

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED

12/17/18
04:59 PM

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Resource Adequacy Program, Consider
Program Refinements, and Establish Annual
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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 REFINING THE RESOURCE ADEQUACY PROGRAM**

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

December 17, 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.

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Reply Comments on the Proposed Decision of Administrative Law Judges (ALJs) Chiv and Allen “Refining the Resource Adequacy Program” (“Proposed Decision”), mailed in this proceeding (R.17-09-020) on November 21, 2018. 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 SHARES THE CONCERNS EXPRESSED BY MULTIPLE PARTIES
REGARDING THE PROPOSED DECISION’S PROPOSED REFINEMENTS TO THE
RESOURCE ADEQUACY PROGRAM**

In its Opening Comments, CEERT expressed its profound disappointment with the Proposed Decision.¹ CEERT was not alone in its concern with the “Program Refinements” to the Resource Adequacy (RA) program made in the Proposed Decision. Opening Comments for this Proposed Decision are remarkable for their diversity and their passion. Using words like “eviscerate²” and metaphors like “akin to using a sledge hammer to crack a nut,³” parties express

¹ CEERT Opening Comments on the Proposed Decision, at p. 1.

² California Community Choice Association (CalCCA) Opening Comments on the Proposed Decision, at pp. 2 and 5. CalCCA’s Opening Comments argue that the Proposed Decision’s proposed framework carries the potential to eviscerate the legislatively mandated Community Choice Aggregator (CCA) program.

their reaction to the importance and breadth of the proposed “Program Refinements.” Long-time critic of the status quo, NRG Energy, Inc. (NRG), sums up its feelings by stating: “NRG strongly prefers retaining the *status quo* to implementing the type of anticompetitive central procurement structure set forth in the proposed decision.”⁴ Long-time critic of the status quo and principal instigator of market actions that raised the specter of “expensive back-up procurement” driving this Proposed Decision, Calpine, expresses support but proposes a set of “amendments” that fundamentally eviscerates the PD’s central buyer structure.⁵

To the extent that consensus emerges from the range of comments, it is largely confined to two issues: postponing implementation for a full year to 2021 to allow time to deal with open questions, and adoption of residual rather than full procurement by the Central Procurement Entity (CPE) with full credit for existing Local Capacity Requirement (LCR) contracts and on-going self-supply options by all Load-Serving Entities (LSEs). Even strong supporters of the Proposed Decision, like Pacific Gas and Electric Company (PG&E), embrace the former,⁶ and strong opponents of the proliferation of Community Choice Aggregation LSEs, like San Diego Gas & Electric (SDG&E), embrace the latter.⁷ However the Commission proceeds from this point forward, CEERT urges immediate adoption of these two “near consensus” positions. The Track 2 decision simply must set a robust reset agenda for Track 3, and adopt a residual procurement structure for the CPE.

II.

³ CalCCA Opening Comments on the Proposed Decision, at p. 4.

⁴ NRG Opening Comments on the Proposed Decision, at p. 2.

⁵ Calpine Opening Comments on the Proposed Decision, at pp. 2-10.

⁶ PG&E Opening Comments on the Proposed Decision, at pp. A-5-A-6, Proposed Conclusion of Law 1.

⁷ SDG&E Opening Comments on the Proposed Decision, at p. 2.

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As to the Track 3 agenda, CEERT strongly concurs with other parties that the overarching theme of reform of LCR is to ensure reliability and the financial stability of ALL resources including but not limited to residual existing fossil resources necessary to achieve this goal.⁸ CEERT continues to maintain that unless and until robust, ubiquitous, preferred resource alternatives to existing fossil generation are nurtured and embraced by new procurement protocols, RA counting rules, and new dispatch and settlement protocols that allow a portfolio of hybrid, storage enabled Demand Response and DER non-combustion resources to supply LCR needs, these goals will not be met. The current fundamental RA forward procurement construct that individual, discrete resources be assigned an immutable Net Qualifying Capacity (NQC) value; and that the individual, fungible NQC quantities be simply summed up until the forward LCR need defined by engineering studies and expressed as a single NQC capacity value is met is insufficient to ensure that cost effective options from financially stable, reliable resources are available for dispatch and settlement in real time.. CEERT does not expect that this ambitious agenda can be defined and adopted in Track 3 and completely implemented for the 2021 RA year, but the transition must begin now.

This change was reflected in the recently enacted Senate Bill 1136 (Hertzberg) (SB 1136) which made changes to Public Utilities (P.U.) Code Section 380.⁹ As such, the design of the RA program must adapt to this grid of the future. However, the record in this proceeding has not been developed to deal with this fact. This issue must be acknowledged and a determination made by

⁸ See, e.g., Joint DR Parties Opening Comments on the Proposed Decision, at p. 7 and Sunrun Opening Comments on the Proposed Decision, at p. 1.

⁹ P.U. Code Section 380 requires the establishment of resource adequacy (RA) requirements for all load-serving entities (LSEs).

the Commission to embark on the required significant revisions to local RA procurement, dispatch and settlement.

III. CONCLUSION

CEERT appreciates the opportunity to submit these Reply Comments. CEERT recommends that the central buyer requirement be further examined and, at the least, the Commission should postpone implementation to 2021 and adopt a residual rather than full procurement by the CPE with full credit for existing LCR contracts and on-going self-supply options by all LSEs. Furthermore, the record in this and subsequent proceedings must be developed to address the changes made to the RA program by SB 1136 (Hertzberg).

Respectfully submitted,

December 17, 2018

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