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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)

**ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S
PHASE 2 SCOPING MEMO AND RULING**

Pursuant to Rule 7.3(a),¹ this Scoping Memorandum and Ruling sets forth the procedural schedule, assigns a presiding officer, and addresses the scope of the proceeding and other procedural matters following the prehearing conference held on December 7, 2015.

Background

The October 16, 2014 Order Instituting Rulemaking (OIR) in this proceeding and Decision (D.)15-06-063 summarize the procedural and substantive background of this proceeding to date. The OIR and prior scoping memo (dated January 6, 2015) also discuss the scope of this proceeding. Scope, schedule, and other procedural issues were discussed at the prehearing conference (PHC) on December 7, 2015. This ruling specifies the scope and schedule for resolving additional and remaining issues.

¹ All references to Rules are to the Commission's Rules of Practice and Procedure.

1. Scope and Schedule

This scoping memo subdivides issues in scope into two separate tracks for resolution. As noted at the PHC, the Commission may issue an amended OIR in order to address additional issues.

The Resource Adequacy (RA) program is directly concerned with reliability, and reliability is closely connected with safety. Maintaining electric reliability promotes the public health and safety in important ways, and the RA program contributes to providing this benefit to Californians. No participants at the PHC recommended any direct safety considerations for the scope of this proceeding.

2. Track 1 (June 2016 Decision)

The primary focus of the Track 1 (June 2016) Decision will be to adopt local RA capacity requirements (LCR) and flexible capacity requirements (FCR) for RA compliance year 2017. The decision may also adopt refinements to the RA program, and will consider proposals from Energy Division and parties for such refinements. A detailed schedule for this process, similar to the schedule used in recent years, is adopted below. Parties should rely on the following guidance in developing proposals submitted for consideration in this Track:

- Proposals should be targeted toward refining the existing RA program, not making fundamental changes.
- Proposals that are directly connected to the specifics of the durable FCR program such as changing the definition of the flexible capacity product (discussed below) should be made in context of Track 2 and a later decision. However, proposals relating to administration of the FCR program that do not depend on such specifics may be proposed in Track 1 for implementation in the 2017 RA compliance year.

- Proposals related to the Effective Load Carrying Capacity (ELCC) of wind and solar resources should be made in this Track 1. As noted in the ruling setting the PHC, Energy Division staff is likely to make proposals for setting the Net Qualifying Capacity of these resources and RA obligations based on stochastic modeling.
- Proposals related to determining the amount of Net Qualifying Capacity and Effective Flexible Capacity for supply side Demand Response (DR), including resources procured through the Demand Response Auction Mechanism (DRAM) should be made in Track 1. Note that we anticipate any new policy would be effective for the 2018 RA compliance year.
- Parties may make proposals (or variations on proposals) that have been discussed, but not resolved, in prior decisions. For example, parties may make proposals relating to required dispatch times for local resources.
- Parties do not need to propose extending the current, interim flexible capacity requirement program because that program does not expire.²
- At the discretion of the Administrative Law Judge (ALJ), proposals made in Track 1 and unresolved by the June 2016 Decision may be considered, possibly with additional comments or other process, in the Track 2 Decision. The ALJ may issue one or more rulings addressing this subject as appropriate.

3. Track 2 (Anticipated Late 2016 Decision)

The primary focus of Track 2 (anticipated late 2016 decision) is to adopt a durable flexible capacity requirement program. In D.14-06-050, the Commission anticipated the evolution of the FCR program; the Track 2 Decision will potentially be the first major step in that process of evolution. In order to

² See D.14-06-050 at 19.

provide regulatory certainty for market participants, we must strive to limit the frequency of substantial changes to the FCR program and product design. Therefore, we intend this proceeding to address the long-term role of flexible capacity procurement requirements in meeting the goals of the RA program embodied in § 380 et seq.³ While we anticipate that the level of FCRs may vary from year to year (as LCRs have) and that there may be administrative refinements over time (as with the RA program generally), we intend the definition of the flexible capacity product(s) and process for setting FCRs to remain constant beginning with RA compliance year 2018. Therefore, parties are encouraged to take a long view in making proposals and otherwise participating in this portion of the proceeding. Parties should consider not only the flexibility needs of the present, but also reasonably foreseeable future needs.

In addition to defining the flexible capacity product(s) and process for setting FCRs, Track 2 will address any directly related issues.

The scope of issues for Track 2 is:

1. What reliability need(s) must FCRs be designed to meet?
2. What definition of one or more flexible capacity products should be adopted to meet this need or needs?
3. How should annual FCR requirements be set to meet this need or needs with the defined product(s)?
4. What, if any, related changes to the RA program should be made to best meet the reliability needs?

In order to best inform the Commission's consideration of Questions 2, 3, and 4, we must begin with a detailed discussion of Question 1. Accordingly, we direct an initial round of comments and workshops focused on specifically

³ Unless otherwise noted, all statutory references are to the Public Utilities Code.

identifying the reliability needs that should be addressed by the FCRs. We anticipate parties and staff striving to develop a clear understanding of “the problem statement” (Question 1) before embarking on the effort to create solutions (Questions 2, 3, and 4). Consistent with the collaborative approach in the development of the RA program to date, we believe that the more consensus can be achieved around the problem statement, the better and more durable the solutions are likely to be. As noted above, minimizing the frequency of changes to the basic structure of the FCR program is important. Accordingly, we encourage parties and staff to consider multiple time horizons in their modeling and other analysis of Question 1. The Energy Division is authorized to give further, informal guidance to parties with respect to comments on Question 1.

Following comments and one or more workshops on Question 1, parties and Energy Division may submit proposals addressing Questions 2, 3, and 4. Such proposals should articulate how they respond to the reliability needs problem statement, as understood by the proposing party, following the comments and workshop(s). In order to make the best use of the workshop and comment process, parties may revise proposals according to the schedule adopted below.

Finally, we recognize that there is ongoing modeling and other work in R.14-02-001 (Joint Reliability Plan) related to this Track 2 scope. If necessary, we will consider appropriate means of addressing these issues in this proceeding.

4. Demand Response (DR)

The previous scoping memo discussed a possible “Phase 3” addressing demand response (DR) issues. At the PHC, participants discussed this idea, and no compelling need for a Phase 3 on DR was identified. Therefore, this scoping memo does not set a Phase 3 on DR.

Other DR issues were also discussed at the PHC. In general, we believe these issues may be addressed within the scope of the two Tracks discussed above, in pending resolutions, or in R.13-09-011.

5. Schedule

The schedule for resolving issues in this proceeding will be as shown in the following table. The ALJ is authorized to change this schedule as necessary to efficiently administer this proceeding.

Date	Track 1	Track 2
Friday, January 15, 2016	Energy Division and Party Proposals on ELCC and Refinements to RA Program	
Friday, January 29, 2016	Comments on Proposals	
Friday, February 05, 2016		Comments on Question 1
February 2016	Workshop on Proposals	
Friday, March 11, 2016	Optional Revisions to Proposals	
Friday, March 18, 2016	Comments on Revised Proposals	
Friday, March 25, 2016	Reply Comments on Revised Proposals	
Friday, March 25, 2016	Deadline for Motions Requesting Evidentiary Hearings	
January - May 2016		Workshop(s) on Flexible Capacity Needs and Related Issues
Friday, April 29, 2016	CAISO LCR and FCR Reports	
Friday, May 06, 2016	Comments on LCR and FCR	
Tuesday, May 10, 2016	Reply Comments on LCR and FCR	
May 2016	Proposed Decision	
Friday, May 20, 2016		Energy Division and/or Party Proposals on Flexible Capacity Program and Related Issues
Friday, June 03, 2016		Comments on Proposals
June 2016		Workshop on Proposals
June 2016	Final Decision	
Friday, July 08, 2016		Optional Revisions to Proposals

Date	Track 1	Track 2
Friday, July 15, 2016		Deadline for Motions Requesting Evidentiary Hearings
Friday, July 22, 2016		Comments on Revised Proposals
Friday, August 05, 2016		Reply Comments on Revised Proposals
Late 2016		Proposed Decision
Late 2016		Final Decision

This proceeding is anticipated to be submitted upon the filing of Reply Comments on Revised Proposals on August 5, 2016. Consistent with § 1701.5, the issues in scope as discussed above are expected to be resolved within eighteen months of this scoping memo.

6. Workshops

If there are any workshops in this proceeding, notices of such workshops will be posted on the Commission's Daily Calendar to inform the public that a decision-maker or an advisor may be present at those meetings or workshops. Parties shall check the Daily Calendar regularly for notices of such workshops related to this proceeding. Commission staff or the ALJ will provide, by email, notices of workshops to the service list of this proceeding. Rule 8.1(c) states that an *ex parte* communication means a written or oral communication that "does not occur in a public hearing, workshop, or other public forum noticed by ruling or order in the proceeding, or in the record of the proceeding." As a result of this Scoping Memo and Ruling, any discussion at the workshop(s) is not subject to *ex parte* reporting requirements.

7. Presiding Officer

Pursuant to Rule 13.2(b), Administrative Law Judge Kevin Dudney will be the presiding officer for this proceeding.

IT IS RULED that:

1. The scope and schedule of this proceeding are set forth above.
2. The Administrative Law Judge is authorized to modify the schedule adopted herein as necessary for the efficient administration of this proceeding.
3. If there are any workshops in this proceeding, notices of such workshops will be posted on the Commission's Daily Calendar to inform the public that a decision-maker or an advisor may be present at those meetings or workshops. Parties shall check the Daily Calendar regularly for such notices.
4. Pursuant to Rule 13.2, the presiding officer in this proceeding is Administrative Law Judge Kevin Dudney.

Dated December 23, 2015, at San Francisco, California.

/s/ MICHEL PETER FLORIO

Michel Peter Florio
Assigned Commissioner

/s/ KEVIN DUDNEY

Kevin Dudney
Administrative Law Judge