

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)

**COMMENTS OF THE CENTER FOR ENERGY EFFICIENCY AND
RENEWABLE TECHNOLOGIES ON
ADMINISTRATIVE LAW JUDGE'S RULING OF AUGUST 31, 2018**

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

September 14, 2018

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Opening Comments pursuant to the Administrative Law Judge’s (ALJ’s) Ruling issued in R.17-09-020 (Resource Adequacy (RA)) on August 31, 2018 (August 31 ALJ’s Ruling). These Comments are timely filed and served pursuant to the Commission’s Rules of Practice and Procedure and the August 31 ALJ’s Ruling.

**I.
INTRODUCTION**

The August 31 ALJ’s Ruling provided an opportunity to file additional comments on Track 2 of this proceeding which should respond to previously-served comments and proposals.

**II.
CEERT RECOMMENDS THAT ANY TRACK 2 DECISION TO INSTITUTE A MULTI-
YEAR PROCUREMENT OF LOCAL CAPACITY RESOURCE (LCR) NEEDS FROM
EXISTING FOSSIL RESOURCES MUST RECOGNIZE CURRENT STATE LAW AND
EMERGING STATE ENERGY POLICY**

CEERT has long advocated for an early transition away from an almost exclusive reliance on natural gas to supply Essential Reliability Services—especially Local Capacity Requirements (LCR) that is the principal subject of Track 2 of this proceeding.¹ Almost every party begins its comments or workshop presentations in this proceeding with a statement that

¹ See, e.g., Comments of CEERT on ALJ’s Ruling of August 1, 2018, filed on August 8, 2018, at pp. 4-5.

acknowledges the eventual need for this transition.² The recent passage and signing into law by the Governor of Senate Bill (SB) 100³ enshrines the need for this transition in statute and accelerates its timing. CEERT strongly believes that this new legislative requirement must be explicitly considered in the upcoming Track 2 Proposed Decision and the transition to reliance on non-carbon resources for Local Capacity Requirements should begin now.

While CEERT acknowledges the importance of ensuring financial viability for fossil resources that are currently required for LCR RA, the adoption of multi-year procurement for these existing fossil resources simply must anticipate and incorporate this new legislative requirement. In addition to signing SB 100, the Governor also announced a new executive order requiring economy wide carbon neutrality by 2045.⁴ Although details of the impact of this order are not clear as these comments are written, there is little doubt that the complete transition away from fossil resources to supply LCR needs is now enshrined in State energy policy.

The Track 2 decision needs to do two things in this regard. First, the quantities of LCR to be procured in this RA cycle from existing fossil resources under the new multi-year protocols must be adjusted to reflect known existing long-term preferred resource procurements and transmission upgrades that will reduce LCR needs. Last year's California Independent System Operator (CAISO) Transmission Plan authorized roughly \$60M in transmission upgrades in the Moorpark and South Bay/Moss Landing sub-areas that will reduce LCR requirements by roughly

² See, e.g. "IEP Proposal for a Multi-Year RA Framework," dated July 19, 2018, at Slide 3 which is available at <http://www.cpuc.ca.gov/General.aspx?id=6316>.

³ See <https://www.sacbee.com/news/politics-government/capitol-alert/article2181284>.

⁴ Executive Order B-55-18, September 10, 2018. "A new statewide goal is established to achieve carbon neutrality as soon as possible, and no later than 2045, and achieve and maintain net negative emissions thereafter."

750 MW by 2020 at a fraction of the cost of multi-year procurement from existing fossil resources.⁵

Furthermore, there are three currently active LCR preferred resource procurement processes before the Commission: Southern California Edison's (SCE's) Moorpark/Goleta Request For Offer (RFO),⁶ Pacific Gas & Electric's (PG&E's) Oakland Clean Energy Project,⁷ and PG&E's South Bay/Moss Landing procurement in response to Commission Resolution E-4909.⁸ These existing procurements will reduce fossil LCR needs by an additional ~650 MW. As recently as September 12, 2018, the Commission issued Draft Resolution E-4957⁹ which recommends approval of SCE's negotiated agreement with California State University Channel Islands regarding a 25.7 MW cogeneration facility now serving as a central utilities plant for this campus, noting the impact of this agreement on LCR needs in the Moorpark sub-area.

CEERT also finds it very telling that SCE's proposal to modify its Moorpark LCR Procurement Plan to change LCR counting rules to accommodate the Commission's Track 1 decision to allow hybrid storage/demand response resources to supply LCR needs was not even circulated to the RA Service List for potential consideration in a Track 2 decision.¹⁰ This is a graphic illustration of the failure to consider the impact of contemplated preferred resource procurements on near term LCR needs and thus procurement quantities for multi-year LCR procurement from existing fossil resources arising from a Track 2 decision.

⁵ www.caiso.com/Documents/BoardApproved-2017-2018_Transmission_Plan.pdf, dated March 22, 2018, at Table 7.2.1 p.334.

⁶ https://scemooparkgoletarfp.accionpower.com/_scemg_1701/home.asp.

⁷ https://www.pge.com/en_US/for-our-business-partners/energy-supply/electric-rfo/wholesale-electric-power-procurement/2018-oakland-clean-energy-initiative-rfo.page?WT.mc_id=Vanity_rfo-ocei&ctx=business.

⁸ www.pge.com/tariffs/assets/pdf/adviceletter/ELEC_5322-E.pdf.

⁹ www.cpuc.ca.gov/E-4957 REDACTED Draft Comment Resolution (SCE AL 3769-E).pdf

¹⁰ See, e.g., Comments of CEERT on the Revised Moorpark Sub-area LCRs Procurement Plan of SCE Submitted to the Energy Division Pursuant to D.13-02-015, filed September 7, 2018

Second, the new Track 2 multi-year protocols for procurement of fossil resources must contemplate and incorporate both planned transmission enhancements that are not yet firm but currently under study. These protocols must also contemplate and incorporate future preferred resource procurements and transmission enhancements that flow from existing initiatives to reduce LCR needs, reduce Aliso Canyon related gas demands, and incorporate the impacts of SB 100 and the new economy wide carbon neutrality Executive Order. Several of these initiatives will probably impact at least the out-year LCR requirements in the contemplated multi-year Track 2 procurements in this RA cycle. For example, SCE has begun conducting Phase 2 of its Aliso Canyon Energy Storage (ACES) storage procurement as part of the Aliso Canyon mitigation program.¹¹ This procurement will target the Moorpark sub-area so that one storage installation will both mitigate the Aliso Canyon gas supply situation and meet a portion of the Moorpark sub-area LCR need. In addition, in mid-November the CAISO will release a draft of its study of potential transmission reinforcements to reduce LCR needs in the San Diego LCR area for adoption in March 2019.¹² Also in November, the Los Angeles Department of Water and Power (LADWP) will release a draft of a new plan to reduce its in-Basin fossil LCR equivalent needs in response to State Water Resources Control Board Once Through Cooling regulations.¹³

LADWP's current Integrated Resource Plan (IRP) that is embedded in CAISO power flow data-bases used to calculate LA Basin sub area LCR needs includes repowering of 1685 MW of existing fossil resources. The new plan will clearly reduce the amount of fossil repowering, and because of significant loop flows between the CAISO and LADWP Balancing

¹¹ <https://scemoorparkgoletarfp.accionpower.com>, dated September 5, 2018, at Reference#:32.

¹² www.caiso.com/Documents/Final2018-2019StudyPlan.pdf, at Table 2.1 p. 3.

¹³ www.ladwp.com/ladwp/faces/ladwp/aboutus/power/Clean_Energy_Future/ 100% Renewable Energy Study/ Once-through-Cooling (OTC) Study.

Authorities, any reduction in fossil generation on LADWP's system will impact the Commission jurisdictional LCR RA requirement as well.¹⁴ Current plans are to reconcile these issues in next year's CAISO Transmission Planning Process. All of this activity is occurring even before the passage of SB 100 and the new economy wide carbon neutrality Executive Order.

The only Track 2 party proposal for multi-year LCR procurement that directly and comprehensively deals with this generic issue is the Community Choice Aggregator (CCA) proposal¹⁵ whose essential feature is centralized procurement of residual LCR need after all LSE's procure against their allocated LCR requirement locally using preferred resources. Given that the CCAs will favor distributed non-fossil local resources, adopting the CCA proposal will be a significant boost to the transition away from natural gas to fill LCR needs.

CEERT also notes that SCE has proposed a different but analogous protocol in its recent IRP submittal.¹⁶ CEERT strongly supports SCE's vision for leveraging the electric sector for a decarbonized economy where its preferred plan adopts a lower GHG target and higher levels of electrification, as well as the proposed "reliability threshold mechanism." CEERT echoes SCE's call for the CAISO and the Commission to undertake studies to plan for a reliable and safe decarbonized grid.¹⁷ Several events this year make it increasingly clear that California needs a clear path forward for a reliable, safe, relatively low-cost grid. First, the lack of reliability of the Southern California gas pipeline and storage system have resulted in price spikes in the CAISO market that have rippled throughout the West.¹⁸ In the summer assessment, CAISO reported that

¹⁴ The reverse is also true. For example, the CAISO/SCE Mesa loop-in project that is under construction has a significant positive impact on the LADWP Balancing Authority LCR needs as well.

¹⁵ R.17-09-020 Final Multiyear Matrix which can be found at <http://www.cpuc.ca.gov/General.aspx?id=6316>.

¹⁶ SCE IRP, at pp. 120-135.

¹⁷ SCE IRP, at p. 17.

¹⁸ CAISO Market Performance and Planning Forum on August 29, 2018, at p. 16.

<http://www.aiso.com/Documents/Presentation-MarketandPerformancePlanningForum-Aug292018.pdf>.

there was a 52% probability of stage 2 emergency.¹⁹ While this has not occurred yet, it is clear that gas is not in fact the most reliable, resilient, or safe option for California’s grid, particularly in the Los Angeles (LA) Basin. Second, the passage of SB 100 and the Executive Order on economy wide carbon neutrality means an evaluation of strategies to transition the grid to “low carbon reliability” will be essential in meeting this goal. The Track 2 decision in this RA cycle must start this process.

CEERT strongly supports SCE’s proposed “reliability threshold mechanism” for, in this case, LCR RA needs, but believes the type or types of preferred resources procured should be dependent on the identified need and include preferred resources other than storage. While storage is a valuable resource for “peaky needs,” hybrid resources or a portfolio of resources may be more appropriate for longer duration needs. SCE proposes several triggers, including an accumulation of unplanned retirements, capacity resources not meeting planned online dates, declaration of a Stage 2 emergency by the CAISO, changes in natural gas storage facilities, or unplanned pipeline outages.²⁰ CEERT agrees these are the types of events that should trigger new preferred resource procurement, instead of continued reliance on natural gas resources.

LCR needs are a fluid quantity responding to both routine and long-term systemic policy driven changes in transmission topology, load forecasts, and generation portfolios that can vary considerably over a relatively short period of time. Party proposals such as those of the Energy Division or the Independent Energy Producers (IEP) that assume LCR needs are static and stable for the duration of the multi-year contract period so that virtually 100% of current LCR requirements are procured from existing mostly fossil resources are simply not suitable in this environment. Adopting these proposals invites the exercise of market power by existing well

¹⁹ CAISO2018 Summer Loads and Assessment, at p. 5.

<http://www.caiso.com/Documents/2018SummerLoadsandResourcesAssessment.pdf>.

²⁰ SCE IRP, at pp. 127-128.

located resources, virtually assures over-procurement, and stunts the transition to a low or zero carbon future.

III. CONCLUSION

As discussed above, CEERT makes the following recommendations for a Track 2 decision implementing multi-year procurement of LCR needs:

- 1.) Adopt the CCA proposal or a close variant thereof for the Track 2 decision on multi-year LCR procurement protocols.
- 2.) Adjust the near-term LCR quantities adopted in the Track 1 decision to be procured from existing fossil resources on a multi-year basis under Track 2 adopted protocols to account for existing and planned preferred resource procurements and transmission enhancements.
- 3.) Harmonize the RA and IRP protocols for procurement of new resources to meet LCR needs and incorporate a long-term plan for transition out of fossil resources to supply LCR needs consistent with State law.

Respectfully submitted,

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