

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Oversee the 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
THE PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR
2020-2022, ADOPTING FLEXIBLE CAPACITY OBLIGATIONS FOR 2020, AND
REFINING THE RESOURCE ADEQUACY PROGRAM**

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

June 18, 2019

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Reply Comments on the Proposed Decision Adopting Local Capacity Obligations for 2020-2022, Flexible Capacity Obligations for 2020, and Refining the Resource Adequacy Program (Proposed Decision), mailed in this proceeding (R.17-09-020) on May 24, 2019. 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 Decision.

I.

CEERT SUPPORTS THE NUMEROUS PARTIES THAT HAVE CONCERNS ABOUT THE PROPOSED DECISION'S EFFECTIVE LOAD CARRYING CAPABILITY (ELCC) METHODOLOGY AND NET QUALIFYING CAPACITY (NQC) COUNTING RULES

CEERT joins most parties in expressing a level of discomfort with the Proposed Decision's treatment of ELCC methodology and NQC counting rules. The California Independent System Operator (CAISO),¹ Calpine Corporation (Calpine),² California Wind Energy Association (CalWEA),³ California Energy Storage Alliance (CESA),⁴ Green Power Institute (GPI),⁵ the Joint

¹ CAISO Opening Comments, at p. 9.

² Calpine Opening Comments, at p. 4.

³ CalWEA Opening Comments, at pp. 1-2.

⁴ CESA Opening Comments, at p. 4.

⁵ GPI Opening Comments, at p. 3.

Demand Response (DR) Parties,⁶ Pacific Gas and Electric (PG&E),⁷ NRG Energy, Inc. (NRG)⁸, Southern California Edison (SCE),⁹ San Diego Gas & Electric (SDG&E),¹⁰ Sunrun Inc. (Sunrun),¹¹ and The Utility Reform Network (TURN)¹² all comment on the need for significant further development of ELCC methodologies. Most of these parties explicitly state that, while the Energy Division’s proposal adopted in this Proposed Decision represents an improvement over current practice, this proposal should be explicitly adopted only for 2020 with much more development before the next RA cycle.

Many of the same parties also express similar concerns with the NQC counting rules for non-perfectly dispatchable gas fired resources, which flow from the ELCC analysis. The specific concerns and priorities vary, but the theme is consistent. While CEERT supports the notion that these issues require discussion in Workshops and working groups, CEERT is convinced that the answers will never be “durable” and accurate as long as we continue to ignore the reality that discrete, independent single resources cannot always be assigned a discrete NQC value and that the algebraic sum of these individual NQCs does not equal the “portfolio” NQC. As long as the current process continues to be used, the fundamental mathematics will catch up with us and there will be continual arbitrary and capricious assignments of “diversity value” and over/under procurement of actual need. The only truly viable path forward is to turn the process on its head and to learn by doing. Cost effective, resilient portfolios must be designed with capacity values that work for the resource owners/customers and then the capacity value(s) for forward RA obligations should be assigned to those portfolios using ELCC methodology.

⁶ Joint DR Parties Opening Comments, at p. 2.

⁷ PG&E Opening Comments, p. 6.

⁸ NRG Opening Comments, at p. 3.

⁹ SCE Opening Comments, at p. 5.

¹⁰ SDG&E Opening Comments, at p. 9.

¹¹ Sunrun Opening Comments, at p. 9.

¹² TURN Opening Comments, at p. 1.

Eventually, as preferred resources dominate the energy market, the current dispatch algorithm using a resource stack by ascending short run marginal cost and solving for that least marginal cost as the optimum dispatch will need to be replaced. The resources of the future simply do not have a “fuel charge” that results in dispatch optimization based on short run marginal cost. Rather the optimization will be determined by the opportunity cost of loads to bid for variable generation with storage to lubricate those choices. This future is a long way off and the transition will not be quick and easy. We must start the process now.

II. CEERT CONTINUES TO URGE FOR SIGNIFICANT EARLY PROCUREMENT OF PREFERRED CAPACITY RESOURCES

There is an urgent need to “practice” procurement, real time operation and wholesale market settlement of capacity from “use limited” hybrid preferred resources. This need coincides with an urgent need to procure capacity resources in Southern California. Fossil and nuclear resource retirements through out the West, looming load growth from policy driven electrification, and a brittle gas supply system all combine to raise the risk of near-term capacity shortages or, at a minimum, market power for existing capacity resources centered in Southern California. Authorization for and encouragement of significant procurement of distributed, hybrid preferred resources simply must happen soon. If this does not happen here and now, it is unclear where and when it will happen. Punting this procurement to the next cycle of the Integrated Resource Plan (IRP) is too little, too late. That process is simply not prepared to deal with the complexities of local capacity procurement – especially when that procurement needs to be resources for which the IRP has no model, no data to populate those models, and the wrong optimization engine.

**III.
CONCLUSION**

CEERT appreciates the opportunity to submit these Reply Comments and urges swift and decisive action.

Respectfully submitted,

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