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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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)

COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON ADMINISTRATIVE LAW JUDGE RULING TO NOTICE A PENDING AMENDED SCOPING RULING

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I. INTRODUCTION

Pursuant to Administrative Law Judge ("ALJ") Stevens' *Email Ruling Seeking Responses Regarding a Proposed Amended Scope and Schedule to Address Reliability Issues in 2022 and 2023* ("Email Ruling") in the Emergency Reliability Rulemaking ("R.") 20-11-003 (the "Reliability OIR") issued on August 2, 2021, Pacific Gas and Electric Company ("PG&E") respectfully provides the following comments.

PG&E welcomes the California Public Utilities Commission's ("Commission") efforts to identify and execute actions to ensure reliable electric service in the event that an extreme heat storm occurs in the summers of 2022 and 2023 and looks forward to working with the Commission and the parties in this proceeding to identify actionable recommendations for near-term needs that can be taken to prepare for the potential of an extended and/or extreme heat storm.

II. PG&E'S RESPONSE

PG&E provides responses below to the specific items identified in the Email Ruling but is providing a few general comments at the outset for context. With regards to supply-side solutions, PG&E believes that the Commission should primarily focus on actions that the Commission, California Energy Commission ("CEC"), California Independent System Operator Corporation ("CAISO"), and parties can adopt in order to address energy supply needs during the peak demand

and net peak demand hours for the summer of 2023.[1] PG&E notes that procurement efforts (*e.g.*, incremental capacity and/or energy, new "steel in the ground", etc.) to address energy supply needs for the summer of 2022 are already being undertaken as a result of Decision ("D.") 21-02-028 and D.21-03-056. In those decisions, the Commission provided reasonable guidelines and procurement parameters upon directing the investor-owned utilities ("IOU") to seek contracts for additional capacity for the summers of 2021 and 2022. For example, the Commission provided guidance on: (1) procurement type, (2) procurement process for Commission review, and (3) procurement cost recovery and ratemaking treatment.[2]

PG&E appreciates the Commission's efforts in developing a thoughtful procurement review process for expeditious and incremental procurement to address the current reliability concerns for the summers of 2021 and 2022. That said, PG&E believes the Commission may need to place greater emphasis on demand-side solutions to meet summer 2022 reliability concerns, such as demand response ("DR") or energy efficiency measures.

A. PG&E's Comments on Increasing Peak and Net Peak Resources in 2022 and 2023

PG&E continues to believe that rapidly maximizing available resources during the peak demand and net peak demand hours presents a challenge as significant as its importance. Ensuring resource sufficiency serves to facilitate California's diverse set of policy initiatives, including affordability, renewable integration, and reliability. Consistent with that goal and Commission direction provided in D.21-02-028 and D.21-03-056, PG&E has expended significant effort working to procure incremental resources available to meet the peak demand and net peak demand

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[1] *See* Governor Newsom's Proclamation of a State of Emergency ("State Proclamation"), dated July 30, 2021, stating: "…it is already too late, under normal procedures, to bring additional sources of energy online in time to address…summer of 2022…" at https://www.gov.ca.gov/wp-content/uploads/2021/07/Energy-Emergency-Proc-7-30-21.pdf.

[2] D.21-02-028, pp. 11-13.

hours for the summers of 2021 and 2022. PG&E's initial 2022 procurement efforts for emergency reliability needs will be detailed in an advice letter filed with the Commission on August 6, 2021.[3] PG&E has also initiated negotiations with owners of existing resources already in its portfolio that could potentially provide incremental energy supply for the summer of 2022 – PG&E has not yet executed any transactions for summer 2022 as a result of this effort, but expects to do so prior to the start of summer 2022.

Should the Commission assess a need for additional emergency procurement for the summer of 2023, PG&E encourages the Commission to leverage lessons learned in this past year's reliability procurement to ensure that actions taken are as effective as possible. For example, aspects of emergency procurement that have been effective, such as allowing IOU procurement to be approved through advice letters of various tiers and on a continuing basis, should be retained.[4]

1. Expedited Resources and Integrated Resource Planning Procurement

To the degree that it is feasible, given the interconnection timeline and process, PG&E is supportive of accelerating procurement to meet electrical system reliability for the summer of 2023. However, while PG&E is supportive of expedited procurement that addresses a system need, PG&E expresses concerns with an overt mandate to expedite Integrated Resource Planning ("IRP") procurement. After the summer of 2020 outage events, PG&E endeavored to expedite new resources from the 2019 IRP procurement order to come online prior to the summer of 2021. In response to this effort, some counterparties to contracts with PG&E expressed concern that long-lead times associated with procuring materials, resource competition, and potential delays with the interconnection process would prevent them from reaching commercial operations on an expedited basis. Thus, fulfilling an explicit requirement to expedite IRP procurement could prove unsuccessful.

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[3] PG&E's Advice Letter 6289-E.

[4] State Proclamation, Order 13.

PG&E emphasizes that while the summer of 2022 is not immediate, it is less than a year away and resource development and interconnection timelines make bringing new resources online for 2022 extremely challenging. As evidence, PG&E points to the solicitation it held in February 2021 for projects to come online during the summer of 2022. Only four projects totaling 270 megawatts ("MW") were executed to come online by August 1, 2022.[5] Other projects withdrew their offers citing a lack of confidence in their ability to bring projects online in time for the summer of 2022 and an inability to line up equipment.

PG&E is encouraged by the Governor's Order that requests the CAISO to take all actions available and use best efforts to expedite the interconnection to the transmission grid of resources specified by the CEC.[6] While PG&E did not originally support an incentive mechanism due to the constrained timeline for bringing IRP procurement online faster, if the focus is on the summer of 2023 resources and if the CAISO commits to making efforts to expedite the interconnection process, an incentive mechanism may be worth exploring by the Commission.

2. Update to RA Requirements and Planning Reserve Adjustment for 2023

While PG&E supported the Commission adopting an "effective" 17.5 percent planning reserve margin ("PRM") for the summers of 2021 and 2022 and establishing a procurement target for the IOUs, PG&E does not support a permanent change to the resource adequacy ("RA") requirements and PRM that is not supported by robust analysis and a stakeholder process.[7] PG&E notes that the Commission is currently undertaking a stakeholder process in accordance with D.20-06-031 to develop assumptions for use in a loss of load expectation ("LOLE") study and to perform a LOLE study, which will be used to inform a potential adjustment to the current RA requirements and PRM.[8] Accordingly, PG&E recommends that an update to the RA requirements and PRM for

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5 PG&E Advice Letter 6289-E.

6 State Proclamation, Order 14.

7 D.21-03-056, p. 45.

8 D.21-06-029, p. 19.

2023 be out of scope in this proceeding. Instead, PG&E supports the Commission undertaking the stakeholder process, as set forth through D.20-06-031 and the RA proceeding, to establish the appropriate PRM to meet system reliability standards for 2023 and beyond in light of the ongoing changes to the composition of the system electric supply portfolio.

3. Analysis of Need – Particularly at Net Peak – and Resources Available to Meet this Need, in Light of Recent Trends in Weather and Resource Availability

PG&E believes that a thorough understanding of potential resource shortfalls is necessary to address reliability concerns for the summer of 2023. PG&E notes that the Commission can leverage the stack analysis used to inform procurement volumes in the IRP proceeding. In addition to developing a more robust understanding of a potential resource shortfall, the Commission should endeavor to develop a more complete understanding of the resources available to reduce that potential shortfall, including (1) resources not already under a RA contract (2) and new resources expected to come online prior to the summer of 2022 and 2023 to meet the procurement targets established in D.19-11-016 (3,300 MWs by 2023) and D.21-06-035 (2,000 MWs by 2023) as informed by filings submitted in the IRP proceeding earlier this month. In addition, PG&E requests that load serving entities ("LSEs") be informed by CAISO, based on any forthcoming procurement order, what amount of generation in the CAISO interconnection queue can come online within the stated compliance period. This information should provide LSEs an indication of what expedited procurement opportunities are realistically feasible, and they can then plan accordingly.

While PG&E believes that a stack analysis is not the best method to determine potential resource shortages, an alternative method, such as a production simulation model or a LOLE analysis, is unlikely to be thoroughly vetted or completed in the short period of time available to the Commission.

4. Support for the CAISO's Capacity Procurement Mechanism Authority

PG&E believes that the Commission should work to ensure that steps taken through the amended scope and schedule enhance reliability without unduly increasing costs for California's customers. Commensurate with this goal, it would be unwise to heavily rely on CAISO's Reliability-Must-Run ("RMR") contracts. PG&E supports the CAISO using its Capacity Procurement Mechanism ("CPM") authority, rather than RMR contracts, should it become apparent that CAISO backstop procurement is necessary to fill a RA capacity gap. Using CPM will allow contracts to be made effective more quickly and potentially at a lower cost. Moreover, RMR contracts (typically 12-months in length) are unnecessary to address the reliability concerns that are primarily focused on the summer months of May to October 2023. Shorter, less expensive CPM contracts will, if required, help to ensure system reliability without unnecessarily increasing consumer costs.

PG&E understands that the CAISO's CPM authority is primarily intended to procure RA capacity when there is an identified procurement deficiency on a year-ahead and/or month-ahead basis. The CAISO determines if there is a procurement deficiency by evaluating each LSE's compliance filing to determine whether the aggregate amount of RA capacity that has been procured is sufficient to meet the total system RA requirements. In addition to determining a procurement deficiency based on the individual and/or collective demonstration by all LSEs, the CAISO also has the authority to exercise backstop procurement under a *Significant Event* CPM.

As stated in comments throughout this proceeding, PG&E encourages the CAISO to consider revising its Business Practice Manual ("BPM") to provide advanced authority to procure additional capacity in a timely fashion under a *Significant Event* CPM.[9] Revisions to the CAISO's BPM can provide some reasonable, albeit still challenging, time to procure additional capacity if deemed necessary by the Commission and/or CAISO.

In addition to the proposed revisions to CAISO's BPM to exercise backstop procurement under a *Significant Event* CPM, PG&E is considering the feasibility of CAISO providing monthly shaping to the annual CPM soft-offer cap of $75.68 per kilowatt-year.[10] Given that the need to address the reliability concerns is primarily focused on the summer months of May to October, PG&E understands that some market participants have expressed concerns that the current structure, which distributes the annual CPM soft-offer cap equally across the calendar year, may not provide sufficient incentive to provide RA capacity to the California market especially during times of greater need.

5. Other Opportunities to Increase Supply for the Summer of 2023

As mentioned above, PG&E is encouraged by the Governor's Order that requests the CAISO to take all actions available and use best efforts to expedite the interconnection to the transmission grid of resources specified by the CEC. Streamlining the interconnection process is an important avenue to increase supply within the accelerated timelines. For example, in PG&E's experience, project developers have expressed a willingness to expedite online dates of new resources where they can; however, the physical realities of getting new "steel in the ground" make it extremely challenging. Project developers have expressed that, delays with the interconnection process are making it challenging to comply with a procurement schedule to meet both near-term reliability needs (summers of 2021 and 2022) and mid-term reliability needs (2023-2026). PG&E

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[9] *See* CAISO's 2021 Significant Event CPMs at http://www.caiso.com/market/Pages/ReportsBulletins/Default.aspx.

[10] D.20-06-031, pp. 59-61.

believes there may be opportunities for some resources to come online as energy-only or potentially fully-deliverable by the summer of 2023, but those resources may face similar challenges with respect to delays with the interconnection process. As a result, PG&E believes it is critical for the Commission, CEC, and CAISO to coordinate efforts to streamline the process for bringing new resources online, especially given the significant volume of 14,800 MWs that were ordered to be procured in D.19-11-016 (3,300 MWs) and D.21-06-035 (11,500 MWs).

PG&E offers another suggestion for helping to achieve energy stability to meet near-term (2021 and 2022) and mid-term reliability needs (2023). PG&E suggests that the Commission, in its efforts to get resources online faster, retain the same process for approval of contracts as in D.21-03-056, namely that procurement contracts should be submitted to Energy Division via a Tier 1 Advice Letter ("AL") on a continuing basis, except for contracts for incremental gas of five years or more (filed via Tier 3 AL) and incremental imports (no AL required). In addition, the Commission should make it explicitly clear that incremental capacity and/or energy from Utility-Owned-Generation ("UOG") resources can also be approved through this proceeding via an AL and that all long-term contracts for incremental capacity can also be used to count towards the procurement targets ordered in D.21-06-035. This explicit clarification for UOG will significantly speed up the approval process, will allow for these resources to contribute to system reliability in the relative near-term, and is consistent with the objective of the Governor's Order to bring resources online in an expedited manner.

B. PG&E's Comments on Reducing Peak and Net-Peak Demand in 2022 and 2023

PG&E recognizes the importance of and supports continuing efforts to reduce demand to ensure resource adequacy in coming years. As with resource procurement, PG&E is continuing to make significant efforts to further these goals under the directives in D.21-02-028 and D.21-

03-056, through its Power Saver Rewards Pilot discussed in its supplemental testimony, and pursuant to the State Proclamation. PG&E encourages the Commission focus on what PG&E believes to be the best opportunities for the greatest volume of load reduction, such as third-party DR. PG&E also recommends that the Commission allow time for modifications that are currently underway in these areas to continue without alteration so that there is sufficient opportunity to understand both the extent of their impact on demand and what challenges may arise in implementation. PG&E also requests that the Commission limit the scope of Phase 2 of this proceeding to avoid duplication and possible conflicting efforts on matters to be considered, or presently being considered, in other proceedings.

1. Third-Party DR

PG&E believes that the Commission should include consideration of how to scale Rules 24 and 32 and associated click-through systems to enable DR growth from third-party DR providers. While PG&E responds to demand-side issues in this section, it notes that they appear solely focused on utilities' activities. As such, PG&E believes that the growth of third-party DR, which has been a focus of Commission effort, should play a role in supporting grid needs. Consequently, further enablement of third-party DR through scaling of Rule 24/32 and associated systems like Share My Data ("SMD") and its use of the click-through process should be part of the scope along with utility programs. Both are addressed in this section.

PG&E notes that 2021 marks the beginning point for mass market participation levels by third-party DR Providers ("DRP") under Rule 24. Based on growth projection figures provided to PG&E's Rule 24 team by several DRPs, enrollment in Rule 24 DR (outside of any Demand Response Auction Mechanism ("DRAM") contracts with PG&E) could increase by hundreds of thousands of customers during the 2021-2022 timeframe. A critical enabler for DRPs to meet their

RA obligations is PG&E's SMD platform. SMD is used by third parties for customer enrollments and to retrieve interval usage data and other Rule 24 data elements to enable retail customer participation in the CAISO's wholesale market. To support mass market growth, PG&E's SMD platform requires significant IT enhancements for its scalability, performance, and availability during the 2022 timeframe.

PG&E therefore recommends that the Commission expand the scope of the item identified in the ruling as "Modifications to existing demand response programs (including base interruptible, agriculture and pumping interruptible, air condition cycling)" to include cost recovery for PG&E to support a set of targeted information technology ("IT") system enhancements to be completed in 2022 to bolster SMD system availability for third-party utilization and to strengthen performance monitoring capability for the SMD platform. Additional funding beyond PG&E's currently authorized 2022 budget for Rule 24 is not sufficient to cover the IT enhancements that are necessary to maintain SMD platform performance, availability, and scalability during the period of rapid growth in Rule 24 program participation.

Additionally, PG&E notes there is a pending Proposed Decision in the click-through Application proceeding (Application ("A.") 18-11-015), which could include approval of PG&E's Infrastructure-as-a-Service proposal. Approval of PG&E's proposal would be needed for PG&E to commence work on the scope of IT enhancements described in PG&E's Application for supporting scalability and quick data response at mass market levels.

2. Modifications to Existing DR Programs

The modifications made in Phase 1 of the Reliability OIR to PG&E's Base Interruptible Program ("BIP") and Capacity Bidding Program ("CBP") programs were intended to help strengthen both programs. PG&E believes additional insight gained from at least the conclusion of the 2021 season is necessary to determine what modifications could generate the most value.

As it relates to the specific implementation of a real-time CBP option, there are a number of system complexities that may pose as obstacles for implementation for 2022. Moreover, it is unclear whether a real-time CBP option would provide the level of MWs to justify its implementation. Other mechanisms, such as enabling different flavors of Day-Ahead CBP (e.g., such as PG&E Elect and Elect+), imposing a bid cap, or other functional modifications, would most likely provide greater benefits. Lastly, PG&E recommends that CBP be continued to be used as a Day-Ahead economic resource to help mitigate prices instead of attempting to modify it to be a Day-Of product focused on emergencies. BIP, Emergency Load Reduction Program ("ELRP"), and the state's emergency program per the State Proclamation seemingly provide an array of real-time emergency resources.

3. Power Saver Rewards Pilot

PG&E notes that it submitted supplemental testimony on the Residential Rewards Pilot proposal in Phase 1 as the updated Power Save Rewards Pilot ("PSRP") on July 7, 2021 in response to the Commission's request.[11] Eight parties submitted reply testimony on July 21, 2021, and PG&E has requested to submit rebuttal testimony by email on July 23, 2021. PG&E respectfully reiterates its request to submit rebuttal to address issues raised by parties in their reply testimony. PG&E also requests clarification on whether the refreshed proposals of PG&E's PSRP and CEJA's Just Flex Rewards ("JFR") are to be considered in Phase 1 or Phase 2 of this proceeding. PG&E

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[11] ALJ Stevens invited CEJA and PG&E to resubmit testimony on their Just Flex Rewards and Residential Rewards Pilot Program, respectively, in an email ruling on June 14, 2021.

is prepared to implement PSRP to provide significant megawatts in 2022 and will need ample preparation time to achieve the targets.

4. Emergency Load Reduction Program

PG&E believes the existing ELRP framework is a viable product and incremental changes are provided for by D.21-03-056's provision for enhancements through an annual Tier 2 advice letter filing.[12] Therefore, the existing process appears to be adequate for incremental changes, which at this time should be reserved for the year-end Tier 2 filing. That being said, PG&E's assessment is that the "Special Considerations"[13] provision is a significant impediment for promoting dual BIP and ELRP participation. Consequently, reconsideration of this provision is warranted either in Phase 2 of this proceeding or through the annual Tier 2 filing, whichever the Commission deems appropriate.

5. Minimizing Customer Loss from DR Programs

Overall, PG&E believes that modifications made to BIP in Phase 1 of the Reliability OIR were meant to address customer attrition. Specifically, additional authorized incentives and allowance for year-round enrollment provides current participants with greater compensation for higher expected dispatch and at the same time enables new participants to join throughout the year to help replace participants who previously left the program. As for CBP, PG&E has had success in growing the program based on its flexible participation options and loss of participants is of lesser concern. PG&E does not believe this topic merits inclusion in Phase 2.

6. Rate Structure-Related Issues for Load Flexibility

Rate structure-related issues for load flexibility should not be within the scope of this proceeding because there are already existing and planned rate design proceedings that are

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[12] D.21-03-056, Attachment 1 at p.15.

[13] D.21-03-056, Attachment 1 at p. 10.

considering rate structures that can provide load flexibility. For example, PG&E has already proposed two pilots for real-time pricing ("RTP"), a type of dynamic rate structure that can result in load flexibility, in its 2020 General Rate Case Phase II (A.19-11-019) and in the Commercial Electric Vehicle RTP proceedings (A.20-10-011). The consideration of additional dynamic rate structures has also been proposed by PG&E in A.19-11-019 for residential, agricultural, and small business customers.[14] Additionally, RTP and dynamic rates are being addressed in the Draft of the Distributed Energy Resources Action Plan 2.0[15] (expected to be established later this year), which currently has directives for a Load Flexibility Rulemaking (not yet issued) regarding RTP and dynamic rates. To address RTP and dynamic rate structures in this proceeding also would complicate the objective of determining a clear path forward for dynamic and RTP rates, resulting in final directives that could be in misalignment and could result in implementation confusion and timeline concerns. Therefore, to maintain the integrity of what is already being addressed in other rate design proceedings, PG&E requests that the topic of rate structures be excluded from the scope of this proceeding.

C. PG&E's Comments on Schedule

PG&E has no comments on the proposed schedule at this time.

III. CONCLUSION

PG&E appreciates the opportunity to submit these comments and looks forward to working through the issues identified herein with the Commission and the parties.

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[14] A.19-11-019, Exhibit (PG&E-RTP-2), Chapter 1.

[15] *See* https://www.cpuc.ca.gov/about-cpuc/divisions/energy-division/der-action-plan.

Respectfully submitted,

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