, with our aging gas-fired resources retiring along the coast, and because of once-through-cooling requirements, the CPUC ordered Edison to construct close to 2,000 megawatts of new clean resources for the most part to replace those old gas-fired resources, and all customers will pay for that to keep the lights on.

But we have other issues coming up in the near term. Right now Edison is socializing analysis with CPUC staff and CAISO staff that is very concerning to us. We are very concerned that as early as 2021, there may not be enough capacity on the system for all load-serving entities to meet their resource adequacy requirements – we may be thousands of megawatts short. We also need to recognize that the peak load on the system is shifting to the evening. Think about September; the sun doesn't shine for as long in September. As early as 2023-2024, the peak load may be 8pm at night. There will be no contribution from the thousands of megawatts of solar that the CCAs are constructing that will meet that. We need lots of other things to meet that. So it needs to be centrally planned, and it needs to be done in a way that is affordable and reliable for everyone. These are some of the issues that need to be addressed. My final comments here – during the energy crisis, the State solved a lot of the issues you heard today. Folks may just not want to recognize that it has been successful. The utilities are the providers of last resort. Guess what, utilities serve all customers through the wires, utilities have a reliability function, and it makes sense for the utilities to be the providers of last resort. Utilities do reliability procurement. Utilities have been asked to do a lot of social programs. Utilities were responsible for the 40% of renewable energy in California today – the largest renewable fleet in the US. Utilities go through long-term procurement plans and IRPs to make sure the system is reliable. There are a lot of things here that already exist and that the State figured out in the energy crisis. Now the issue is how we bring the CCAs and ESPs into the fold, and recognize that being CCAs and ESPs is an elective decision – you don't have to be a CCAs you don't have to be an ESP – but if you are going to be a load serving entity, you cannot shirk your responsibility to share the collective reliability and affordability function of the grid. We have to work together on that. We can't be fighting one another on that.