

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Forward
Resource Adequacy Procurement Obligations.

Rulemaking 19-11-009
(Filed November 7, 2019)

**OPENING COMMENTS OF
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON
PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2021-
2023, ADOPTING FLEXIBLE CAPACITY OBLIGATIONS FOR 2021, AND REFINING
RESOURCE ADEQUACY PROGRAM**

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

June 11, 2020

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Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Opening Comments on the Proposed Decision Adopting Local Capacity Obligations for 2021-2023, Adopting Flexible Capacity Obligations for 2021, and Refining Resource Adequacy Program, mailed in this proceeding on May 22, 2020. These Opening 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.
BACKGROUND**

CEERT is a nonprofit public-benefit organization founded in 1990 and based in Sacramento, California. CEERT is a partnership of major private-sector clean energy companies. CEERT designs and fights for policies that promote global warming solutions and increased reliance on clean, renewable energy sources for California and the West. CEERT is working toward building a new energy economy, including cutting contributions to global warming and reducing dependence on fossil fuels. CEERT has long advocated before the Commission for increased use of preferred resources and for California to move towards a clean energy future.

II. THE PROPOSED DECISION NEEDS TO RE-EXAMINE RESOURCE ADEQUACY FROM THE GROUND UP.

Given two open Resource Adequacy (RA) proceedings with multiple tracks including a proposed new local capacity procurement structure,¹ an ongoing integrated resource plan (IRP) procurement track solicitation for system capacity,² a “microgrid” proceeding focused on near term local fossil capacity procurement to mitigate public safety power shutoffs (PSPS) events,³ an open local capacity solicitation in Oakland,⁴ and several separate proceedings relevant to the supply and price of potential capacity resources,⁵ this Proposed Decision cannot be considered in isolation. Before responding to the details of this Proposed Decision, the cumulative impact of all of these separate proceedings, the interactions between them, and the state of supply/demand/price for RA must be considered. This comprehensive RA re evaluation process is especially critical given the clear need to hold at least one more procurement round prior to the retirement of Diablo Canyon in 2024-2025.

The most telling metric is the results of the open Requests for Proposals (RFPs). As these comments are written, over one-third of the 3300 MW “incremental” resource procurements⁶ authorized by Decision (D.) 19-11-016 plus 1666 MW of once-through cooling (OTC) plant life extensions are the subject of Applications or Advice Letters for Commission approval of signed

¹ This proceeding (R.19-11-009) plus Rulemaking (R.) 17-09-020 (RA).

² D.19-11-016, issued in R.16-02-007 (IRP) on November 13, 2019.

³ R.19-09-009 (Microgrids), filed on September 12, 2019.

⁴ A.20-04-013 (Oakland Clean Energy Initiative), filed on April 15, 2020.

⁵ e.g., the Renewables Portfolio Standard (RPS) Effective Load Carrying Capability (ELCC) study due this Fall, avoided cost calculator update, Self-Generation Incentive Program (SGIP), energy efficiency and demand response program updates, etc.

⁶ The precise “net” incremental net qualifying capacity (NQC) is somewhat uncertain since many of the new 4-hour storage resources are co-located with existing renewable resources and traded existing deliverability of those resources for new storage deliverability, and the counting rules for calculating both Qualifying Capacity and deliverability are pending change at both the Commission and the California Independent System Operator (CAISO).

Power Purchase Agreements (PPAs). In addition, press releases regarding proposed resource procurements by community choice aggregators (CCAs) have surfaced.

To date, all of the announced new resources are either 4-hour lithium ion batteries or life extensions of existing fossil, or, potentially, new fossil powered microgrids in Pacific Gas and Electric Company's (PG&E's) service territory. Precisely zero new clean energy has been procured. Should this trend continue for the remainder of this procurement round, no new clean energy will be procured and the gas life extensions will expire just as Diablo Canyon with its 2200 MW of net qualifying capacity (NQC) and 17 GWh/yr of energy is in the process of retiring. Today's paper shortage of system capacity is likely to morph into a very tenuous supply/demand of energy during stress system hours and, without further new resource procurement, the only energy source available to mitigate physical shortage will be natural gas. Consumer costs and green house gas emissions will rise, and progress on environmental justice goals will be frustrated. Clearly, action to change course must be taken in the near term.

The question before us is, simple: Does this Proposed Decision contribute to the solution or is it part of the problem? CEERT maintains that it is part of the problem. Every one of the "program enhancements" in this Proposed Decision and the companion Track 1 decision on import counting rules operates to restrict the supply and raise the price of non fossil capacity resources in the name of "conservative assumptions" to avoid "speculative supply" or "potential non-performance." Further, the Proposed Decision declines to even mention the ongoing need to develop methodologies and counting rules for RA purposes for Behind the Meter aggregations of preferred resources – a critical class of resources for a future reliable, cost effective low carbon grid. CEERT is not advocating for speculative imports or turning a blind eye to potential for non- performance of resources such as demand response or over saturation of solar leading to

curtailment in low load hours and steep early evening ramps. However, the cumulative impact of the series of conservative assumptions taken to mitigate these issues in this Proposed Decision without careful consideration of the marginal reliability benefit associated with, e.g., use of slow, expensive, inflexible measurement and verification measures like Load Impact Protocols or requiring self scheduling of imports whether they are the lowest cost resource or not, or cementing in today's resource mix with backward looking maximum cumulative capacity (MCC) bucket quotas all add up to a very real problem.

Meanwhile, we turn a blind eye to the problem of over-reliance on a brittle, aging gas infrastructure to provide the flexibility the modern load profile requires. From rising forced outage rates of existing gas, to San Bruno to Aliso Canyon to systemic corrosion in desert trunklines to \$150 day ahead prices at only 39,000 MW load just last week,⁷ the consequences of this over reliance on gas for reliability are obvious and much, much larger than the issues to be mitigated by the “program enhancements” to be enacted in this Proposed Decision.

When this proceeding began, the Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) contemplated 4 Tracks as follows: Track 1 will deal with rehearing of the earlier decision on import counting rules; Track 2 will adopt near term system, local and flex capacity obligations and make near-term program enhancements that could be adopted quickly pending potential fundamental reform of the RA program; and Tracks 3 and 4 will evaluate fundamental reforms and closer alignment between the RA and IRP proceedings to procure new resources.⁸ At this point in time, the Track 1 decision is “final,” the Track 2 decision must go out soon to maintain the scheduled RA showings for 2021-2023, and the Track 3 Scoping Memo is about to be issued. Track 4 seems to have receded into the ether, but the clamor for a very

⁷ CAISO Daily Outlook, June 3, 2020

⁸ Scoping Memo, at pp. 3-8.

robust Track 3 to begin the widely supported fundamental RA reform/IRP alignment process has only grown louder and more insistent as the problems described above come into clearer focus and the time remaining to solve the problem grows shorter.

Every one of the “program enhancements” in this Proposed Decision and even the brand shiny new CPE procurement structure⁹ are potentially made obsolete by many of the fundamental RA reforms that have been proposed to transition to a resource portfolio approach rather than a discrete, independent “class average” effective load carrying capability (ELCC) based NQC calculation for each resource ID; transition to a stress hour energy delivery metric rather than a static peak load planning reserve margin target; and much closer alignment with IRP for procurement of new resources.

There is hardly consensus among the parties on the timing or precise nature of these “reforms,” but there is broad and deep consensus on the need to urgently examine RA from the ground up. That process starts with Track 3. This Track 2 Proposed Decision needs to recognize that each and every one of the program enhancements herein are subject to being scrapped or significantly revised in that fundamental reform process. The most obvious example is the proposal to adopt an interim hybrid resource counting rule to start the incremental resource acquisition process while ignoring the need for a “durable” process to be developed following ongoing California Independent System Operator (CAISO) stakeholder processes, informed by the current investor-owned utility (IOU) ELCC study and, most importantly, informed by procurement experience from D.19-11-016.¹⁰ This Proposed Decision adopts that interim rule out of the Track 2 working group but makes no mention of the consensus that it is deemed to be

⁹ Second Revised Proposed Decision on Central Procurement of the Resource Adequacy Program in R.17-09-020 (RA), on the Agenda for the June 11, 2020 Commission Business Meeting.

¹⁰ Hybrid Counting Working Group Final Report Submitted by San Diego Gas & Electric Company (SDG&E) and the California Energy Storage Alliance (CESA), March 11, 2020, at p. 18.

conservative and subject to significant revision in Track 3. As Southern California Edison (SCE) stated in its reply comments on the Track 2 Working Group process:

Since the SCE proposal for co-located resources and the “greater of” methodology for hybrid resources are likely to be conservative, it is possible that the RA value determined in Track 3 or 4 will be a greater value. Failing to account for that increased value in the IRP procurement in the coming years could result in over-procurement and unnecessary customer expense. SCE recognizes that the timing of Tracks 3 and 4 and procurement decisions to meet the IRP requirements may not perfectly align. However, to the extent that they do, LSEs should be afforded the benefit of any accounting changes that occur in meeting their IRP procurement obligations.¹¹

The Proposed Decision needs to be modified to reflect the interim nature of the program enhancements including especially the MCC Buckets proposal and the hybrid counting rule proposal as well as continued evolution of the role of Energy Efficiency, Demand Response, and Behind the Meter aggregations pending fundamental RA reform beginning in Track 3.

III. CONCLUSION

CEERT asks that the Proposed Decision be modified for the reasons stated above. Those needed modifications to the Proposed Decision are included in Appendix A (Proposed Modifications to Findings of Fact, Conclusion of Law, and Ordering Paragraph) attached and incorporated by reference hereto.

Respectfully submitted,

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¹¹ SCE Reply Comments on Workshop on Track 2 Proposals, Track 2 Proposals, and Track 2 Working Group Reports, April 2, 2020 at pp3-4

APPENDIX A

CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS FOR THE PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2021- 2023, ADOPTING FLEXIBLE CAPACITY OBLIGATIONS FOR 2021, AND REFINING THE RESOURCE ADEQUACY PROGRAM

Center for Energy Efficiency and Renewable Technologies (CEERT) proposes the following modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs in the Proposed Decision Adopting Local Capacity Obligations for 2021-2023, Adopting Flexible Capacity Obligations for 2021, and Refining the Resource Adequacy Program, mailed in R.19-11-009 on May 22, 2020 (Proposed Decision).

Please note the following:

- A page citation to the 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 underscored** capital letters.

PROPOSED FINDINGS OF FACT:

10. [70] There is a consensus among parties in favor of SCE’s **interim** proposal for estimating the QC of in-front-of-the-meter hybrid and co-located resources, as well as in favor of aligning the Commission’s and CAISO’s definitions for hybrid and co-located resources. **There is broad support for further revisions to this interim proposal in Track 3, taking account of results from the ongoing CAISO stakeholder process on hybrid and co-located resources, the investor-owned utility (IOU) Effective Load Carrying Capability (ELCC) Study due for completion later this year, and the preliminary results of procurement of these resources resulting from D.19-11-016.**

12. [70] It is appropriate to make clarifications to the LIP process **and to continue the process of defining appropriate, cost-effective and flexible measurement and valuation protocols in Track 3 of this rulemaking for demand response (DR) resources.**

15. [71] Energy Division's Option 4b proposal to revise the MCC buckets is a reasonable approach, with modifications **as an interim approach pending potential Track 3 comprehensive RA reform measures.**

20. [71] Energy Division's proposal to modify the EFC values for storage resources is reasonable **as an interim measure pending potential Track 3 comprehensive RA reform measures.**

PROPOSED CONCLUSIONS OF LAW:

7. [72] SCE's proposal for valuation of the QC of IFM hybrid and co-located resources should be adopted **as an interim measure pending further refinement in Track 3 consistent with comprehensive RA reform.** The Hybrid Working Group's proposed definitions for hybrid and co-located resources should be adopted.

10. [72] Energy Division's Option 4b proposal to revise the MCC buckets should be adopted, with modifications **as an interim measure pending potential comprehensive RA reform in Track 3.** An 8.3 percent cap on DR resources should be adopted.

14. [72] A modification to the EFC values for storage resources should be adopted **as an interim measure pending further RA refinement in Track 3.**

PROPOSED ORDERING PARAGRAPHS:

11. [75] The following qualifying capacity (QC) methodology is adopted **as an interim measure** for valuation of all in-front-of-the-meter hybrid and co-located resources that are planning to access the Investment Tax Credit:

- Total QC = Effective ES QC + Effective Renewable QC
- Effective ES QC equals the minimum of:

(a) The energy (MWh) production from the renewable resource until 2 hours before the net load peak assuming charging is done at a rate less than or equal to the energy storage's capacity. This renewable charging energy is then divided by 4 hours to determine the QC; or

(b) The QC of the energy storage device.

- Effective Renewable QC equals the remaining renewable capacity, net of the capacity required to charge the battery (i.e., Effective ES QC), multiplied by the Effective Load Carrying Capability factor for the month.

13. [76] Third-party demand response (DR) resources, procured by non-investor-owned utility load-serving entities, shall be subject, **as an interim measure**, to the following testing requirements:

- (a) The DR resource must dispatch for four consecutive hours during the Resource Adequacy measurement hours in every quarter of the delivery year.
- (b) The test must be done at the resource ID level and all resources within the same sub-Load Aggregation Point must be dispatched concurrently.

18. [78] The revised maximum cumulative capacity (MCC) buckets are adopted **for the next RA cycle** as follows:

Category	Availability	Maximum Cumulative Capacity for Bucket and Buckets Above
DR	Varies by contract or tariff provisions, but must be available Monday – Friday, 4 consecutive hours between 4 PM and 9 PM, and at least 24 hours per month from May - September	8.3%
1	Monday – Friday, 4 consecutive hours between 4 PM and 9 PM, and at least 40 hours per month from May – September	16.0%
2	Every Monday – Friday, 8 consecutive hours that include 4 PM – 9 PM	22.2%
3	Every Monday – Friday, 8 consecutive hours that include 4 PM – 9 PM	34.8%
4	Every day of the month. Dispatchable resources must be available all 24 hours.	100% (at least 56.1% available all 24 hours)

All demand response (DR) allocations to load-serving entities (LSEs) through the Cost Allocation Mechanism and investor-owned utilities’ DR allocations shall count towards an LSE’s MCC bucket.

22. [79] The effective flexible capacity (EFC) values for storage resources is modified as follows **as an interim measure**:

- If $P_{supplymin}$ and $P_{supplymax} = 0$, then $EFC = P_{maxRA} - P_{minRA}$.

- If $P_{\text{supplymin}}$ and $P_{\text{supplymax}} \neq 0$, then $EFC = (P_{\text{maxRA}} - P_{\text{supplymin}}) - (P_{\text{minRA}} - P_{\text{demandmin}})$. For bi-directional storage, P_{maxRA} shall remain capped at Net Qualifying Capacity (NQC) and P_{minRA} shall be capped at -NQC.

NEW. The interim Measurement and Evaluation process for Third-Party DR will be re-evaluated for cost-effectiveness, impact on resource quantity and price, and contribution to grid reliability after one full RA cycle of its use.