

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 BRIEF OF CENTER FOR ENERGY EFFICIENCY
AND RENEWABLE TECHNOLOGIES ON PHASE 2 ISSUES**

V. JOHN WHITE
Executive Director
Center for Energy Efficiency and
Renewable Technologies
1100 11th Street, Suite 311
Sacramento, CA 95814
Telephone: (916) 442-7785
E-mail: vjw@ceert.org

MEGAN M. MYERS
Attorney at Law
110 Oxford Street
San Francisco, CA 94134
Telephone: (415) 994-1616
Facsimile: (415) 387-4708
E-mail: meganmmyers@yahoo.com

For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

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SUMMARY OF RECOMMENDATIONS

Rule 13.12 of the Commission’s Rules of Practice and Procedure requires that a “summary of the briefing party’s recommendations [follow] the table of authorities.” In summary, the Center for Energy Efficiency and Renewable Technologies (CEERT) recommends and requests that the Commission take the following actions in its Decision scheduled to be issued on Phase 2 issues in R.20-11-003:

- The Commission should accelerate deployment of new clean, cost effective zero carbon resources that have already been authorized for procurement with commercial operating dates beginning in 2023.
- The Commission should immediately act on numerous recommendations made by Demand Response providers over a year ago that have languished since in Commission decisions in this proceeding to enhance customer participation in electricity supply.

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Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits this Opening Brief on Phase 2 Issues in Rulemaking (R.) 20-11-003 (Extreme Weather). In Phase 2 of this Rulemaking, the Commission seeks to establish an expedited process to ensure there is adequate supply and demand management to achieve electrical system reliability in 2022 and 2023. CEERT's Opening Brief is timely filed and served pursuant to the Commission's Rules of Practice and Procedure (Rule 13.12) and the Assigned Commissioner's Amended Scoping Memo and Ruling (Amended Scoping Memo), dated August 10, 2021.

**I.
BACKGROUND AND SUMMARY OF CEERT'S POSITION**

CEERT is a nonprofit public-benefit organization founded in 1990 and based in Sacramento. CEERT is a partnership of major private-sector clean energy companies, environmental organizations, public health groups and environmental justice organizations. CEERT develops, advances, supports, and advocates for policies and decisions that promote global warming solutions and increased reliance on clean, renewable energy sources for California and the West. CEERT has been a long-time, active party in multiple proceedings before the Commission to advance those interests since its founding in 1990.

In Phase 1 of R.20-11-003, CEERT submitted Opening Testimony in this proceeding on January 11, 2021 (Exhibit (Ex.) CEERT-1) and Rebuttal Testimony on January 19, 2021 (Ex.

CEERT-2). In these Exhibits, CEERT opposed any new investment in or expansion of the gas fleet and recommended that clean resources, such as solar + storage hybrids, demand response (DR), and behind-the-meter (BTM) distributed energy resources (DERs) be considered in this proceeding.¹

Thereafter, on March 26, 2021, the Commission issued Decision (D.) 21-03-056 which is the Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Take Actions to Prepare for Potential Extreme Weather in the Summers of 2021 and 2022. D.21-03-056 largely ignored the valid proposed measures and actions to advance clean and demand side resources to either decrease demand or increase supply using these resources during extreme weather events. In addition, it allows the utilities to submit contracts of five years or more for incremental generation at existing gas power plants via Tier 3 Advice Letter.²

On August 10, 2021, Assigned Commissioner Batjer issued the Amended Scoping Memo that responded to the July 30, 2021 Emergency Proclamation made by Governor Newsom (Governor Newsom Emergency Proclamation) directing the Commission to:

Exercise its powers to expedited Commission actions, to the maximum extent necessary to meet the purposes and directives of this proclamation, including by expanding and expediting approval of demand response programs and storage and clean energy projects, to ensure that California has a safe and reliable electricity supply through October 31, 2021, to reduce strain on the energy infrastructure, and to ensure increased clean energy capacity by October 31, 2022.³

As such, the Amended Scoping Memo finds that an “expedited process is essential to ensure there is adequate supply and demand management to achieve electrical system reliability in 2022

¹ Ex. CEERT-1, at p. 1, line 30 through p. 2, line 21 and Ex. CEERT, at p. 1, line, 23 through p. 3, line 13.

² D.21-03-056, at p. 88 (Ordering Paragraph 14).

³ Amended Scoping Memo, at p. 2.

and 2023.”⁴ The Amended Scoping Memo also stated that proposals that were not addressed in Phase 1 may be considered in this Phase and could be set forth in Phase 2 Opening Testimony.⁵

To that end, CEERT submitted its Opening Phase 2 Prepared Testimony on September 1, 2021 (Ex. CEERT-3). In this testimony, CEERT recommended adoption of the proposals set forth in Ex. CEERT-1 and Ex. CEERT-2 and proposed that the Commission change the Emergency Load Reduction Program (ELRP) compensation to preferred resources to make it comparable to what is being proposed in the San Diego Gas & Electric Company (SDG&E) Advice Letter (AL) 3838-E.⁶

As supported by the record in this proceeding and applicable policy, addressed in this brief, CEERT recommends that the Commission take the following actions in its decision that is anticipated to be issued in Phase 2 of R.20-11-003:

- The Commission must advance and prioritize the procurement of clean resources. As such, the Commission must adopt the proposals set forth by the DER parties.
- The Commission must modify the ELRP so that preferred resources are compensated comparably to what is proposed in SDG&E AL 3838-E.
- The Commission should determine that no new investments should be made in the gas fleet, or at the least identify that this type of procurement is an expensive, inefficient “last resort” limited to short-term contracts of no more than two years in duration⁷.

⁴ Amended Scoping Memo, at p. 3.

⁵ Amended Scoping Memo, at p. 6.

⁶ AL 3838-E (SDG&E) is the SDG&E Summer Generation Availability Incentive Agreement with Marine Corps Air Station Miramar, submitted on August 30, 2021.

⁷ One year ago, the recommendation was to limit such contracts to three years. That clock is ticking loudly.

II. CEERT CONTINUES TO URGE THE COMMISSION TO ACCEPT THE PROPOSALS MADE BY DER PROVIDERS

Throughout this proceeding, CEERT has recommended that the Commission adopt the program modification proposals set forth by demand-side and DER parties in. For example, in its Phase 1 Opening Brief, CEERT supported “recommendations made by numerous demand-side provider parties in this proceeding regarding modification of DR programs because they have the experience to provide the best recommendations.”⁸ Based on the proposals set forth by these parties in Phase 2, CEERT continues to urge the Commission to do so.

Numerous DR parties, including, but not limited to Google LLC (Google), the Joint Demand Response Parties (Joint DR Parties),⁹ the Joint Parties,¹⁰ OhmConnect, Inc. (OhmConnect), Oracle Utilities (Oracle), Polaris Energy Services (Polaris), and Voltus, Inc. (Voltus) provided specific recommendations that should be adopted by the Commission in the Phase 2 Final Decision.¹¹ Adopting these proposals will allow these resources to actively and effectively participate at the Commission. The Utility Reform Network (TURN) correctly stated that “the Commission has been presented with a plethora of constructive proposals from a variety of parties for advancing DR in California.”¹²

⁸ CEERT Phase 1 Opening Brief, submitted on February 5, 2021, at p. 7.

⁹ The Joint DR Parties are comprised of CPower and Enel X North America, Inc.

¹⁰ The Joint Parties are comprised of California Efficiency + Demand Management Council, ecobee Inc., Leapfrog Power, Inc., and Oracle.

¹¹ *See, e.g.*, Opening Phase II Prepared Testimony and Exhibits of Aaron Berndt on behalf of Google LLC, submitted on September 1, 2021 (Ex. Google Opening Testimony), Phase 2 – Reliability for 2022-23 – Update: Opening Prepared Testimony of Joint Demand Response Parties, submitted on September 1, 2021 (Ex. JDRP-3), Opening Phase 2 Prepared Testimony of the Joint Parties, submitted on September 1, 2021 (Ex. Joint Parties-01), Opening Phase 2 Prepared Testimony of Polaris Energy Services, submitted on September 1, 2021 (Ex. PES-2), Opening Testimony of Maria Belenky on behalf of OhmConnect, Inc., submitted on September 1, 2021 (Ex. OhmConnect Opening Testimony), Opening Phase 2 Prepared Testimony of Oracle Utilities, submitted on September 1, 2021 (Ex. Oracle-01), and Opening Prepared Testimony of Voltus, Inc., submitted on September 1, 2021 (Ex. VOLT-01).

¹² Prepared Reply Testimony of Michael Peter Florio, submitted on September 10, 2021 (Ex. TURN-03), at p. 10, lines 1-2.

While CEERT would have preferred that the Commission accepted the input from these parties in Phase 1 of this proceeding, that error can be mitigated by adopting these proposals now. Furthermore, the Commission was explicitly directed by the Governor to expand and expedite approval of DR programs and clean energy projects. As such, these proposals must be adopted as soon as possible. CEERT agrees with TURN's witness Michael Florio who testified:

I was quite frankly disappointed by the failure of D.21-03-056 to take the opportunity to further promote the many innovative and cost-effective Demand Response (DR) solutions offered by third-party DR aggregators in the record of Phase 1. Instead the decision focused almost entirely on utility-sponsored programs. This Phase 2 offers the Commission the chance to correct that error and unleash the creativity of what could be a truly dynamic market.¹³

CEERT, again, strongly urges the Commission to “provide the same level of attention and urgency associated with hybrid solar plus storage, DR and DER resources as they do to natural gas and stand alone storage...”¹⁴ To that end, the Commission must modify the ELRP to provide the same financial incentives to preferred resources as it does to existing fossil generators. Recently, SDG&E submitted AL 3838-E which seeks to pay a fossil generator, Marine Corps Air Station Miramar (Miramar) “an advance incentive payment of roughly \$10/kw-month in addition to full energy market revenues ... in exchange for Miramar operating its back up fossil generation when needed for grid reliability.”¹⁵ If the Commission is willing to accept this type of compensation for existing fossil generators, it must do the same for preferred resources that, under the ELRP, receive no compensation for capacity and are only paid “a top up on full energy market revenues during stress hours for comparable performance.”¹⁶

¹³ Ex. TURN-03, at p. 9, lines 17-21.

¹⁴ Ex. CEERT-02, at p. 3, lines 4-7.

¹⁵ Ex. CEERT-03, at p. 4, lines 7-10.

¹⁶ Ex. CEERT-03, at p. 4, lines 11-12.

III. THE COMMISSION MUST EXCLUDE PROCUREMENT OF FOSSIL FUEL GENERATION

As discussed above, CEERT has consistently recommended that the Commission move away from its continued reliance on fossil fuel.¹⁷ As such, CEERT was concerned that D.21-03-056 allowed the utilities to continue reliance on incremental generation at existing gas power plants.¹⁸ However, on June 30, 2021, the Commission issued D.21-06-035 which is the Decision Requiring Procurement to Address Mid-Term Reliability (2023-2026) in the integrated resource planning (IRP) proceeding (R.20-05-003). This Decision ordered procurement of 11,500 MW and explicitly stated that “[i]ncremental capacity from fossil-fueled resources will not be eligible to qualify under this order ...”¹⁹ CEERT urges the Commission to move in this same direction in this proceeding and explicitly ban procurement from fossil-fueled resources.

CEERT makes this recommendation not only to facilitate achievement of long term policy goals for decarbonization and environmental justice, but, critically, to protect electric rate payers in the short term. There have been a long string of “mishaps” on the interstate fuel supply infrastructure dating back to the Aliso Canyon disaster in 2015 that lead to SoCal citygate price spikes directly impacting electricity prices costing electric ratepayers literally billions of dollars. The latest in this string of “incidents,” ongoing as this is being written,, is the deadly pipeline explosion on the El Paso system in Arizona east of Phoenix that killed two people and restricted supply into Southern California raising spot gas prices to over \$20/MMBTU.²⁰ Today, even with mild weather and electric loads around 31 GW, CAISO SP 15 prices remain elevated. Last week

¹⁷ See, e.g., CEERT Phase 1 Opening Brief, at pp. 2-6.

¹⁸ D.21-03-056, at p. 88 (Ordering Paragraph 14).

¹⁹ D.21-06-035, at pp. 2-3.

²⁰ <https://www.spglobal.com/platts/en/market-insights/podcasts/focus/091521-increased-risk-weather-events-energy-infrastructure-markets>

with hotter weather and loads above 41 GW, electricity prices hit the cap of \$1000/mwh even though there was ample generation capacity. These are not isolated incidents but multiple, deadly failures that demonstrate systemic reliability challenges in natural gas supply that drain ratepayer wallets and risk electric reliability without any Commission notice or action. Natural gas usage for electricity production simply must be substantially reduced as soon as possible if the state is to have a cost effective reliable electric grid.

As such, CEERT supports the Prepared Opening Testimony of Cara Bottorff on behalf of Sierra Club, submitted in this proceeding on September 1, 2021 (Ex. SC-01) who testified about the “climate, public health, and air quality impacts of gas-fired power plants” and “the unique risks that increased gas plant emissions pose to disadvantaged communities, particularly during the COVID-19 pandemic.”²¹ In addition, CEERT agrees with Sierra Club that “the Commission should specifically exclude any new or incremental gas-fired capacity in its procurement, including incremental capacity from existing gas units.”²²

Lastly, CEERT reiterates its recommendation that if the Commission determines to make any additional investment in gas-fired generation in this proceeding, it should be identified as a regrettable and expensive “last resort” and should be limited to short-term contracts of no more than two years. Pacific Gas and Electric Company (PG&E) testified that CEERT’s proposal to limit additional gas capacity to short-term contracts creates a roadblock to the transition from diesel back-up generation to gas-fired backup generation.²³ PG&E contends that “reducing GHG emissions by using gas would not be financially feasible without long-term availability.”²⁴

²¹ Ex. SC-01, at p. 3, lines 1-4.

²² Prepared Phase 2 Reply Testimony of Cara Bottorff on behalf of Sierra Club, submitted on September 10, 2021 (Ex. SC-03), at p. 1, lines 12-14.

²³ Pacific Gas and Electric Company Emergency Reliability OIR Reply Testimony, submitted on September 10, 2021 (Ex. PG&E Reply Testimony), at p. 7-4, lines 4-8.

²⁴ Ex. PG&E Reply Testimony, at p. 7-4, lines 10-11.

CEERT disagrees with this contention and argues that clean resources are available now and can be used if only the Commission does not order short-term procurement of fossil generation. The Commission simply must devote more energy into acceleration of procurement and construction of approved clean resources than it does to scouring the floor for the dregs of incremental fossil generation.

IV. CONCLUSION

Based on the record, law, and policy applicable to this Application, as detailed and supported in this Opening Brief, it is CEERT's position that, while it agrees that urgent action must be taken to provide additional generation capacity, this action must be to accelerate the deployment of clean, low cost resources rather than chasing the last few megawatts of expensive, polluting, unreliable fossil generation.

Respectfully submitted,

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/s/ MEGAN M. MYERS
MEGAN M. MYERS
Attorney for Center for Energy Efficiency and
Renewable Technologies
110 Oxford Street
San Francisco, CA 94121
Telephone: (415) 994-1616
Email: meganmmyers@yahoo.com