

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED

07/22/19
04:59 PM

Order Instituting Rulemaking to Develop an
Electricity Integrated Resource Planning
Framework and to Coordinate and Refine
Long-Term Procurement Planning
Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

**OPENING COMMENTS OF THE
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES
ON ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S RULING
INITIATING PROCUREMENT TRACK AND SEEKING COMMENT ON POTENTIAL
RELIABILITY ISSUES**

MEGAN M. MYERS

Attorney for the Center for Energy
Efficiency and Renewable Technologies
Law Offices of Sara Steck Myers
122 – 28th Avenue
San Francisco, CA 94121
Telephone: (415) 994-1616
Facsimile: (415) 387-4708
E-mail: meganmmyers@yahoo.com

LIZ ANTHONY GILL, PHD

Grid Policy Director for the Center for Energy
Efficiency and Renewable Technologies
1100 11th Street, Suite 311
Sacramento, CA 95814
Telephone: (916) 442-7785
E-mail: liz@ceert.org

For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

Dated: July 22, 2019

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop an
Electricity Integrated Resource Planning
Framework and to Coordinate and Refine
Long-Term Procurement Planning
Requirements.

Rulemaking 16-02-007
(Filed February 11, 2016)

**OPENING COMMENTS OF THE
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES
ON ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE’S RULING
INITIATING PROCUREMENT TRACK AND SEEKING COMMENT ON POTENTIAL
RELIABILITY ISSUES**

The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Opening Comments on the Assigned Commissioner and Administrative Law Judge’s Ruling Initiating Procurement Track and Seeking Comment on Potential Reliability Issues, issued June 20, 2019 (Ruling). These Opening Comments are timely filed and served pursuant to the Commission’s Rules of Practice and Procedure and the Ruling.

**I.
OVERVIEW**

By the Ruling, parties were invited to comment on the scope of a procurement track and recommended procurement for near- to medium-term reliability needs. While CEERT does not dispute the reliability need, CEERT believes there is an opportunity to truly do *integrated* resource planning and usher in the new era of procuring clean resources for meeting both reliability and policy needs. The Ruling recommends multiple track to procure for separate reliability and policy needs. However, these needs interact and there is significant crossover in the resources identified within each category. The Ruling implies a likely procurement of mothballed or extending the life of soon to be retired gas-fired power plants. This is a mistake and would set the State back in meeting its Senate Bill (SB) 100 and decarbonization goals, miss

an opportunity to demonstrate the ability of preferred resources to meet the system's reliability needs and likely increase costs for ratepayers. As such, a procurement for short- to medium-term reliability needs should focus on preferred resources and incorporate meeting local reliability needs, renewable procurement needs and long-term reliability/integration needs as feasible.

II. CEERT RESPONSES TO SECTION 3 QUESTIONS

- 1. Do you believe that there could be reliability challenges as soon as 2021? Why or why not? Include comments on any concerns you have about the staff analysis presented in Section 2.1 of this ruling, and cite to publicly-available data to support your analysis.**

Regardless of the specific numbers around a potential capacity shortage in the near- to medium-term, it would be prudent for the Commission to authorize procurement of preferred resources and hybrid-resources to meet system and as needed, local, capacity needs. Before the State meets a reliability challenge, resources already on the system that are used to meet the majority of the system resource adequacy requirements, gas-fired power plants will have market power, significantly driving up total resource adequacy costs to ratepayers. By procuring preferred resources and preferred resource hybrids now, the Commission can avoid another energy crisis.

- 2. Are you concerned about increasing reliance on imported capacity for meeting resource adequacy requirements? Why or why not?**

CEERT is concerned with increased reliance on imported capacity for meeting resource adequacy (RA) requirements, although not for the reasons cited in this Ruling. It is clear that capacity surplus that the Western Interconnection has enjoyed for the past 10 years is ending. Analysis indicates that the Pacific Northwest may need new capacity to replace retiring coal

plants.¹ This is anticipated to be the story throughout the West as coal continues to retire. The general tightening of supply requires that California aggressively procure preferred resources and preferred resource hybrids in the near term to insulate itself from the impacts of relying on out of state fossil fueled power plants for meeting reliability needs.

3. Should the Commission be concerned about specific local and/or flexible resource adequacy needs, or only the system needs identified herein? Explain.

To the extent there are local RA needs, it would be prudent to procure resources to meet both local and system resource adequacy simultaneously. Procurement should be limited to preferred resources, prioritizing local capacity areas and subareas that have either a need or lesser levels of “excess” local capacity.

4. If a need for system reliability resources in the near-term is identified within this proceeding, will there be sufficient time to bring new resources online to meet the need? If not, should the Commission pursue delays to the OTC retirement schedules to bridge this short-term gap? Why or why not? If the Commission pursues OTC retirement date delays, or which plants and for how long should we request the delays?

CEERT reserves the right to respond to this Question in Reply Comments.

5. Comment on the proposed requirements in Section 2.2 of this ruling for 2,000 MW of new resource adequacy capacity procured and online by August 1, 2021, procured on a proportional and all-source basis by all jurisdictional LSEs. Parties may also propose an alternative requirement.

CEERT reserves the right to respond to this Question in Reply Comments.

6. Is the requirement for commercial online date of August 1, 2021 sufficiently clear or are other requirements needed? Explain.

CEERT reserves the right to respond to this Question in Reply Comments.

¹ Seventh Northwest Conservation and Electric Power Plan (https://www.nwcouncil.org/sites/default/files/7thplanfinal_allchapters_1.pdf).

7. Comment on how demand-side resources included in this new resource procurement should be counted (e.g., as part of a reduction in the system resource adequacy requirement as part of the IEPR, etc.).

Demand side resources should be counted towards the capacity requirement in this procurement. For resource adequacy counting, the proportion of the reduction of system peak load should be credited to the procuring Load-Serving Entity (LSE).

8. Comment on the proposed requirement in Section 2.2 of this ruling that SCE contract for 500 MW of existing resource adequacy capacity from a resource or resources that do not have contracts extending past 2021, for 2-5 years, with cost allocation addressed through a modified CAM mechanism. Parties may also propose an alternative approach.

The ruling lacks any reasoning as to why Southern California Edison (SCE) should be allowed to contract with existing resources to be procured as part of a medium-term contract with cost allocation addressed through a modified cost allocation mechanism (CAM). California law is clear that Community Choice Aggregators (CCAs) are allowed to self-procure and thus, it is unclear why SCE alone should be allowed to contract for this 500 MW of capacity.² Instead, CEERT recommends that the unallocated 500 MW instead be added to the total procurement and allocated to each LSE by load share for each LSE to procure. Furthermore, it is important to note that geothermal resources are able to compete for this unallocated 500 MW.

9. Should any procurement from existing resources be focused on resources that have formally notified the CAISO and the Commission of an intention to retire? Why or why not?

Procurement should not include existing resources that have formally announced their intention to retire. Essentially all resources that have announced retirement are gas-fired resources. Given the State's clean energy targets, it does not seem prudent to revive resources that will be only be needed in limited quantities in the future. Procurement should focus on

² California Public Utilities Code Section 366.2(a)(5).

essentially “fast-tracking” identified resources, or preferred resources with equivalent capacity value required, in the Preferred System Plan.

10. If individual LSEs are unable to procure their responsible share of the authorized procurement, should an interim backup mechanism and role be established to ensure the procurement needs are met and that all LSEs pay their fair share? Could this interim backup mechanism be developed and implemented in time to get resources procured and online by August 1, 2021? If yes, describe implementable solutions.

CEERT reserves the right to respond to this Question in Reply Comments.

11. If the Commission is unable to develop and implement an interim backup mechanism in time to meet peak system resource adequacy needs in 2021, what type of compliance mechanism will be needed to ensure that LSEs comply with their share of the procurement responsibility? Provide implementable solutions.

CEERT reserves the right to respond to this Question in Reply Comments.

12. Is a Tier 3 advice letter the appropriate mechanism to secure Commission approval for contracts associated with the proposals in this ruling, for LSEs who require such approval? Why or why not? Provide an alternative proposal, if desired.

CEERT reserves the right to respond to this Question in Reply Comments.

13. Provide any other comments you think the Commission would find relevant to its consideration of system resource adequacy issues and potential procurement by 2021.

The Ruling suggests procured firm imports will be considered “with capacity discounted by 1/3 to account for the risk associated with increasing imports...”³ The Commission should provide the analysis related to this determination. There are penalties in the CAISO market for resource adequacy resources not “showing up.” It is unclear if the Commission has determined if these penalties are not sufficient to dissuade LSEs from signing potentially high-risk contracts.

CEERT does not agree that short- to medium-term renewable reliability, renewables and long-term reliability/renewable integration need or should be addressed entirely separately.

There is clear overlap between resource types between each of the categories and it is likely that

³ Ruling, at p. 15.

consideration of each of the priorities within the procurement would result in an overall “more optimal” portfolio. Gas-fired power plants are only considered for short- to medium-term reliability and thus should not included in the procurement, when solutions exist to meet multiple needs of the State, including advancing the goals of SB 100.

III. CONCLUSION

In conclusion, CEERT strongly urges the Commission to initiate a procurement of preferred resources and preferred resource hybrids to mitigate potential capacity shortfalls and likely market power of the gas generators as a capacity shortfall is approached. This procurement is an opportunity for the Commission to proceed with true *integrated* resource planning and procurement and begin the transition of truly relying on preferred resources for reliability needs in accordance with the direction of State energy policy.

Respectfully submitted,

July 22, 2019

/s/ MEGAN M. MYERS

Megan M. Myers
Attorney for CEERT
Law Offices of Sara Steck Myers
122 – 28th Avenue
San Francisco, CA 94121
Telephone: (415) 994-1616
Facsimile: (415) 387-4708
E-mails: meganmmyers@yahoo.com

And

Liz Anthony Gill, PhD
Grid Policy Director for CEERT
1100 11th Street, Suite 311
Sacramento, CA 95814
Telephone: (916) 442-7785
E-mail: liz@ceert.org

FOR: CENTER FOR ENERGY
EFFICIENCY AND RENEWABLE
TECHNOLOGIES