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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2016 and 2017 Compliance Years.

Rulemaking 14-10-010
(Filed October 16, 2014)

**SCOPING MEMO AND RULING OF ASSIGNED
COMMISSIONER AND ADMINISTRATIVE LAW JUDGE**

This ruling determines the scope, schedule, and need for hearing for Phase 1 of this proceeding, and discusses future phases, in accordance with Rule 7.3(a) of the Commission's Rules of Practice and Procedure (Rules).¹

Background

The October 16, 2014 Order Instituting Rulemaking (OIR) in this proceeding summarized the procedural and substantive background of this proceeding. The OIR also discussed potential issues to be addressed in this proceeding.

1. Scope of the Proceeding

Phase 1 of this proceeding encompasses the Commission's annual consideration of local capacity and flexible capacity requirements for the next

¹ Rule 7.3(a) requires the assigned Commissioner to determine the scope and schedule of a proceeding.

year, and refinements to the Commission's Resource Adequacy (RA) program. The issues within the scope of Phase 1 are as follows:

1. Adopting the 2016 Local Capacity Requirements (LCR) - In recent years, the California Independent System Operator (CAISO) has performed an annual LCR study. This study is submitted to the Commission in the annual RA proceeding, and is used to adopt Local RA procurement requirements for the next year (for this phase of the proceeding, starting in 2016). The CAISO LCR study will be submitted approximately May 1, 2015. Parties will have the opportunity to comment on the LCR study. The adopted schedule anticipates that the Commission will issue a decision by the end of June 2015 so that jurisdictional load-serving entities (LSEs) can have sufficient time to obtain the resources to meet their Local RA procurement requirements for 2016.

2. Implementation of the Flexible Capacity Program - The interim flexible capacity framework adopted in Decision (D.) 13-06-024 defined flexible capacity need as the quantity of resources needed by the CAISO to manage grid reliability during the greatest three-hour continuous ramp in each month, so as to meet ramping and contingency reserves. Ordering Paragraph 5 of D.13-06-024 adopted the specific elements of a flexible capacity framework, which are listed in Appendix A of that decision. The flexible capacity framework became mandatory starting with the RA compliance year 2015 per D.14-06-050, and shall be in effect through the RA compliance year 2017.

The CAISO will perform an annual flexible capacity requirement (FCR) study in 2015. This study will be submitted to the Commission and used to develop Flexible RA procurement requirements for 2016. The CAISO FCR study will be submitted approximately May 1, 2015. Parties will have the opportunity to comment on the FCR study. The adopted schedule anticipates that the

Commission will issue a decision by the end of June 2015 so that LSEs can have sufficient time to obtain the resources to meet their flexible RA procurement requirements for 2016.

3. Refinements to the Resource Adequacy Program - The following issues related to refinements to the RA program will be within the scope of this proceeding:

- Unbundling storage and supply-side demand response resources;
- Inclusion of outages in Qualifying Capacity (QC) calculations;
- Transmission and distribution adders;
- Use or exclusion of test data for QC calculations;
- Clarification of guidelines for LSE year-ahead load forecasts; and
- Any other issue identified by Energy Division and included in its January 2015 reports or by parties in proposals submitted by January 16, 2015.

4. Preparation and review of new studies of the effective load carrying capacity (ELCC) of wind and solar resources on California - Energy Division expects to prepare studies on ELCC of wind and solar resources. These studies will be made available through a Ruling and parties will have an opportunity to comment on the studies.

2. Workshop Issues and Opportunity to Comment

Energy Division will be holding one or more workshops on Phase 1 RA issues in order to assist parties in clarifying issues and narrowing differences. Summaries of some or all of these workshops will be transcribed and included in the record of the proceeding. Parties will have subsequent opportunities to

comment on workshop discussions and refine their proposals. The schedule below lays out the specific dates for each of these activities.

3. Other Phases of This Proceeding

1. Coordination with the Joint Reliability Plan proceeding (Rulemaking [R.] 14-02-001) - On December 17, 2014, a Status Conference was held to discuss issues in R.14-02-001 that are related to issues in this proceeding. Parties discussed the procedural venue and timing for possible Commission development of a multi-year RA program and for development of a permanent flexible capacity program to replace the interim flexible capacity program for 2015 through 2017 adopted in D.14-06-050.

Development of a durable flexible capacity program is within the scope of this proceeding. Issues including how future flexibility needs will be determined and how to define a corresponding flexible capacity product may be considered in Phase 1. We expect the CAISO to file a study defining flexibility needs in October 2015. This filing will mark the start of Phase 2 of this proceeding. A Ruling or amended Scoping Memo will then set forth the process for consideration of a permanent flexible capacity program. This process will culminate in a decision no later than June 2017 (and possibly much earlier), as it is necessary to replace the interim program which expires at the end of 2017.

At this time, development of a multi-year RA program is not within the scope of this proceeding, as it is within the scope of R.14-02-001. However, development of a multi-year RA program will be placed into the scope of this proceeding if specifically required by a Commission decision in R.14-02-001, or by a joint Ruling in R.14-02-001 and in this proceeding.

2. Phase 3 - Demand Response issues - In the demand response Settlement Agreement in R.13-09-011, the Settling Parties recommended that the

Commission continue the current system and local resource adequacy valuation of demand response resources through 2019. In D.14-12-024, the Commission rejected this component of the settlement, and clarified that resource adequacy values for demand response resources would be determined in the Commission's RA proceeding (i.e., this proceeding). It is expected that the Valuation Working Group will examine RA valuation issues for load-modifying demand response and file a compliance report by May 1, 2015.

The Valuation Working Group proposal may be filed in this docket; alternatively, it may be placed into the record of this proceeding by Ruling. At that time, a Phase 3 of this proceeding may commence to consider demand response issues, if warranted.

4. Need for Evidentiary Hearings

The OIR stated that the issues may be resolved through comments and workshops without the need for evidentiary hearings. At this time we do not foresee that evidentiary hearings are required to resolve issues in Phase 1. This Ruling confirms the preliminary determination in the OIR that Phase 1 issues leading up to an expected June 2015 decision of this proceeding may be resolved through a series of proposals, workshops, and filed comments. It is incumbent upon any party arguing for evidentiary hearings to file a motion no later than the date specified in this Ruling that identifies specifically any disputed material issues of fact that the party asserts require evidentiary hearings.

Issues related to other phases of this proceeding (DR issues; permanent flexible capacity framework issues; 2016 issues) may require evidentiary hearings. Parties will be allowed an opportunity to request evidentiary hearings as those phases are developed.

5. Procedural Schedule

The schedule for Phase 1 below is adopted, subject to modification by the assigned Commissioner or Administrative Law Judge (ALJ).

Phase 1 Resource Adequacy Proceeding Calendar

Date	Activity
December 12, 2014	ALJ Ruling Seeking Party Comments and Proposals
January 6, 2015	Energy Division proposals on Refinements to Resource Adequacy program
January 16, 2015	Comments and Proposals from December 12, 2014 ALJ Ruling filed
January 30, 2015	Comments on Energy Division proposals filed
February 10, 2015 at 10:00 a.m.	Workshop(s) on Energy Division Proposals (Summary to be Transcribed) and party proposals
February 27, 2015	Comments filed on Workshop and party proposals
March 4, 2015	Reply Comments on Workshop and party proposals
March 4, 2015	Energy Division ELCC Studies issued by Ruling
March 20, 2015	Comments filed on Energy Division ELCC Studies
March 20, 2015	Final Date to file Motion to request Phase 1 Evidentiary Hearings
April 1, 2015	Reply Comments filed on Energy Division ELCC Studies
May 1, 2015*	CAISO files 2015 LCR and FCR report
May 8, 2015	Comments on CAISO 2015 LCR and FCR Report
May 15, 2015	Reply Comments on CAISO 2015 LCR and FCR Report
May 2015	Proposed Decision (30 days before a scheduled Commission meeting in June 2014)
June 2015	Final Decision adopting 2014 LCR/FCR and other topics within Scope

** This date is subject to change dependent upon CAISO processes.*

We anticipate Phase 1 will be resolved as set forth above. Subsequent phases will be scheduled at a later time. We anticipate that this proceeding will be resolved with 24 months of the date of the issuance of this Scoping Memo, due to the need to address RA issues in multiple phases, pursuant to Public Utilities Code Section 1701.5.

6. Alternative Dispute Resolution

The Commission strongly encourages all parties to every proceeding to consider whether a means other than litigation can more efficiently and effectively resolve the matter. As set forth in the schedule herein, workshops are scheduled to narrow issues in dispute and to work toward consensus. Issues which are not resolved in the workshop process may be able to be resolved or narrowed through an alternative dispute resolution process.

The ALJ Division has ALJs trained in all Alternative Dispute Resolution techniques, as well as extensive subject matter experience, available to assist parties in resolving disputes. Requests for appointment of an ALJ to assist with Alternative Dispute Resolution should be made to ALJ Jean Vieth (xjv@cpuc.ca.gov).

7. Categorization

This Scoping Memo confirms the preliminary determination in R.14-10-010 that this Phase of this proceeding is “ratesetting,” as defined by Rule 1.3(e).

8. Presiding Officer

The assigned ALJ is David M. Gamson, who will act as the presiding officer in this proceeding.

9. Ex Parte Communications

In accordance with Rule 8.2, *ex parte* communications in this ratesetting proceeding are allowed subject to the reporting requirements in Rule 8.3 and the restrictions in Rule 8.2.

IT IS HEREBY RULED that:

1. Evidentiary hearings are not needed for Phase 1 of this proceeding, subject to a Motion filed according to the schedule adopted by this Ruling.

2. A workshop is scheduled for February 10, 2015 at 10:00 a.m. at the Commission offices, 505 Van Ness Avenue, San Francisco, California. Summaries of the workshops shall be transcribed and placed in the record of this proceeding.
3. The scope of this proceeding is as stated herein.
4. The schedule for Phase 1 of this proceeding is as stated herein.
5. Administrative Law Judge David M. Gamson shall be the presiding officer in this proceeding.
6. The preliminary determination in Rulemaking 14-10-010 that this proceeding is categorized as ratesetting is confirmed.

Dated January 6, 2015, at San Francisco, California.

/s/ MICHEL PETER FLORIO

Michel Peter Florio
Assigned Commissioner

/s/ DAVID M. GAMSON

David M. Gamson
Administrative Law Judge