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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Rulemaking 19-11-009

**ASSIGNED COMMISSIONER'S AMENDED
TRACK 3.A AND 3.B SCOPING MEMO AND RULING**

This Amended Scoping Memo and Ruling amends the previous Scoping Memo and Ruling issued in this proceeding to: (a) designate issues as Track 3.A and Track 3.B, and (b) replace the previous Track 3 schedule with a Track 3.A and Track 3.B schedule. Except as expressly set forth in this Amended Scoping Memo and Ruling, the terms of the previously issued Scoping Memo and Ruling remain unchanged.

1. Background

The Order Instituting Rulemaking (OIR) in this proceeding summarized the procedural and substantive background of this proceeding. The California Public Utilities Commission (Commission) opened this Rulemaking to continue to address the 2021–2022 Resource Adequacy (RA) compliance years and consider any refinements to the RA program. A Scoping Memo and Ruling (Scoping Memo) was issued on January 22, 2020, that outlined the scope of issues and divided issues into Tracks 1, 2, 3, and 4. Issues scoped as Track 1 were addressed in Decision (D.) 20-06-028. Issues scoped as Track 2 were addressed in D.20-06-031.

In Rulemaking (R.) 17-09-020, the predecessor RA proceeding, certain issues related to the adopted central procurement framework for local RA were carried over to Track 3 of R.19-11-009, pursuant to D.20-06-002. As stated in the OIR that opened this proceeding, the record of R.17-09-020 is transferred into R.19-11-009.

2. Issues

2.1. Track 3.A

D.20-06-002, adopting a central procurement framework, set forth a process to address outstanding issues, including a local capacity requirement (LCR) reduction mechanism and the central procurement entity's (CPE) proposed competitive neutrality rule. D.20-06-031, addressing Track 2 issues, also set forth a working group process to address several issues, including evaluation of an LCR study.

This Amended Scoping Memo designates the following issues as Track 3.A:

1. Evaluation of the California Independent System Operator's (CAISO) updated LCR reliability criteria. D.20-06-031 set forth a working group process to evaluate and provide recommendations on the following issues:
 - a. Evaluation of the newly adopted CAISO reliability criteria in relation to NERC and WECC mandatory reliability standards;
 - b. Interpretation and implementation of CAISO's reliability standards, mandatory NERC and WECC reliability standards, and the associated reliability benefits and costs;
 - c. Benefits and costs of the change from the old reliability criteria "Option 2/Category C" to CAISO's newly adopted reliability criteria;

- d. Potential modifications to the current LCR timeline or processes to allow more meaningful vetting of the LCR study results;
 - e. Inclusion of energy storage limits in the LCR report and its implications on future resource procurement; and
 - f. How best to address harmonize the Commission's and CAISO's local resource accounting rules.
2. Evaluation of an LCR reduction compensation mechanism.
D.20-06-002 set forth a working group process to assess and develop an LCR reduction compensation mechanism to be applied to the central procurement framework. A working group report should address resource cost effectiveness concerns (including local effectiveness and use limitations of a shown resource to be evaluated alongside bid resources), as well as the following issues:
- a. How granular the premium should be (*e.g.*, should different premiums be developed for different types of preferred resources, for new versus existing resources, and/or for sub areas, individual local areas, or TAC-wide local areas);
 - b. How to make the premium as transparent as possible given the market sensitive nature of this information and its potential impacts on bid resource prices;
 - c. Whether the compensation mechanism would preclude the option for an LSE to both bid and show a resource in the solicitation (or require potential revisions to the iterative process), due to the complexity of overlaying both of these mechanisms into the bid evaluation process; and
 - d. How to best adjust the local compensation from year to year to account for changes in the effectiveness of the resource reducing the local requirements.

3. Consideration of the CPE's Competitive Neutrality Rules. D.20-06-002 directed the CPE to establish a rule or procedure that will govern how confidential, market-sensitive information received by the CPE from generators, LSEs, or third-party marketers as part of the central solicitation and procurement process will be protected, as well as what firewall safeguards will be implemented to prevent the sharing of information beyond those employees involved in the central solicitation and procurement process.
4. D.20-06-031 set forth a joint agency public workshop later this calendar year to plan the joint agency steps necessary to establish net qualifying capacity (NQC) values for Behind-the-Meter (BTM) hybrid storage/solar resources with the goal of counting these resources in the RA program. The Commission will request the participation of the CAISO and the California Energy Commission in this workshop. The outcome of this joint agency workshop will flow into Track 4.
5. Other time-sensitive issues identified by Energy Division or by parties.

2.2. Track 3.B

The previous Scoping Memo, issued on January 22, 2020, designated Track 3 as issues that “encompass[] more complex and somewhat less time-sensitive structural changes and refinements to the RA program.”¹ D.20-06-031 and D.20-06-028 identified additional issues to be addressed in Track 3. The following issues are now designated as Track 3.B:

1. Examination of the broader RA capacity structure to address energy attributes and hourly capacity requirements, given the increasing penetration of use-limited resources, greater reliance on preferred resources, rolling off of a significant amount of long-term tolling

¹ Scoping Memo and Ruling at 7.

contracts held by utilities, and material increases in energy and capacity prices experienced in California over the past years.

2. Other structural changes or refinements to the RA program identified during Track 1 or Track 2, including:
 - a. Incentives for load-serving entities that are deficient in year-ahead RA filings, as discussed in D.20-06-031.
 - b. Multi-year system and flexible RA requirements, as stated in D.20-06-002.
 - c. Refinements to the MCC buckets adopted in D.20-06-031.
3. Other time-sensitive issues identified by Energy Division or by parties.

The next section provides a schedule and process for Track 3.B. However, parties should also comment on what additional process, if any, would be helpful in examining the Track 3.B issues (*e.g.*, workshops, written comments, working group). Parties should provide those comments in conjunction with their Track 3.B proposals.

3. Schedule

As stated in the prior Scoping Memo, the assigned Commissioner or assigned Administrative Law Judge (ALJ) may modify the schedule as necessary to promote the efficient management and fair resolution of this proceeding. This Amended Scoping Memo modifies the previous schedule for Track 3 and replaces it with a schedule for Track 3.A and Track 3.B.

Track 3.A Calendar	
Joint Agency workshop on NQC values for hybrid BTM storage/solar resources	Late August 2020
Working group reports and proposals from parties and Energy Division due	September 1, 2020
Comments on Joint Agency workshop, working group reports and proposals	September 11, 2020
Reply comments on Joint Agency workshop, working group reports and proposals	September 18, 2020
Proposed Decision on Track 3.A	Q4 2020

Track 3.B Calendar	
Initial Track 3 proposals and comments on process from parties and Energy Division due	August 7, 2020
Potential working groups to aid in the development of proposals	August - September 2020
Workshop(s) on Energy Division and party proposals	Late September / Early October 2020
Final Track 3 proposals due	October 15, 2020
Comments on workshop and all proposals	November 6, 2020
Reply comments on workshop and all proposals	November 20, 2020
Proposed decision on Track 3.B	Q1 2021

To the extent necessary, and based on comments on the Track 3.B process, the assigned Commission or the assigned ALJ may further adjust or supplement the schedule.

4. Governance of Working Groups and Ground Rules

Working groups should be co-chaired as directed in the respective decisions. Energy Division Staff will attend working group sessions to understand the group's work.

Designated co-chairs shall be responsible for the following tasks:

1. Schedule working group meetings and handle associated logistics;
 - a. Pursuant to Rule 8.1(b)(3) of the Commission's Rules of Practice and Procedure (Rules), meeting times, locations and online access information, if applicable, should be noticed to the entire service list.
2. Lead the working group meetings; and
3. Ensure that the final report of the working group is finalized, filed and served according to the schedule adopted in this Amended Scoping Memo.

Beyond these preliminary and logistical tasks, participants in the working group are left to develop more detailed agreement on addressing the designated issues.

IT IS RULED that:

1. The amended scope of this proceeding for Tracks 3.A and 3.B are as described above.
2. The schedule of this proceeding for Tracks 3.A and 3.B are as set forth above.
3. Except as expressly set forth in this Amended Scoping Memo, the terms of the previously issued Scoping Memo and Ruling remain unchanged.

Dated July 7, 2020, at San Francisco, California.

/s/ LIANE M. RANDOLPH

Liane M. Randolph
Assigned Commissioner