

Decision 18-06-031 June 21, 2018

**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 2019 and 2020 Compliance Years.

Rulemaking 17-09-020

**DECISION ADOPTING FLEXIBLE  
CAPACITY OBLIGATIONS FOR 2019**

**Summary**

This decision adopts flexible capacity requirements for 2019 applicable to Commission-jurisdictional electric load-serving entities, superseding the previously-adopted 2018 requirements. Other issues relating to the resource adequacy program are being addressed in a separate decision.

This proceeding remains open.

**1. Background**

For a more complete description of the background leading to this decision, please see the proposed decision in this proceeding that was served on May 22, 2018.

A Scoping Memo for this proceeding was issued on January 18, 2018. The Scoping Memo identified the issues to be addressed and set forth a schedule and process for addressing those issues. In addition to identifying the issues in this proceeding, the Scoping Memo established multiple tracks, with issues falling into Track 1, Track 2 and Track 3. In general, Track 1 issues are issues that need

to be resolved early, including adopting Local Capacity Requirements (LCR) and Flexible Capacity Requirements (FCR) for 2019.

Track 1 proposals were filed and served by parties and the Commission's Energy Division on February 16, 2018. Numerous parties submitted proposals, including the California Independent System Operator Corporation (CAISO). Workshops on the proposals were held on February 22 and 23, 2018, with comments on the workshop and proposals filed on March 7, 2018 and reply comments on March 16, 2018.

## **2. Issues Before the Commission**

Adopting the 2019 FCR was one of the issues that the Scoping Memo identified as being within the scope of Track 1. (Scoping Memo at 6-7.) Other issues that were identified as being within the scope of Track 1 are being addressed in a separate decision. Adoption of the 2019 FCR could not be addressed in that decision, as its submission to the Commission was delayed.

## **3. Discussion**

### **3.1. 2019 FCR**

Decision (D.) 13-06-024 and D.14-06-050 adopted a flexible capacity requirement to begin in 2015 and defined guidelines for its implementation, and D.15-06-063 adopted FCR for 2016. D.13-06-024 recognized a need for flexible capacity in the RA fleet and defined flexible capacity need:

“Flexible capacity need” is defined as the quantity of resources needed by the CAISO to manage grid reliability during the greatest three-hour continuous ramp in each month. Resources will be considered as “flexible capacity” if they can sustain or increase output, or reduce ramping needs, during the hours of “flexible need.” (D.13-06-024 at 2.)

This year, the CAISO's final Flexible Capacity Needs Assessment for 2019 (FCR Report) was due on May 15, 2018. On that date the CAISO filed its

Final Local Capacity Technical Analysis and its Final Availability Assessment Hours Technical Study for 2019, but stated:

The CAISO is unable to provide the final 2019 Flexible Capacity Needs Assessment at this time due to recently received stakeholder comments identifying fundamental concerns with the CAISO's use of the hourly California Energy Commission (CEC) load forecast data in determining the flexible capacity requirements. As a result of these comments, the CAISO intends to recalculate the final 2019 Flexible Capacity Needs Assessment to develop minute-by-minute net-load forecasts using actual 2017 load data adjusted for 2019 monthly system peak load forecasts rather than the CEC-provided hourly load figures. ... The CAISO will make its best efforts to file the Final Flexible Capacity Needs Assessment with the Commission by close of business on May 21, 2018. (California Independent System Operator Corporation 2019 Annual Resource Adequacy Related Analyses at 1.)

Accordingly, the CAISO's final figures for 2019 were not available in time to be incorporated into the proposed decision addressing the remainder of the issues in Track 1, and that proposed decision did not adopt new 2019 FCR figures in this decision, but instead left the previously-adopted 2018 FCR figures in effect. For convenience, those 2018 figures are reiterated in the below table.

### 2018 Flexible Capacity Needs

NOTE: All numbers are in Megawatts	CAISO System Flexible Requirement	CPUC Flexible Requirement	CPUC		
			Category 1 <sup>1</sup> (minimum)	Category 2 (100% less Cat. 1 & 3)	Category 3 (maximum)
January	13,415	12,437	4,806	7,010	622
February	14,409	13,151	5,081	7,413	658
March	13,435	12,801	4,946	7,215	640
April	12,272	11,876	4,589	6,694	594
May	13,095	12,308	6,746	4,946	615
June	11,497	10,688	5,858	4,295	534
July	10,908	10,156	5,567	4,081	508
August	11,219	10,789	5,914	4,336	539
September	14,248	13,468	7,383	5,413	673
October	14,271	13,291	5,135	7,491	665
November	14,505	13,569	5,243	7,648	678
December	15,743	14,611	5,646	8,236	731

<sup>1</sup> The CAISO divides the FCR into categories 1 through 3, or base flexibility, peak flexibility, and super-peak flexibility, as described in CAISO tariff Sections 40.10.3.2 and 40.10.3.3.

The CAISO filed and served its final FCR Report in this proceeding on May 21, 2018. The final FCR Report contained the following figures for 2019:

**2019 Flexible Capacity Needs**

NOTE: All numbers are in Megawatts	CAISO System Flexible Requirement	CPUC Flexible Requirement	CPUC		
			Category 1 (minimum)	Category 2 (100% less Cat. 1 & 3)	Category 3 (maximum)
January	15,651	14,608	6,752	7,125	730
February	16,011	14,987	6,928	7,310	749
March	16,071	15,279	7,063	7,453	764
April	14,755	13,898	6,424	6,779	695
May	13,052	12,331	7,700	4,015	617
June	13,839	13,118	8,192	4,271	656
July	11,517	11,056	6,904	3,599	553
August	11,990	11,637	7,267	3,789	582
September	15,067	14,209	8,873	4,626	710
October	14,821	14,131	6,532	6,893	707
November	15,022	14,152	6,542	6,903	708
December	16,323	15,493	7,162	7,557	775

Pacific Gas and Electric Company (PG&E) filed and served responsive comments on May 25, 2018. While expressing concerns, PG&E did not oppose adoption of the CAISO’s 2019 FCR. No other parties responded to the CAISO’s final FCR Report. In its comments, PG&E states:

The CAISO’s issuance of the Final FCR Report was delayed. The Final FCR Report does not describe what caused the delay. From a comparison of the draft and final reports provided by the CAISO, it appears in the Final FCR Report the analysis reverted to the methodology and data sources used in

previous years' FCR studies, while a different approach had been used in the Draft FCR Report.

As can be seen in a comparison of Table 1 from each of the reports, it is clear the Final FCR Report's results produce considerably lower three-hour ramps than the methodology/data used in the Draft FCR Report.

PG&E infers, from the fact that the CAISO felt compelled to make the switch, that the CAISO is acknowledging there were issues with the methodology/data used in the Draft FCR Report. PG&E requests that changes in data sources and methodology be thoroughly vetted before the results of the Final FCR Report are adopted, particularly in light of the tight timelines afforded the study and comment process setting the flexible requirements.

Commenting briefly on the results presented in the Final FCR Report, from PG&E's review of the evidence presented in Table 1, the Final FCR Report appears to reflect a reasonably accurate forecast of three-hour ramps. This conclusion is supported by comparing the actual ramps shown for January through April for 2018 with the forecasted ramps for 2018 for the same months. (PG&E May 25, 2018 Comments.)

PG&E raises valid concerns. Methodological flaws and last-minute changes undermine the credibility of the resource adequacy program, and possibly even its viability. At the same time, given the brief review period available, the FCR figures appear to be reasonable. Accordingly, despite our misgivings regarding the process for getting to this point, we adopt the 2019 FCR figures set forth in the table above. To the extent this decision differs from another decision in the same proceeding adopted by the Commission on the same day, this decision supersedes the other decision.

#### **4. Comments on Proposed Decision**

The proposed decision of Administrative Law Judges (ALJ) Allen and ALJ Chiv in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. The delayed submission of the CAISO's final FCR Report to the Commission created an unforeseen emergency situation, allowing for a reduction in the comment period. (Rule 14.6(a)(8)). In addition, adoption of the 2019 FCR is an uncontested matter where this decision grants the relief requested. (Rule 14.6(c)(2)). Accordingly, opening comments were due on June 11, 2018, and reply comments were due on June 18, 2018. Comments and reply comments on this proposed decision and the May 22, 2018 proposed decision in this proceeding were received on those dates. No changes to the proposed decision were made in response to comments.

#### **5. Assignment of Proceeding**

Liane Randolph is the assigned Commissioner and Peter V. Allen and Debbie Chiv are the assigned ALJs in this proceeding.

#### **Findings of Fact**

1. The CAISO filed and served its final FCR figures for 2019 on May 21, 2018.
2. The CAISO's final FCR figures for 2019 were received too late to be incorporated in the proposed decision that was served on May 22, 2018.
3. The CAISO's final FCR figures appear to be reasonable.

#### **Conclusions of Law**

1. The process for adopting final FCR figures should be reviewed.
2. The CAISO's final FCR figures should be adopted.

**O R D E R**

**IT IS ORDERED** that:

1. The final Flexible Capacity Requirement amounts set forth in the final Report of the California Independent System Operator in this proceeding are adopted.
2. Rulemaking 17-09-020 remains open.

This order is effective today.

Dated June 21, 2018, at San Francisco, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners