

**CALIFORNIA ENERGY COMMISSION**1516 NINTH STREET  
SACRAMENTO, CA 95814-5512

## STATE OF CALIFORNIA

ENERGY RESOURCES CONSERVATION  
AND DEVELOPMENT COMMISSION

In the Matter of:	)	Docket No.02-IEP-01
Informational Proceedings and	)	
Preparation of the 2003	)	
Integrated Energy Policy Report	)	December 16, 2002
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**COMMITTEE SCOPING ORDER****OVERVIEW**

In this order, the California Energy Commission's Ad Hoc *Integrated Energy Policy Report* Committee establishes the general scope of the November 2003 *Integrated Energy Policy Report* and a schedule of key milestones for completing the report. In preparing this report, the Committee will emphasize the need to maintain a strong energy infrastructure. The order directs Commission staff to complete foundational work to support further development of the Report and will invite other parties to make contributions subsequently. As it carries out the initial work described generally in this order, the staff should collaborate with other State agencies to take advantage of the records and decisions of those other agencies. The Committee also encourages the staff to reach out to interest groups and affected parties.

**BACKGROUND**

Senate Bill 1389 (Chapter 568, Statutes of 2002; Bowen) requires the Commission to adopt an *Integrated Energy Policy Report* every two years. The first report is due to the Governor and the Legislature on November 1, 2003. It must provide an overview of major energy trends and issues facing California, including supply, demand, price, reliability, and efficiency. It must assess the impacts of these trends and issues on public health and safety, the economy, resources, and the environment. Finally, it must make policy recommendations to the Governor and the Legislature that are based on an in-depth and integrated analysis of the most current and pressing energy issues facing the State.

On September 11, 2002, the Commission opened an informational proceeding (Docket No. 02-IEP-01) and designated this Committee to oversee the process. On October 22,

2002, the Committee conducted the proceeding's first public hearing to take comment on the staff's proposal for what the scope of the proceeding should be. The Committee is grateful for the thoughtful input we received and will continue to consider those comments as the proceeding moves forward. A transcript of the hearing and parties' written comments are available on the Commission's web page.<sup>1</sup>

The statute identifies the Governor and Legislature as the primary audience for the *Integrated Energy Policy Report*. It directs the Commission to coordinate its integrated energy policy work with other State agencies. This coordination is intended to insure that policy makers receive a comprehensive assessment of those short-term and long-term energy issues that are likely to be of greatest concern in November 2003.

## **Report Focus**

In this first *Integrated Energy Policy Report*, the Committee intends to focus selectively rather than expansively. The report will provide an accurate and integrated view of the State's primary energy systems but will place special emphasis on those areas of the State that present the most severe energy challenges. We expect the principal concern in November 2003 to be the same as it is today: the condition of the State's energy systems.

California's growing population and economy drive an increasing demand for all forms of energy. Events of the last three or more years have exposed some extreme vulnerabilities of the State's energy systems. The Committee believes the most pressing issue is whether these vulnerabilities are still a concern, or whether administrative, legislative, regulatory, and private-sector actions in response to recent events have addressed the vulnerabilities, for now.

To address this issue, the Committee believes we need a better understanding of the State's energy infrastructure<sup>2</sup> because we believe a strong energy infrastructure is paramount to California's future. Clearly, the State faces enormous uncertainties that affect the energy infrastructure. The uncertainties include, for example, the regulatory design underlying the State's electricity market, the financial condition of many, if not most, of the country's energy companies, the quality and quantity of energy supplies available to California in the near term and longer term, and the prospects for the timely addition of needed energy infrastructure. Dealing with these uncertainties, analytically, will be a major challenge for the Commission in preparing this report.<sup>3</sup>

To insure a strong infrastructure, we need an understanding of both the risks and uncertainties we face, and we need to have sufficient information to assess the

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<sup>1</sup> Copies of the Commission's order, the Committee hearing notice, staff's proposal and the comments of parties are available at: [<http://www.energy.ca.gov/energypolicy/>].

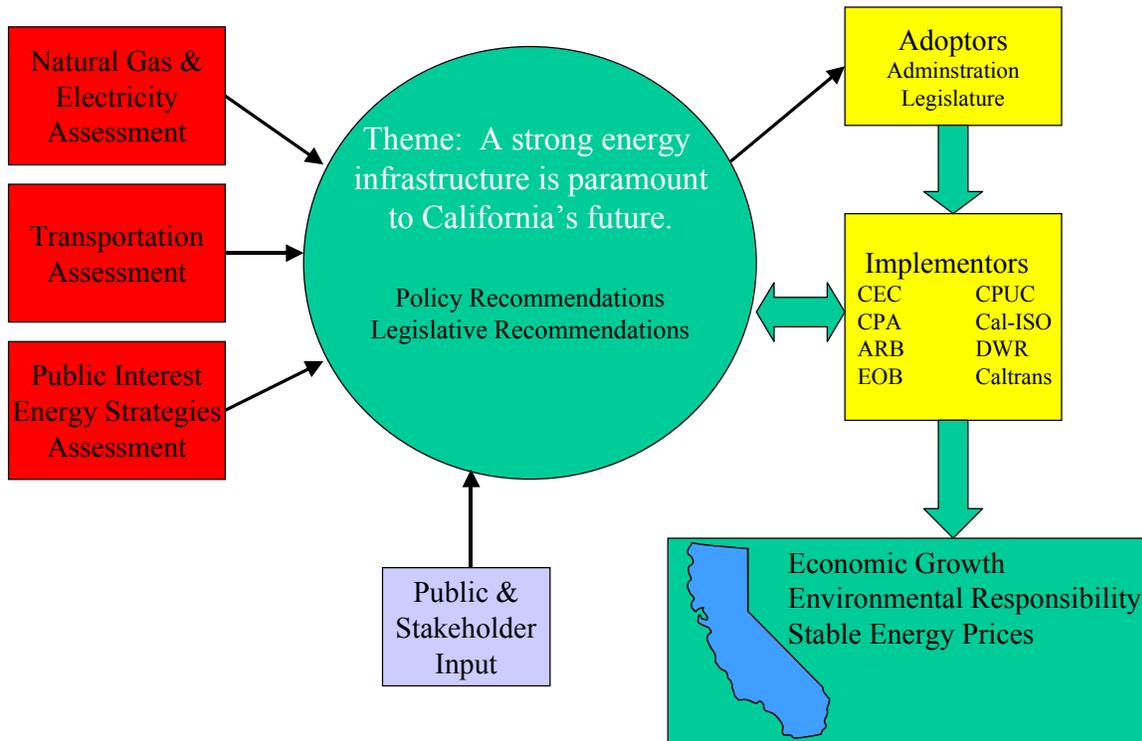
<sup>2</sup> The Committee uses the term "energy infrastructure" to capture the full range of investment in energy production, transmission, distribution, and demand.

<sup>3</sup> The Committee has attached a list of general questions it directs the staff to address.

tradeoffs between cost, environmental quality, and reliability. To begin the process of understanding and information development, the Committee directs the staff to prepare baseline forecasts of energy demand, supply, and price, and to clearly document the underlying assumptions of those forecasts. The staff will develop these forecasts after consulting with all appropriate State agencies and other entities. The Committee directs the staff to issue the reports containing its forecasts and documentation in February 2003.

### Report Structure and Schedule

The *Integrated Energy Policy Report* will base its policy recommendations on the technical analyses of its three subsidiary reports. The three subsidiary reports are: *The Electricity and Natural Gas Assessment*; *The Transportation, Fuels, Technologies and Infrastructure Assessment*; and *The Public Interest Energy Strategies Assessment*. The link between the technical analyses, policy recommendations, and the adoption/implementation of the report’s conclusions is illustrated in the following figure.



The Committee directs the staff to adhere to the following schedule of key milestones for development of these reports:

February 2003	Commission staff completes baseline energy demand, supply, and price forecasts
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**Attachment**  
**General Questions the Committee Directs Staff to Address**

1. How do we want California's energy systems to look in the next 5, 10, and 20 years? How compatible is California's existing infrastructure with this long-term vision? How will the energy production, transmission, distribution, and storage infrastructure need to change in the near term to meet changing energy supply and demand? What barriers does California face in a transition to the long-term vision? What steps does the State need to take in the next few years to realize this vision?
2. Are the energy systems on which the State currently relies sufficiently diverse and secure? Has the State become vulnerable to supply shortfalls because of an over-commitment to a single supply source? Does the State need to develop more renewable and alternative fuel options? What steps must the State take to protect the infrastructure?
3. What factors affect the timely investment in infrastructure? What steps should the State take to deal with any adverse factors?
4. What production, transmission, distribution, and storage additions would likely be cost beneficial to California? What are the barriers to development of these additions? What State actions would help to address these barriers?
5. What steps could California take to mitigate the effects of energy price volatility and the potential for price shocks? Which mitigation measures provide the best balance between benefits, cost, economic efficiency, and equity?
6. What are the impacts of the State's energy infrastructure on the environment and public health? What steps should the State take to protect the environment and public health while providing a reliable, affordable energy infrastructure? What cross-sector (mobile vs. stationary) environmental-protection strategies could facilitate the development of needed energy infrastructure? What aspects of California's energy systems cause the most environmental and public-health concerns?
7. What impacts will climate change have on the State's energy infrastructure? What further steps to reduce greenhouse emissions should the Legislature consider?
8. Is the regulation of energy industries adequate to address and meet California's need for energy infrastructure?
9. How will economic activity, weather variability, and energy prices affect the demand for energy?
10. What are the benefits, costs, barriers, and potential market penetrations of demand response?

11. Should the State set goals or priorities in energy efficiency? If sufficient energy efficiency is available, should the State adopt a goal of maintaining or reducing per-capita energy use?
12. How will California achieve the renewable portfolio standard? Are there barriers or program implementation issues? Does the Legislature need to take action?
13. What should the role of a public-interest research, development and demonstration program be in providing an affordable, reliable, clean, diverse, and secure infrastructure? What role should electric/natural gas utilities and the petroleum industry play in public-interest research, development, demonstration and commercialization?
14. What are the benefits of local energy-portfolio planning efforts, and what steps should the Legislature consider if encouraging such efforts is a desirable component of solving the State's energy problems.
15. What potential new federal legislation could significantly affect energy supply, demand, and price in California? What potential new federal, State, and regional regulatory actions could significantly affect energy supply, demand, and price?
16. What state legislative initiatives are needed to achieve the long-term vision?