

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)

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

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

Dated: October 31, 2019

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The Center for Energy Efficiency and Renewable Technologies respectfully submits these Comments on the Revised Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023, mailed in the Integrated Resource Planning (IRP) proceeding, Rulemaking (R.) 16-02-007, on October 21, 2019. These 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 Revised Proposed Decision.

**I.
THE REVISED PROPOSED DECISION NEEDS FURTHER REVISION**

The Revised Proposed Decision is profoundly disappointing. While it at least acknowledges many of the criticisms raised in comments on the original Proposed Decision, the two principal flaws in that Decision remain essentially unchanged. First, the Revised Proposed Decision fails to ensure that by far the largest and most cost-effective classes of resources can bid in the “all source” procurement. These are the clean, hybrid, renewable plus storage resources both behind the meter and in front of the meter that currently have no viable way to calculate a Net Qualifying Capacity (NQC) for System Resource Adequacy (RA). Second, the Proposed Decision proposes to “front stop” otherwise retiring Once Through Cooling (OTC) resources by asking the State Water Resources Board to extend their National Pollutant

Discharge Elimination System (NPDES) permits and authorizes procurement of all 3750 MW for a term of 1-3 years. The result is a “single source” procurement of existing gas and a virtual guarantee of a “cliff” in 2024 when the three-year contracts expire coincidentally with the current date for retirement of Diablo Canyon. This result is in conflict with State Law¹ and virtually guarantees increased ratepayer costs for no durable increase in needed system capacity.

II.
IT IS IMPERATIVE THAT HYBRID PREFERRED RESOURCES BE ALLOWED TO PARTICIPATE IN THE PROCUREMENT USING A FAIRLY DETERMINED NQC VALUE

The California Independent System Operator (CAISO) points out that, based on an analysis of its interconnection queue, by far the largest pool of new resources capable of meeting the needs of the proposed procurement of capacity resources in the required timeframe is hybrid solar plus storage.² The cost-effectiveness of this class of resource is vividly demonstrated by the recent approval of a 400 MW solar + storage facility in the Upper Mohave desert by Los Angeles Department of Water and Power (LADWP) at a price less than the dispatch price of the remaining once-through cooling (OTC) plants at \$31/MWH flat for 20 years.³ This facility meets all LADWP requirements for full capacity credit to satisfy NERC/WECC and LADWP Balancing Authority reliability planning standards.

The Commission is poised to approve a small behind the meter residential solar + storage Virtual Power Plant (VPP) in Santa Barbara and Ventura County under interim counting rules that have been vetted by the CAISO.⁴ East Bay Community Energy recently announced a

¹ Energy Action Plan II: Implementation Roadmap for Energy Policies adopted by the California Energy Commission (CEC) and the Commission on September 12, 2005, at p. 2.

² CAISO Oct 2, 2019, Comments on Reliability Procurement Proposed Decision – Integrated Resource Planning (R.16-02-007), Attachment A

³ www.LADWP.com Meeting Agenda Board of Water and Power Commissioners, Sept 10, 2019, Item 21

⁴ Proposed Resolution E-5033 approving SCE Advice Letter 4002-E May 23, 2019

similar project in Oakland as part of the Oakland Clean Energy Initiative.⁵ Based on recent requests for proposals (RFPs)/requests for information (RFIs) conducted by LADWP⁶ and the City of Glendale⁷, the potential for very significant quantities of this type of resource in the relevant timeframe is high. Southern California Edison (SCE) is procuring very efficient residential air conditioning installations with thermal storage in the form of ice-produced with fully dispatchable off peak energy at an initial deployment rate of approximately 1 MW/mo.⁸ These installations directly reduce peak demand at the very times when most needed and offer significant opportunity to improve the resilience of the distribution grid by reducing peak feeder loads on vulnerable circuits.

The potential for large quantities of demand response (DR) lubricated by short duration storage to bridge the time gap for deployment post contingency has been widely recognized. CEERT acknowledges that to date, this class of resource has yet to be deployed at scale and that some operational challenges exist to deal with issues such as unit commitment, dispatch and financial settlement, and management of battery state of charge. CEERT also acknowledges Calpine's point that, eventually, short duration battery storage coupled with as available energy production will saturate and face declining effective load carrying capability (ELCC) values as

⁵ www.greentechmedia.com/articles/read/east-bay-power-purchaser-signs-distributed-capacity-contract-with-sunrun July 18 2019

⁶ www.LADWP.com>About Us>Power>Clean Energy Future> 100% Renewable Energy Study> September 19 Question and Feedback Webinar, Oct 3, 2019

⁷ California Energy Commission TN 229129, Docket No: 18-IRP-01, July 29, 2019. This 350 MW municipal utility has contracted for distributed resources with a "qualifying capacity" to provide 50 MW of capacity that meets NERC/WECC and LADWP BA requirements for reliability planning standards

⁸ Ice Energy Press Release, dated February 6, 2019 which can be found at <https://www.ice-energy.com/ice-energy-completes-first-phase-of-largest-distributed-thermal-storage-system-installation-in-u-s/>.

the net load shape is impacted by deployment of these resources at scale -- much like what has occurred for solar without storage.⁹

The State could only wish it faced this set of problems. If the entire resource adequacy (RA) procurement at issue with this Decision were to consist of this class of resource, it would only constitute roughly 8% of the total RA resource stack. Saturation is a problem to be faced down the road a fair piece. We simply must seize the opportunity to first create and then solve those problems. It is imperative that we begin that journey right here, right now by procuring commercially and operationally relevant quantities of these resources in this procurement. There are precious few opportunities to have all of the state's load-serving entities (LSEs) and all of the potential suppliers of these new, clean distributed resources galvanized to deal with these issues at large scale at one time.

The current existential crisis of wildfires, public safety power shut-off (PSPS) events and investor-owned utility (IOU) bankruptcy has the public demanding action. What better way to respond to this crisis than by engaging the public to contribute their own energy and resources to help deal with the problems. The public simply will not accept that the answer to these issues is life extension of fifty to seventy year old polluting gas plants that take up precious ocean front real estate in historically disadvantaged communities, destroy precious coastal wetlands and saddle communities with the ultimate eyesore by painting whale murals on the side of the completely out of context buildings such as Redondo Beach. To even suggest that the primary option to deal with the problem is to pull obsolete facilities such as the Inland Empire Energy Center out of mothballs when even the owner of the facility and the manufacturer of the gas turbine have admitted that that particular turbine is a cul de sac in the arc of largely huge

⁹ Opening Comments of Calpine on the Proposed Decision, filed in this proceeding on October 2, 2019, at p. 6.

development success and can no longer be supported by the original equipment manufacturer (OEM) for continued maintenance.¹⁰

The problem we confront is that there is simply no way to even begin to deal with the considerable task ahead if we continue current practice of not allowing these resources the chance to compete by assigning a zero or de minimis RA value to these hybrid resources simply because we have never relied on them in the past and have not solved all of the important small details of the transition to reliance on them as a significant piece of the solution puzzle. No party asserts that all gas resources can be retired immediately just as no responsible party believes that gas is the sole answer for the future. CEERT is one of the parties who filed a Motion in this proceeding to adopt interim counting rules that have been utilized in pilot quantities and vetted by the planners at the CAISO for this relatively small but significant slice.¹¹

CEERT understands the reluctance of the Commission to take up this issue in detail in this IRP proceeding when the record is being developed in the RA proceeding and has no objection to the Commission so stating. What is lacking is the commitment to ensure that the RA proceeding actually adopt interim rules in time to allow this IRP procurement to procure significant quantities of this “proven” class of resource and begin the process of working out the critical details in real time. It is simply not reasonable to take the position of Pacific Gas and Electric (PG&E) who resists the notion that they have any procurement obligation whatsoever to suggest that workshops be held next year and the issue taken up in the *next* RA cycle¹². CEERT

¹⁰ www.reuters.com/article/us-power June 21, 2019 “General Electric to Scrap California Power Plant 20 Years Early”

¹¹ Joint Motion of Enel X, Tesla, Inc., Sunrun Inc., Center for Energy Efficiency and Renewable Technologies, California Energy Storage Alliance, and Vote Solar to Establish a Schedule and Process for Determining the Capacity Value of Hybrid Resources, filed in R.16-02-007 (IRP) and R.17-09-020 (RA) on September 27, 2019.

¹² Response of PG&E to the Joint Motion, filed in this proceeding on October 14, 2019, at pp. 5-10.

only notes that this is the same position they and the gas interests took in the 2017 and 2018 RA cycles. It is time to stop this nonsense.

III. THE REVISED PROPOSED DECISION FRONT STOPS THE RETIRING OTC PLANTS

The Revised Proposed Decision proposes to request SACCWIS (the State Water Resources Control Board advisory committee on the OTC gas plants cooling water intake structures -- the Commission is a member) to request that the SWRCB extend the NPDES permits for Ormond Beach by one year, Redondo Beach by 2 years and Huntington Beach and Alamitos by 3 years. These plants then become eligible for procurement by any LSE, but there is apparently no obligation to do so. Ordering Paragraph 2 states:

Any contracts with plants listed in Ordering Paragraph 1 above [the OTC plants] shall be for a duration of no more than the period specified. Any contracts with plants listed in Ordering Paragraph 1 are in addition to and do not count towards the obligations required by Ordering Paragraph 3 [procurement of resources incremental to the adjusted 2022 IRP baseline].¹³

The only procurement obligations in the Revised Proposed Decision of any LSE are those listed in Ordering Paragraph 3¹⁴ totaling 4000 MW with a commercial operation date (COD) of 2023 or earlier. Therefore, it is unclear what the purpose of extending the NPDES permits is unless it is to allow highly unlikely voluntary procurement of the highest heat rate, slowest start, poorest ramping resources that have the highest burner tip gas price of any resources in the State that do not count towards the LSE's procurement obligation.¹⁵ Presumably, this ambiguity will be cleared up in further revisions to this Proposed Decision or potentially in the LSE progress reports or the approval process for the IOU procurement actions.

¹³ Revised Proposed Decision, Ordering Paragraph 2, at p. 71.

¹⁴ Revised Proposed Decision, Ordering Paragraph 3, at pp. 72-73.

¹⁵ All of the OTC plants are subject to the dramatic increase in gas basis differential to LA Citygate due to the Aliso Canyon issue and the systemic ongoing capacity restrictions in gas delivery due to what can only be described as utter failure of Southern California Gas Company's corrosion protection system.

However, it does demonstrate the danger in front stopping procurement of these resources. Presumably, one reason the Proposed Decision was revised to shorten the contracting period for Ormond Beach and Redondo Beach is that the Commission listened to the comments of the City of Oxnard¹⁶ and the City of Redondo Beach¹⁷ to the effect that, in addition to the direct environmental and environmental justice impacts of continued operations, the Cities were well into plans for alternate beneficial use of the sites post retirement and the uncertainty about the retirement date significantly complicated that planning. However, the “solution” proposed herein does not solve that issue. It will be well into 2021 before it is known whether and why the SWRCB has responded favorably to the Commission request, whether and why any of the OTC plants were picked up in the RFPs and the contracts have been approved by the Commission. The Commission cited as its reason for increasing the Ordering Paragraph 3 procurement obligation from 2500 MW to 4000 MW that Ormond Beach and Redondo Beach were being retired “early.”¹⁸ This is absurd. Both of these plants should be allowed to retire gracefully on or before the current expiration date on their NPDES permit of December 2020. It is well past time to move on and procure resources that have a future. The appropriate conditions that should be placed on procurement of OTC resources are:

- The procurement is required because there are no other viable options to meet North American Electric Reliability (NERC)/Western Electricity Coordinating Council (WECC)/CAISO reliability planning standards.
- The CAISO should determine whether that finding as to reliability planning standards can be made at the end of 2020 and, if necessary, exercise its existing backstop

¹⁶ Opening Comments of the City of Oxnard on Proposed Decision, filed in this proceeding on October 2, 2019.

¹⁷ Opening Comments of the City of Redondo Beach on Proposed Decision, filed in this proceeding on October 2, 2019.

¹⁸ See, e.g., Revised Proposed Decision, at p. 20.

authority to require a reliability must-run (RMR) contract¹⁹ and only for the minimum time required.

- No procurement or extension of the NPDES permits should be granted unless and until the replacement capacity for that plant has been identified and approved by the Commission.
- No permit extension should be requested for Ormond Beach or Redondo Beach in this Decision.

IV. CONCLUSION

CEERT respectfully requests that the Commission modify the Revised Proposed Decision as detailed above. The principal modifications are to conduct this procurement using interim counting rules to allow clean hybrid resources to fairly compete and to relegate life extension of the obsolete OTC plants to backstop procurement if necessary to allow time to bring the potential future resources on line. Both of these themes are prominently recognized in this Revised Proposed Decision. It is time to implement them by revising the Decision one more time. Those recommendations are further embodied in CEERT's Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs in Appendix A hereto.

¹⁹ Because the terms of the RMR contract set the price at the forward cost of operations of the plant including an administratively set return on investment but with market revenues surplus to that amount, if any, returned to the CAISO and the contract length is only the minimum required to stay in compliance with NERC/WECC/CAISO reliability planning standards, an RMR contract is almost per se less costly to ratepayers than a three year negotiated bilateral contract with a willing seller.

Respectfully submitted,

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FOR: CENTER FOR ENERGY
EFFICIENCY AND RENEWABLE
TECHNOLOGIES

APPENDIX A

CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES’ PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS FOR THE REVISED PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE FITCH

The Center for Energy Efficiency and Renewable Technologies (CEERT) proposes the following modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs of the Revised Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023, mailed in R.16-02-007 (IRP), mailed on October 21, 2019 (Revised Proposed Decision).

Please note the following:

- A page citation to the Revised Proposed Decision is provided in brackets for each Finding of Fact, Conclusion of Law, or Ordering Paragraphs for which a modification is proposed.
- Added language is indicated by **bold type**; removed language is indicated by **bold strike-through**.
- A new or added Finding of Fact, Conclusion of Law, or Ordering Paragraph is labeled as “**NEW**” in **bold**, underscoring capital letters.

PROPOSED FINDINGS OF FACT:

6. [61] Additional electric capacity resources **may possibly be required** ~~are necessary~~ to ensure integration of large volumes of renewable energy being procured by LSEs.

7. [61] Current system resource adequacy requirements are one year ahead, such that a 2021 capacity shortfall would not be **precisely defined** ~~detected~~ until Fall 2020, which is too late to secure necessary capacity through procurement actions using resource adequacy mechanisms.

9. [61] The resource adequacy rulemaking (R.17-09-020) is currently addressing issues related to development of a central buyer for local resource adequacy capacity, as well as clarification and modification of rules related to the counting of imported capacity for resource adequacy purposes. In addition, R.17-09-020 will address the September 27, 2019 joint motion with respect to counting methodology for NQC for hybrid generation and storage resources **with the result that any procurement under this decision will be conducted under at least**

interim counting rules that allow these resources to be assigned a fair NQC and count against any procurement obligation ordered by this Decision.

12. [62] The capacity factors of the OTC units with current retirement dates of December 31, 2020 are all under 10 percent for the past several years, which means that the use of sea water for cooling is minimal compared to their **design maximum historic** usage.

14. [62] California's system peak is moving later in the day and later in the year, which does not coincide with the value provided by solar resources **without associated storage**, though they have been the resource of choice to date for most LSEs to meet their RPS and clean energy needs.

15. [62] Additional renewable integration resources **or reconfiguration of existing resources** will continue to be needed to support system peak load as it shifts later in the day and later in the year.

16. [62] ~~In addition to extension of OTC capacity, another~~ A minimum of 4,000 MW of incremental system resource adequacy and renewable integration resources will be needed by Summer 2021, as a "least regrets" amount necessary to ensure system reliability.

17. [62-63] The need for system resource adequacy ~~and renewable integration resources~~ begins in 2021 and will extend through at least 2023, and beyond, as more renewable resources are added to meet California's climate goals and as more fossil-fueled and nuclear power plants retire. The need for additional resources is being examined in the current IRP cycle currently underway.

NEW. Plans for post-retirement site-remediation and conversion to alternate beneficial use are in place for Ormond Beach and Redondo Beach. Uncertainty surrounding actual retirement dates significantly complicates these plans.

PROPOSED CONCLUSION OF LAW:

1. [65] The Commission should act now to forestall a potential system reliability emergency by 2021 and require "least regrets" actions with respect to ~~OTC deadlines and~~ LSE procurement **and exercise of existing backstop authority to delay retirement of certain OTC resources.**

2. [65] The issues of development of a central buyer mechanism for resource adequacy capacity and rules related to the counting of imported capacity for resource adequacy purposes, as well as resource adequacy counting rules for hybrid resources, should continue to be addressed in R.17-09-020. **Interim counting rules as proposed by Southern California Edison and vetted as appropriate by the CAISO for hybrid resources should be used for any procurement authorized in this Decision.**

5. [65] The Commission should recommend to the SACCWIS and the Water Board that OTC compliance deadline extensions be granted for the following OTC units, as a bridge strategy to allow new capacity to come online: Alamos Generating Station Units 3-5, for up to three years; Huntington Beach Generating Station Unit 2, for up to three years; ~~Redondo Beach Generating Station Units 5, 6 and 8, for up to two years; Ormond Beach Generating Station Units 1 and 2, for up to one year~~ and Moss Landing for a period until such time as the Water Board certifies its upgrades to be in compliance with OTC policy.

6. [65-66] The Commission should waive the prohibition in D.12-04-046 against contracting with OTC units beyond their compliance deadlines, even if the deadlines are later extended. **The CAISO Utilities should be encouraged, allowed if necessary to meet NERC, WECC and CAISO reliability planning standards, to contract with these OTC units through existing backstop procurement mechanisms** in anticipation of potential compliance deadline extensions, but those contracts would not go into effect if the Water Board does not grant the compliance deadline extensions **and the “permanent” replacement capacity for these OTC resources have not been identified and approved by the Commission.**

7. [66] The Commission should address the need for system peak capacity given the shift of the peak to later in the day and later in the year, which makes the contribution of solar resources **without associated storage** less valuable and the need for other renewable integration resources more acute.

16. [67] The Commission should waive the requirement from D.12-04-046 that bars utilities from signing power purchase agreements with OTC resources where the term of the agreement goes beyond the OTC deadline for the specific resource, even if the deadline is later extended, for the Alamos, Huntington Beach, and Moss Landing power plants identified as needing OTC

extensions to allow continued operation for the minimum time to bring replacement resources online in **procurement plans resulting from** this decision.

18. [68] Compliance with the requirements for capacity procurement outlined in this decision should be based on the NQC values of the resources for the month of September **including interim NQC values established for hybrid resources to be adopted in R.17-09-020.**

24. [68] Any demand-side resources should be required to show incrementality based on the principles adopted in D.16-12-036, as a starting point. **Associated storage resources should be allowed to satisfy existing requirements for deployment time to allow use as operating reserves with post contingency dispatch.**

25. [69] The Commission should not set a specific capacity target for hybrid resources, but should allow them to count toward the procurement requirements in this decision, as determined by counting protocols to be **adopted ~~considered~~** in R.17-09- 020.

27. [69] Contracts entered into LSEs for new resources to deliver for system resource adequacy and renewable integration capacity should be required to be at least ten years in length, except for any energy efficiency contracts, which must be at least five years in length. Contracts entered into by LSEs for existing resources to deliver system resource adequacy and renewable integration capacity should be required to be at least three years in length, except for OTC units where contracts may be no longer than three years in length **and permanent replacement resources have been identified and approved by the Commission.**

PROPOSED ORDERING PARAGRAPHS:

1. [70-71] The Commission recommends that the State Water Resources Control Board extend the once-through-cooling compliance deadlines of the following units with current compliance deadlines of December 31, 2020, for the period specified, in order to allow time for new clean electricity capacity to come online:

- a. Alamitos Generating Station, Units 3-5, for up to three years;
- b. Huntington Beach Generating Station, Unit 2, for up to three years; **and**
- ~~c. Redondo Beach Generating Station, Units 5, 6, and 8, for up to two years;~~
- ~~d. Ormond Beach Generating Station, Units 1 and 2, for up to one year; and~~

c. ~~e~~ Moss Landing, Units 1 and 2, until such time as the planned upgrades are certified by the State Water Resources Control Board.

2. [71] The provisions of Decision 12-04-046 that bar utilities from signing power purchase agreements with units utilizing once-through cooling technologies where the term of the agreement extends beyond the compliance deadlines, even if the deadlines are later extended, are waived for purposes of the power plants listed in Ordering Paragraph 1 above. Any contracts with plants listed in Ordering Paragraph 1 above shall be for a duration of no more than the time period specified **and the “permanent” replacement capacity has been identified and approved by the Commission.** Any contracts with plants listed in Ordering Paragraph 1 are in addition to and do not count toward the obligations required by Ordering Paragraph 3 of this decision.

7. [74] Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall conduct all-source solicitations to procure their obligations given in Ordering Paragraph 3 above and shall consider existing as well as new resources, demand-side resources, combined heat and power, and storage, as long as all resources are shown to be incremental to the baseline identified in Ordering Paragraph 6 above. New, greenfield fossil-fueled resources are not eligible to satisfy the requirements of Ordering Paragraph 3 above. The utilities shall utilize the Demand Response Auction Mechanism contract as a starting point for negotiations with any demand response resources that bid into the solicitations **and allow associated storage resources to fulfill the maximum deployment time for post contingency dispatch.**

14. [76] The September 27, 2019 Joint Motion to Establish a Schedule and Process for Determining the Capacity Value of Hybrid Resources is denied in this proceeding, and will be considered in Rulemaking 17-09-020 **for adoption of interim counting rules for use in any procurement resulting from this Decision.**