BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
04-20-12
04:59 PM

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations.	Rulemaking 11-10-023 (Filed October 20, 2011)

REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON PHASE 1 WORKSHOP ISSUES

PETER H. SPENCER
YAKOV LASKO
Analyst for the Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2109
E-mail: phs@cpuc.ca.gov

MATT MILEY
Attorney for the Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-3066
Fax: (415) 703-2262
E-mail: mm2@cpuc.ca.gov

April 20, 2012

580031

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 Procurement Obligations.	Rulemaking 11-10-023 (Filed October 20, 2011)

REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON PHASE 1 WORKSHOP ISSUES

Pursuant to the Administrative Law Judge's Ruling on a Revised Comment Schedule, the Division of Ratepayer Advocates (DRA) submits these reply comments on Phase 1 issues discussed at the workshops held on January 26, 27 and March 30, 2011.

Many parties' opening comments agree that the following three issues are not yet sufficiently developed and are therefore not ripe for adoption in the Phase 1 Resource Adequacy (RA) decision: (1) the Energy Division (ED) Revised Maximum Cumulative Capacity Bucket proposal, (2) the California Independent System Operator (CAISO) flexible capacity proposal, and (3) multi-year Resource Adequacy (RA) recommendations. As detailed below, DRA agrees that consideration of these issues in Phase 1 is premature.

A. Energy Division Proposal for Redesign of Maximum Cumulative Capacity (MCC) Buckets

The ED proposal offers a redesign of the current MCC buckets to align capacity requirements with emerging data that supports an increased need for flexible capacity.

DRA agrees with the majority of other party opening comments which state that

the ED proposal is not fully developed.[1] Accordingly, DRA recommends a trial run of the ED Proposal for 2013 with consideration for implementation in 2014 during Phase 2 of this proceeding. The initiation of a trial run for 2013 without procurement obligations will help to develop the proposal and inform future consideration of adoption.[2] It will be more difficult for the Commission to implement a workable proposal without first creating a framework for consideration.

In addition, DRA notes that the ED proposal does not include the level of specificity and calculation methodologies for defining categories found in the alternative CAISO proposal. The more broadly defined buckets in ED's proposal will be less likely to restrict LSE compliance with flexible requirements. In contrast, the use of narrowly defined categories unnecessarily risks limiting the available resources which can meet the definitions, and could therefore result in procurement of resources which are not needed. Moreover, narrowly defined flexible capacity categories for resources may create market power issues, especially in restricted areas, when the availability of resources is limited.

B. CAISO Proposal on Flexible Capacity Requirement

The revised CAISO proposal to meet future flexible capacity needs, as presented in CAISO's opening comments, calls for the adoption of three flexible capacity categories for RA in 2013. In addition, the CAISO comments call for either the addition of a new phase in the current proceeding or a new proceeding in the summer of 2012 to finalize a new flexible capacity policy with full implementation in 2014. DRA, along with most parties, does not support the CAISO proposal to adopt their three flexible capacity categories. DRA also opposes the CAISO's proposal to initiate a new phase or proceeding in the summer of 2012.

---

[1] Parties note that flexible capacity requirements are not necessary in 2013, and many parties support implementation of flexible capacity requirements in 2014 or later. In addition, the CAISO states that flexible capacity is not needed until 2017.

[2] For further discussion, see DRA Opening Comments on Phase 1 Workshop Issues, pp. 2-3.

Like the ED proposal, parties contend that the CAISO proposal is not adequately developed. While some parties favor the CAISO proposal over the ED proposal, adoption of the CAISO categories prior to fleshing out the proposal is premature. Ongoing efforts at the CAISO on renewable integration studies and simultaneous efforts on flexible capacity in the Long-Term Procurement Planning (LTPP), R.12-03-014, need to be integrated with any policies adopted in the RA program. These other proceedings will provide informative data and reports later this year. Thus, the CAISO's call for a process in the summer of 2012 to resolve an RA flexible capacity policy is premature and would risk creating conflicting rulings without coordination of efforts.

Parties have shared many concerns about the CAISO definitions in their opening comments, including compatibility with commercial markets,[3] potential contributions of renewable resources to flexible capacity, failure to include imports, no accounting of cost implications, how to account for use-limited resources, and creation of unknowns negatively affecting forward procurement by LSEs. Moreover, the CAISO also calls for monthly accounting which would lead to varying monthly requirements for the LSEs. Parties point out that a monthly accounting cannot be implemented without adoption of the CAISO flexible capacity categories. In addition, varying monthly requirements are not compatible with current procurement strategies which utilize contracts that do not vary monthly.

C. Multi-year RA

DRA's opening comments called on the Commission to coordinate efforts in the RA and LTPP proceedings regarding multi-year flexible capacity procurement.[4] Consideration of multi-year flexible capacity procurement in the RA proceeding prior to direction from the Commission in the LTPP proceeding and the CAISO's renewable integration study is premature and the Commission should coordinate similar efforts in

[3] Southern California Edison Post-Workshop Comments, p. 7

[4] DRA Opening Comments on Phase 1 Workshop Issues, p. 6.

the associated proceedings. To that extent, DRA agrees with SCE's comment that "the outcome of the analytical work done by the IOUs and the CAISO in the LTPP can and should inform development of a comprehensive RA framework that addresses flexible capacity needs and multi-year forward procurement when it is completed."[5]

Nearly all parties' opening comments support a further discussion on multi-year flexible capacity RA framework, but parties propose different approaches to consideration of this issue. DRA supports calls by other parties to consider this complex issue in an independent proceeding based on the input from the 2012 LTPP proceeding. DRA expects that the consideration of a multi-year RA framework will necessitate major changes and perhaps a redefinition of the RA program. At the moment, there is simply not enough time to appropriately evaluate all of the challenges surrounding the development of a multi-year flexible capacity procurement mechanism in Phase 1 of this proceeding. Given that Phase 2 of the current proceeding is expected to have a full agenda (including a distribution generation deliverability, implementation of a flexible capacity policy, RA rules for generation interconnection and energy storage, and other issues to refine the RA program), DRA recommends that the Commission establish an independent proceeding to discuss the complex issues involved with multi-year RA. These issues include adoption of medium term forecasts, defining new multi-year forward procurement obligations, and other concerns. Notably, some parties have suggested that a change to multi-year RA may require a complete revision of the entire RA program.

[5] Southern California Edison Post-Workshop Comments, p. 13

D. Recommendations

In summary, DRA recommends:

(1) ED's redesign of MCC buckets be further developed by conducting a trial run of ED's proposal for 2013, and using the information from that trial run to help implement the proposal in 2014. This approach will advance a workable framework for the flexible capacity market;

(2) Rejection of CAISO's proposal on flexible capacity; and

(3) The Commission should establish a separate proceeding to discuss multi-year RA issues, including defining multi-year forward procurement obligations. The outcome of the analytical work from the LTPP can inform the new proceeding on multi-year RA.

Respectfully submitted,

/s/ MATT MILEY

MATT MILEY
Staff Counsel

Attorney for Division of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-3066
Fax: (415) 703-2262
Email: mm2@cpuc.ca.gov

April 20, 2012