

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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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)

**REPLY COMMENTS OF THE
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES
ON THE PROPOSED DECISION REQUIRING ELECTRIC SYSTEM RELIABILITY
PROCUREMENT FOR 2021-2023**

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

Dated: October 7, 2019

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The Center for Energy Efficiency and Renewable Technologies respectfully submits these Reply Comments on the Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023, mailed in the Integrated Resource Planning (IRP) proceeding, Rulemaking (R.) 16-02-007), on September 12, 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.
REPLY COMMENTS**

Like virtually all parties, CEERT, in its opening comments, fully supported the procurement of 2500 MW of *incremental* system RA resources in the 2021-2023 timeframe. The confusion, uncertainty and division is around how to define “incremental.” This procurement, at less than 5% of the annual resource adequacy (RA) showings, is not designed to replace but to supplement the routine process of annual RA contracting. Few parties question that the supply of RA resources needs to be supplemented given the tight supply/demand position following planned retirements of obsolete once through cooled gas fired steam electric facilities and, relatively soon thereafter, the state’s last uneconomic nuclear plant. If this incremental procurement simply picks up existing resources that could be procured through routine annual

showings, or backstop procurement by the California Independent System Operator (CAISO), it will not supplement RA supply and serves no purpose other than to postpone the inevitable and legislatively mandated transition to a largely carbon free electric grid. No ratepayer benefit, even in the short term, will result from this postponement.

The question of the future of the last tranche of once-through cooling (OTC) retirements scheduled for December 2020 generated the most controversy in Opening Comments. It comes as no surprise that several parties¹, including CEERT, oppose any blanket extension of OTC operating permits to allow RA contracting in this timeframe by the mechanism of this IRP Procurement Track Decision and that the Commission's proposed procurement and OTC life extensions fails to comply with governing statutes.² It is noteworthy that two parties not noted for specific environmental concerns in this manner, Southern California Edison Company (SCE)³ and the Western Power Trading Forum (WPTF)⁴ concede that life extension for the OTC plants should not be considered "incremental" but be procured separately as a last resort and in addition to the 2500 MW incremental resources to bridge construction of new RA resources. CEERT repeats its position that life extension of any OTC plant should not be part of this procurement at all, but, if necessary, and only for the minimum quantity and minimum time, procured through existing authority by the CAISO in the event of an actual looming shortage in system capacity along with firm plans for their long-term replacement.

¹ See, e.g., Opening Comments of City of Oxnard, at pp. 1-2; Opening Comments of the Joint Demand Response Parties (Joint DR Parties), at p. 3; Opening Comments of the Union of Concerned Scientists (UCS), at pp. 6-7; Opening Comments of Clean Power Alliance (CPA), at pp. 4-7; Opening Comments of Vote Solar and the Solar Energy Industries Association (SEIA), at pp. 2-4; Opening Comments of Natural Resources Defense Council (NRDC), at pp. 3-4; Opening Comments of The Nature Conservancy, at pp. 2-3; and Opening Comments of California Wind Energy Association (CalWEA), at p. 2.

² See, e.g., Opening Comments of the Joint DR Parties, at pp. 3, 5, and 6-9.

³ Opening Comments of SCE, at p. 11.

⁴ Opening Comments of WPTF, at pp. 4-5.

Some parties⁵ point to a recent FERC Decision in Document Number ER19-1641-001⁶ as reason to avoid reliability must-run (RMR) designation of OTC resources except as a last resort. CEERT agrees with these concerns as a general matter and, in particular, agrees with the Dissent of Commissioner Glick in that proceeding.⁷ However, as the FERC Order states:

[CAISO will] only use RMR contracts to procure resources to meet NERC, WECC, and CAISO established standards, and not to backstop system and flexible resource adequacy deficiencies.⁸

CEERT finds it instructive that one party who opposes the use of an RMR designation by the CAISO to procure an OTC unit is GenOn⁹, the owner of Ormond Beach OTC unit. The only possible reason for Gen On to oppose this RMR designation process with its “full cost recovery” provision is that that would result in only a year-by-year contract instead of a minimum three-year commitment plus the ability to negotiate terms superior to an RMR designation through this procurement process. CEERT is therefore persuaded that an RMR designation as a true “last resort” is preferable to a multi-year procurement of retiring OTC capacity through this Proposed Decision just in case there might be some reliability problem in the 2021-2023 timeframe.

CEERT agrees with parties who differentiated among the four OTC facilities to focus any such backstop procurement on Alamitos and, possibly, Huntington Beach before considering Ormond Beach or Redondo Beach where alternate use and remediation plans are already underway.¹⁰

⁵ See, e.g., Opening Comments of Vote Solar and SEIA, at p. 3; Opening Comments of GenOn Holdings, Inc. (GenOn), at p. 5; and Opening Comments of Alliance Retail Energy Markets (AReM), at p. 5.

⁶ 168 FERC ¶ 61, 199 issued in FERC Docket Number ER19-1641-001 issued on September 27, 2019 which can be found at <https://ferc.gov/CalendarFiles/20190927191222-ER19-1641-001.pdf>.

⁷ Dissent in Part of Commissioner Richard Glick on CAISO which can be found at <https://www.ferc.gov/media/statements-speeches/glick/2019/09-27-19-glick-caiso.asp#.XZu6G1VKjIV>.

⁸ 168 FERC ¶ 61, 199, at p. 7.

⁹ Opening Comments of GenOn, at p. 4.

¹⁰ See, e.g., Opening Comments of CPA, at pp. 4-7 and Opening Comments of the City of Oxnard, at pp. 6-7.

Perhaps the most blatant mischaracterization of this theme of incremental procurement is the position of Diamond Generating Corporation and Sentinel Energy Center, LLC (Diamond and Sentinel),¹¹ owners of existing gas facilities currently with RA contracts, who maintain that simply because their current contracts expire before 2024, that they be considered incremental and eligible for long term contracting under this Proposed Decision. It is difficult to square this position with any reading of the record in the IRP Procurement Track proceeding and squarely highlights the absolute need for maintaining a clear distinction for “incremental procurement.”

Several parties¹² also advocate for CEERT’s position that interim net qualifying capacity (NQC) counting rules must be in place to allow hybrid resources to receive appropriate RA value in this solicitation. SCE allows for this expedited consideration by saying that RA counting rules in place at time of contract execution be used.¹³ CAISO and Vote Solar and SEIA¹⁴ point out that these resources that have little or no RA value under current rules are far and away the largest class of resources capable of meeting the tight operational deadline for this incremental procurement. They are wholly consistent with the long-term vision of a decarbonized grid and offer significant ratepayer value when compared to existing fossil resources.

Finally, CEERT joins several parties in advocating for clarification of several issues and better coordination between the IRP and RA proceedings.¹⁵ In addition, CEERT agrees with parties¹⁶ who believe, given that the immediate need is for system RA, that resources anywhere

¹¹ Opening Comments of Diamond and Sentinel, at p. 3.

¹² *See, e.g.*, Opening Comments of American Wind Energy Association California Caucus and the Large-Scale Solar Association (AWEA-CC and LSA), at pp. 1-2; Opening Comments of Sunrun, at p. 3; Opening Comments of Vote Solar and SEIA, at pp. 6-7; Opening Comments of the Joint DR Parties, at pp. 4-5; Opening Comments of UCS, at pp. 7-8; Opening Comments of CAISO, at pp. 7-8; and Opening Comments of AReM, at pp. 12-13.

¹³ Opening Comments of SCE, at p. 15.

¹⁴ Opening Comments of CAISO, at pp. 7-8 and Opening Comments of Vote Solar and SEIA, at p. 6.

¹⁵ *See, e.g.*, Opening Comments of Pacific Gas and Electric Company (PG&E), at p. 1.

¹⁶ *See, e.g.*, Opening Comments of CAISO, at pp. 4-5 and Opening Comments of SCE, at p. 8.

in the CAISO footprint (including dynamically scheduled imports and pseudo tied resources) that are truly incremental be eligible for consideration.

II. CONCLUSION

CEERT respectfully requests that the Commission modify the Proposed Decision as detailed above and in CEERT's Opening Comments.

Respectfully submitted,

October 7, 2019

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