

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Establish
Policies, Processes, and Rules to Ensure
Reliable Electric Service in California in the
Event of an Extreme Weather Event in 2021.

Rulemaking 20-11-003
(Filed November 19, 2020)

**OPENING COMMENTS OF
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON
PROPOSED DECISION DIRECTING PACIFIC GAS AND ELECTRIC COMPANY,
SOUTHERN CALIFORNIA EDISON COMPANY, AND SAN DIEGO GAS & ELECTRIC
COMPANY TO SEEK CONTRACTS FOR ADDITIONAL POWER CAPACITY FOR
SUMMER 2021 RELIABILITY**

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January 28, 2021

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Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Opening Comments on the Proposed Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Seek Contracts for Additional Power Capacity for Summer 2021 Reliability, mailed in this proceeding on January 8, 2021. 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, environmental organizations, public health groups and environmental justice organizations. 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. EXCLUSIVE FOCUS ON ADDITIONAL GAS PROCUREMENT IS NOT AN APPROPRIATE FIRST STEP IN MITGATING CALIFORNIA’S RELIABILITY ISSUES

CEERT understands the need to address the imminent capacity shortfall California faces in Summer 2021 and the factors, as outlined in the *Final Root Cause Analysis of the Mid-August 2020 Heat Storms* (Final Root Cause Analysis), that have placed the State in a position that necessitates risk mitigation with emergency action. However, the Commission’s proposed utilization of long-term actions, which are contrary to the clean energy goals of California and the well-being of its residents, as a solution to this very near-term problem is severely misplaced. CEERT strongly opposes the Commission’s leap to long-term additional natural gas procurement prior to exhausting other viable, preferred options, such as demand-side resources and distributed energy resources (DERs) that can feasibly be online by Summer 2021.

The Commission refers to the *Preliminary Root Cause Analysis of the Mid-August 2020 Heat Storms* (Preliminary Root Cause Analysis) as support for the direction of this Proposed Decision. The Proposed Decision recalls the Preliminary Root Cause Analysis’ identification of:

“...several actions that will address the contributing factors that caused the August 2020 rotating outages. The actions identified in the preliminary report include ‘expedit[ing] the regulatory and procurement processes to develop additional resources that can be online by 2021.’”¹

However, this recommendation in the Preliminary Root Cause Analysis does not identify natural gas procurement as the sole resource type with the ability to meet the 2021 online date. In fact, the Proposed Decision omits parts of the complete recommendation. In reality, the referenced recommendation for immediate action reads:

¹ Proposed Decision, at p. 2.

“Expedite the regulatory and procurement processes to develop additional resources that can be online by 2021. This will most likely focus on resources such as demand response and flexibility. This can complement the resources that are already under construction [emphasis added].”²

Thus, as CEERT has maintained throughout this proceeding, interim approaches to help facilitate the procurement of preferred clean energy options should be explored first, in compliance with the Commission’s Loading Order, before calling for any further investment into or procurement of additional gas fired generation. In addition to exacerbating reliability issues as discussed further in Section III, additional natural gas procurement is not in the best interest of the people and ratepayers of California. Highlighted in its Response to the Ruling Directing Parties to Serve and File Responses to Proposals and Questions Regarding Emergency Capacity Procurement by the Summer of 2021, CEERT maintains that natural gas procurement is not the most cost-effective path forward and will ultimately raise ratepayer bills due to high operating and maintenance costs and increasing gas price volatility.³

CEERT also notes that simply adding stand-alone storage to the list of eligible resources for this emergency procurement does little to cure the problem of over reliance on procurement of incremental gas. Because natural gas is on the margin during almost all hours of interest for Resource Adequacy, procurement of stand-alone storage without simultaneous procurement of clean non-fossil energy simply means that any stand-alone storage will be charged by additional dispatch of existing gas. This incremental dispatch will be, by definition, from the highest cost, least efficient, most polluting gas plant on the system at that time compounded by the round-trip efficiency losses.

² Preliminary Root Cause Analysis, at p. 15.

³ CEERT’s Response to the Ruling Directing Parties to Serve and File Responses to Proposals and Questions Regarding Emergency Capacity Procurement by the Summer of 2021, at p. 7.

The Commission’s Press Release regarding the Proposed Decision states that “a subsequent Proposed Decision that will address demand side measures as well as any additional supply-side measures is expected in March.”⁴ It remains unclear why the Commission released this Proposed Decision, almost exclusively focused on natural gas generation, before investigating additional preferred resources. CEERT seeks clarification on the reasoning behind the Commission’s approach to this procurement order, including why preferred, demand side measures are to be explored subsequently to this initial natural gas procurement directive and why “supply-side” measures are limited to natural gas procurement in this Proposed Decision when the CAISO Interconnection Queue with signed Interconnection Agreements consists overwhelmingly of hybrid solar + storage projects⁵.

III. THE COMMISSION MUST TAKE A “LEAST REGRETS” APPROACH IN THIS PROCEEDING

According to the Final Root Cause Analysis, two of the three major causes behind the events of mid-August 2020 included issues with the adaptation of planning metrics and targets to California’s transitioning electric grid composition.⁶ Additionally, emergency procurement initiatives, such as this Proposed Decision and the IRP Decision (D.) 19-11-016 requiring 3,300 megawatts (MW) of additional incremental capacity⁷, underscore the importance of urgency in restructuring the Integrated Resource Plan (IRP) and Resource Adequacy (RA) planning paradigms.

⁴ CPUC Press Release, January 8, 2021, at p. 2.

⁵ California ISO Controlled Grid Generation Queue for All: Active which can be found at <https://rimspub.caiso.com/rim5/logon.do#> and <http://www.caiso.com/PublishedDocuments/PublicQueueReport.pdf> as of January 27, 2021. (This document is updated daily).

⁶ Final Root Cause Analysis, at pp. 3-4

⁷ R.16-02-007, Decision Requiring Electric System Reliability Procurement for 2021-2023, at p. 34.

On-going efforts to adjust planning metrics and better reflect the realities of the current and future electric grid are actively underway in the RA (R.19-11-009) and IRP (R.20-05-003) proceedings. One critical piece of these efforts is adjusting reliability metrics to more accurately represent the value resources bring to the grid. Along this line, CAISO’s analysis in its RA Enhancements Initiative Draft Final Proposal and Sixth Revised Straw Proposal demonstrates that accounting for forced outages in the net qualifying capacity (NQC) of the natural gas fleet results in a 12.5% average reduction in NQC.⁸ Furthermore, many high load hours over the last three years have seen gas forced outage rates over 20%.⁹ Thus, neither the actual reliability value of natural gas nor the performance of these resources during the mid-August heat wave¹⁰ justifies or supports an exclusive procurement of these resources ahead of other capable preferred resources such as hybrid solar + storage, demand response, and other DERs.

The Proposed Decision states that the Commission’s actions “to address reliability needs in 2021 is consistent with...D.19-11-016, which endorsed a “least regrets” approach to procurement, given the imminence of the 2021 system reliability needs anticipated at the time.”¹¹ However, CEERT maintains that the explicit focus on additional natural gas procurement is not compliant with D.19-11-016 or a “least regrets” approach. In fact, D.19-11-016 declined to “prescribe the exact metrics to be used to compare different types of resources, but [required] the [investor-owned utilities (IOUs)] to conduct their solicitations in a non-discriminatory manner, treating all resources on a level playing field as long as they deliver equivalent value.”¹²

⁸ Day 1 Presentation: RA Enhancements Draft Final Proposal and Sixth Revised Straw Proposal. CAISO January 5, 2021.

⁹ Day 1 Presentation: RA Enhancements Draft Final Proposal and Sixth Revised Straw Proposal. CAISO January 5, 2021.

¹⁰ Final Root Cause Analysis, at pp. 47-48.

¹¹ D.19-11-016, at pp. 9-10.

¹² *Id.*, at p. 44.

In compliance with D.19-11-016 and aligned with the Loading Order, the Proposed Decision should be modified to facilitate a truly “least regrets” solicitation of resources that can be online by Summer 2021. The Commission should focus on necessary interim approaches to facilitate the procurement of clean demand-side resources to the greatest extent before resorting to additional natural gas procurement. If the Commission decides to continue with the resources outlined in this Proposed Decision, CEERT strongly suggests restricting any additional gas procurement to short-term contracts and limiting any proposed long-term gas contracting to the IRP process. Furthermore, the Commission should recognize that there are preferred resources that can be online for Fall 2021 and Summer 2022 to help alleviate reliability issues further as the net peak moves to not only later in the day, but also later in the year.

IV. CONCLUSION

CEERT appreciates the opportunity to comment on this Proposed Decision. However, CEERT remains concerned that this Proposed Decision will result in unnecessary, long-term natural gas capacity at the expense of California ratepayers. Thus, CEERT encourages the Commission to shift the focus of this Proposed Decision to a truly “least regrets” approach for procurement of resources that can be online by Summer 2021, including clean preferred resources. Alternatively, if it chooses to move forward with this procurement initiative as it stands, the Commission should limit any long-term gas contracting to execution through the IRP process to ensure this emergency procurement does not commit the State to fossil fuel generation for the next decade.

Respectfully submitted,

January 28, 2021

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APPENDIX A

CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES’ PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS FOR THE PROPOSED DECISION DIRECTING PACIFIC GAS AND ELECTRIC COMPANY, SOUTHERN CALIFORNIA EDISON COMPANY, AND SAN DIEGO GAS & ELECTRIC COMPANY TO SEEK CONTRACTS FOR ADDITIONAL POWER CAPACITY FOR SUMMER 2021 RELIABILITY

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 Proposed Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Seek Contracts for Additional Power Capacity for Summer 2021 Reliability, mailed in R.20-11-003 (Extreme Weather) on January 8, 2021 (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**, underscored capital letters.

PROPOSED FINDINGS OF FACT:

~~12. [14-15] The following resource types may meet the emergency reliability capacity need for the summer of 2021: incremental capacity from existing power plants through efficiency upgrades including revised power purchase agreements; contracting for generation that is at risk of retirement; incremental energy storage capacity; and resource adequacy only contracts or contracts that include tolling agreements.~~