



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)

**REPLY COMMENTS OF
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON
PROPOSED DECISION ON TRACK 3B.2 ISSUES: RESTRUCTURE OF
THE RESOURCE ADEQUACY PROGRAM**

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

July 6, 2021

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Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Reply Comments on the Proposed Decision on Track 3B.2 Issues: Restructure of the Resource Adequacy Program (Proposed Decision), mailed in this proceeding on June 10, 2021. 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.
CEERT REPLY COMMENTS**

CEERT believes a high level reading of parties’ Opening Comments reveal a convergence of thought about Resource Adequacy (RA) in California that both emphasizes the need for fundamental reform and the thoughtfulness of the process laid out by the Proposed Decision to achieve progress towards that reform. CEERT strongly agrees with the sentiment expressed by Solar Energy Industries Association/ Large Scale Solar Association and Vote Solar (SEIA/LSA/VS) that a successful conclusion to the process outlined by the Proposed Decision will lead to a “transitional” RA framework¹ that will continue to evolve as the resource mix continues to change and operational experience is gained with this new clean resource mix that

¹ SEIA/LSA/VS Opening Comments, at p. 2.

will become the workhorse for grid reliability in the future. Expectations that it is desirable or even possible in the next 2-3 years to design a durable, stable platform that results in static long-term resource valuations need to be carefully managed. There is much to learn, and the stakes are very high.

CEERT notes two issues that warrant further discussion in Reply Comments. First, multiple parties representing various interests express skepticism about either the need for or and/or the design of proposed market power mitigation measures.² Parties do not dispute the need to deal with wholesale electricity price spikes under stress conditions but generally agree that the historic analytical record in this proceeding necessary to both diagnose the problem and design the solution is sorely lacking. CEERT repeats its skepticism with the Energy Division's diagnosis that the demise of Investor Owned Utility (IOU) tolling arrangements coupled with the lack of administrative least cost dispatch protocols enforced on non-IOU load-serving entities (LSEs) has led to market power being exercised by generators resulting in energy bids in excess of marginal cost.

The solution proposed is bid caps and/or mandatory price hedging. CEERT's hypothesis is that, to the extent that market power is being exercised, it is not generators bidding well above marginal cost, but natural gas traders and Southern California Gas Company (SCG) using the existence of compromised natural gas delivery infrastructure in Southern California to exercise market power over spot burner tip fuel price raising the marginal generator's marginal cost. In any case, CEERT strongly agrees with parties that this entire discussion needs to start by

² See SEIA/LSA/VS Opening Comments, at p. 3; Independent Energy Producers (IEP) Opening Comments, at p. 9; California Energy Storage Alliance (CESA) Opening Comments, at pp. 10-11; Calpine Opening Comments, at p. 4; Middle River Power Opening Comments, at p. 6; California Community Choice Association (CalCCA) Opening Comments, at pp. 10-11; Alliance for Retail Energy Markets (AReM) Opening Comments, at p. 3; and Southern California Edison (SCE) Opening Comments, at p. 7.

building the evidentiary record before designing the solution and that the solution must take into account the final design of the RA framework before considering adoption. CEERT strongly recommends that prior to any workshop on this issue, Energy Division publish a five-year historic record of hourly SP 15 and NP 15 index electricity prices plus corresponding Citygate (or calculated burner tip) natural gas prices as a function of daily commodity index natural gas prices, electric generation natural gas consumption, implied marginal heat rate, and wholesale electric loads.

Second, CEERT repeats its long held concern that Net Qualifying Capacity (NQC) counting rules for weather dependent or use limited resources is not nearly granular enough by either location or project configuration to effectively accomplish the fundamental reform of emphasizing energy sufficiency in RA. The fundamental tenet of RA reform is to recognize and ensure energy sufficiency in all hours rather than simply capacity to deal with gross peak load. This reform simply cannot be accomplished with resource counting rules that ignore a factor of two difference in energy behind the nameplate capacity of the dominant resource in the energy mix. This disparity is true whether dealing with new New Mexico wind vs. a 10 yr. old in state wind resource, or a new high inverter loading ratio DC coupled hybrid vs. the average existing solar fleet. Current counting rules do not recognize that hybrid renewable plus storage projects are dispatchable and capable of delivering their energy during stress hours whether that is gross or net peak or other hours in the day. Unless the counting rules reflect this capability, any “Slice of Day” analysis is not worth the trouble and will neither reflect the true system load carrying capability of a resource portfolio or send the appropriate market signals to guide new resource procurement. Other parties express similar thoughts.³ For this reason, CEERT supports adoption of the project by project California Independent System Operator UCAP and the Pacific Gas and

³ See SEIA/LSA/VS Opening Comments, at P. 5 and Green Power Institute Opening Comments, at p. 2.

Electric Company exceedance methodologies using actual metered data when calculating net qualifying capacity and energy sufficiency in slice of day.

II. CONCLUSION

CEERT repeats its support for the Proposed Decision with the revisions outlined in its Opening Comments and these Reply Comments.

Respectfully submitted,

July 6, 2021

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