

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Resource Adequacy Program, Consider
Program Refinements, and Establish Annual
Local and Flexible Procurement Obligations
for the 2019 and 2020 Compliance Years.

Rulemaking 17-09-020
(Filed September 28, 2017)

**REPLY COMMENTS OF THE CENTER FOR ENERGY EFFICIENCY AND
RENEWABLE TECHNOLOGIES ON PROPOSED DECISION ADOPTING LOCAL
CAPACITY OBLIGATIONS FOR 2019 AND REFINING THE RESOURCE
ADEQUACY PROGRAM**

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BEFORE THE PUBLIC UTILITIES COMMISSION
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The Center for Energy Efficiency and Renewable Technologies (“CEERT”) respectfully submits these Reply Comments on the Proposed Decision of Administrative Law Judges (ALJs) Allen and Chiv “Adopting Local Capacity Obligations for 2019 and Refining the Resource Adequacy Program” mailed in this proceeding on May 22, 2018 (“Proposed Decision”). These Reply Comments are timely filed and served pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure and the instructions accompanying the Proposed Decisions.

I.

CEERT AGREES WITH THE OPENING COMMENTS OF MULTIPLE PARTIES THAT THE 100% MULTI-YEAR LOCAL RESOURCE ADEQUACY PROCUREMENT REQUIREMENT FOR YEAR TWO IS NOT WARRANTED

In discussing the forward multi-year local resource adequacy (RA) procurement requirement, the Proposed Decision states that Energy Division proposed a 100% requirement for Year 2. The Proposed Decision determines that “[i]n light of the need to increase market certainty in the near term, we find that a 100% local requirement for the first two years is appropriate... This is necessary to achieve the goal of increased market certainty.”¹ However, CEERT agrees with the Opening Comments of several parties that this 100% Year 2 obligation

¹ Proposed Decision, at p. 26.

is not warranted.² CEERT believes that this requirement is not appropriate, in part, because initiatives that will look at transmission upgrades to reduce Local Capacity Requirement (LCR) need and the phasing in of preferred resources to increase supply will significantly reduce LCR need by 2020.³

CEERT agrees with the California Large Energy Consumers Association (CLECA) that

Not only is it possible that total requirements might change (and could be a reduction) from Year 1 to Year 2 of a multi-year RA program, but the location-specific RA requirements might also differ. Transmission upgrades, decreases in load due to increases in behind-the-meter resources or energy efficiency, and addition of new local resources could cause significantly different local area and sub-area requirements for the second year of a multi-year local RA program. The imposition of a 100% RA procurement requirement two years ahead could cause excess procurement, placing an undue burden on ratepayers and resulting in ‘unjust’ and ‘unreasonable’ rates.”⁴

Similarly, the Office of Ratepayer Advocates (ORA) correctly states that “a 100% local RA requirement for Year 2 risks over-procurement of RA capacity and would jeopardize the Commission’s mandates to minimize costs and ensure that costs are allocated equitably.”⁵

CEERT also agrees with the numerous parties who recommend that any details about the Year 2 obligation be determined in Track 2 of this proceeding. Southern California Edison (SCE) correctly notes “the issue of minimum quantity requirements in each year should be a matter for discussion in Track 2 rather than the PD’s requirement of a minimum of 100% requirement for Year 1 and Year 2.”⁶ Similarly, CEERT agrees with Shell Energy North America (US), L.P. (Shell Energy) that the Commission should defer the details of a multi-year

² See, e.g., Opening Comments of Southern California Edison, at p. 2-4; Opening Comments of California Large Energy Consumers Association at pp. 5-6; Opening Comments of Shell Energy North America (US), L.P., at pp. 2-6; Opening Comments of Alliance for Retail Energy Markets at pp. 2-3; and Opening Comments of the Office of Ratepayer Advocates, at pp. 2-5.

³ See CAISO Transmission Planning Process Local Capacity Requirements Potential Reduction Study Plan <http://www.caiso.com/Documents/Presentation-LocalCapacityRequirementReductionStudy.pdf>

⁴ CLECA Opening Comments, at p. 5.

⁵ ORA Opening Comments, at p. 2.

⁶ SCE Opening Comments, at p. 2.

obligation to Track 2.⁷ The Alliance for Retail Energy Markets (AReM) recommends that the Proposed Decision remove the 100% Year 2 requirement and “instead permit parties to propose the appropriate level of forward procurement for Year 2 and beyond of the multi-year requirement in their Track 2 testimony.”⁸

CEERT supports these contentions and urges the Commission to modify the Proposed Decision to remove the 100% Year 2 requirement and instead order that the Commission make any determinations about the multi-year local resource adequacy (RA) procurement requirement in Track 2 of the proceeding.

II. THE COMMISSION SHOULD PRIORITIZE DEVELOPING STANDARDS TO COUNT HYBRID RESOURCES

CEERT supports the Proposed Decision’s determination that combined storage and demand response (DR) projects are eligible to participate in the RA program.⁹ CEERT agrees with those parties that also support that determination, including but not limited to the Joint DR Parties, the California Independent System Operator (CAISO) and the California Energy Storage Alliance (CESA).¹⁰

However, CEERT has long proposed in this RA proceeding and the previous RA proceeding (R.14-10-010) that the Commission must aggressively develop a new study, new bidding protocols and new counting rules for hybrid storage/preferred resources for LCR.¹¹ As such, CEERT appreciates the support for this proposal by several parties, including but not

⁷ Shell Energy Opening Comments, at p. 6.

⁸ AReM Opening Comments, at p. 2.

⁹ Proposed Decision, at p.45, Ordering Paragraph 14; *see also* Opening Comments of CEERT, at p. 2.

¹⁰ *See, e.g.*, Opening Comments of Joint DR Parties, at p. 3; Opening Comments of CAISO, at p. 4; and Opening Comments of CESA, at pp. 2-3.

¹¹ *See, e.g.*, Track 1 Proposals of CEERT, filed February 16, 2018; *see also*, Opening Comments of CEERT on the Order Instituting Rulemaking R.17-09-020, filed October 30, 2017, at pp. 6-7 and 9.

limited to SCE, Pacific Gas & Electric (PG&E), East Bay Community Energy (EBCE), and NRG Energy, Inc. (NRG).¹²

CEERT agrees with the CAISO that “there is currently no means to determine the qualifying capacity value for combined resources.”¹³ However, CEERT disagrees with the CAISO that determining the qualifying capacity for combined resources should be deferred to Track 3, at the earliest.¹⁴ Instead, CEERT believes that this should be made a priority because hybrid resources are essential to reducing the dependence on natural gas fired resource for local capacity needs. Given the urgency of the likely natural gas shortage in the Los Angeles Basin this summer, it is essential that the Commission develop standards for counting hybrid resource capacity in Track 2.

PG&E states that “there is no information on the current record to establish how the combined RA value [for hybrid resources] should be determined[.]” and “proposes that the PD be modified to request that parties make specific proposals for determining the RA value of combined storage/demand response resources in a future track of this proceeding.”¹⁵ NRG also correctly notes that the Proposed Decision provides no guidance on how to assign RA Qualifying Capacity (QC) and Effective Flexible Capacity (EFC) values to these combined resources and that there is no adequate record to make this determination.¹⁶

Both SCE and EBCE highlight some of the issues with the current RA rules and how they are used to count hybrid resources. For example, SCE indicates that a “storage device could

¹² See, e.g., Opening Comments of PG&E, at pp. 4-5; Opening Comments of SCE, at pp. 6-7; Opening Comments of EBCE, at pp. 3-4; and Opening Comments of NRG, at p. 7.

¹³ CAISO Opening Comments, at p. 4.

¹⁴ *Id.*

¹⁵ Opening Comments of PG&E, at p. 4.

¹⁶ Opening Comments of NRG, at p. 7.

change the nature of the DR resource it is paired with...”¹⁷ and EBCE argues that the current RA contract requirements do not “allow for flexibility once the state has largely transitioned away from its heavy reliance on RA from natural gas.”¹⁸

CEERT agrees with NRG’s request that “the final decision or, at a minimum, the next scoping memo lay out an aggressive, transparent and definitive timeline and process for developing a methodology to assign RA QC and EFC values to such combined resources.”¹⁹ Developing standards to count these resources should be made a priority.

III. CONCLUSION

CEERT appreciates the opportunity to submit these Reply Comments. CEERT recommends that the Proposed Decision be modified to remove the 100% Year 2 local RA procurement requirement and instead address this issue in Track 2. In addition, the Proposed Decision should be modified to reflect that providing new rules for counting hybrid resources is a priority. Lastly, the uncertainty caused by the new load forecast and benchmark to the “real” 1 in 10 local area load and load shape from 2017 must be resolved.

Respectfully submitted,

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¹⁷ Opening Comments of SCE, at p. 6.

¹⁸ Opening Comments of EBCE, at pp. 3-4.

¹⁹ Opening Comments of NRG, at p. 7.