

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



**FILED**

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

06/09/22  
Rulemaking 21-10-002  
(Filed October 7, 2021)  
04:10 PM  
R2110002

**OPENING COMMENTS OF  
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES ON  
PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR  
2023-2025, FLEXIBLE CAPACITY OBLIGATIONS FOR 2023, AND  
REFORM TRACK FRAMEWORK**

June 9, 2022

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

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REFORM TRACK FRAMEWORK**

Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Opening Comments on the Proposed Decision Adopting Local Capacity Obligations for 2023-2025, Flexible Capacity Obligations for 2023, and Reform Track Framework, mailed in this proceeding on May 20, 2022. 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. Attached as Appendix A to the Proposed Decision is the 24-Hour Slice Framework.

**I.  
BACKGROUND AND SUMMARY**

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. 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.

CEERT supports the Proposed Decision’s determination to adopt the Southern California Edison Company (SCE) 24-Hour Slice-of-Day (SOD) proposal.<sup>1</sup> CEERT also agrees with the Proposed Decision’s finding that the use of 2024 as a test year for compliance tools is reasonable.<sup>2</sup> However, the Proposed Decision must be modified to ensure that demand response (DR) measures are integrated in the new RA Framework. Furthermore, appropriate exceedance levels need to account for technological and regional variations.

Lastly, CEERT is concerned and disappointed by the Commission’s outright rejection of the Phase 2 Proposal submitted by the Joint Distributed Energy Provider Parties (Joint DER Parties), especially based on just the simplistic conclusions that the proposal is “premature” or “complex.”<sup>3</sup> The rejection of this diligent, thoughtful, and well-supported proposal by the Joint DER Parties is not only contrary to the record, but will also have a chilling effect on participation at the Commission where the Commission expressly directed this work to be undertaken by a “working group”<sup>4</sup> (led here by the Joint DER Parties) that exhaustively developed this proposal with broad stakeholder input, only to have it rejected out-of-hand by the Proposed Decision. As discussed in more detail below, the Commission should, at the very least, identify a path forward for working to address these issues.

## **II. THE COMMISSION SHOULD ADOPT THE SCE 24-HOUR SOD PROPOSAL**

CEERT strongly agrees with the Proposed Decision’s finding that SCE’s 24-hour SOD proposal best satisfies the the principles for reform of the Resource Adequacy (RA) program that were adopted in D.21-07-014. The SCE SOD approach has many advantages over alternative

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<sup>1</sup> Proposed Decision, at p. 2.

<sup>2</sup> *Id.*, at p. 104.

<sup>3</sup> *Id.*, at p. 54.

<sup>4</sup> D.21-06-029, at p. 55.

approaches that were considered. Most importantly, the SOD approach will empower load serving entities (LSEs) to put together resource portfolios that best match their needs and make an important transition to using more demand response (DR) measures as well as energy storage systems to balance capacity requirements in each hour of each month under expected worst weather conditions.

### **III. THE USE OF 2024 AS A TEST YEAR FOR COMPLIANCE TOOLS IS REASONABLE**

In earlier comments to this proceeding CEERT urged the Commission to implement the proposed SOD framework in compliance year 2024.<sup>5</sup> CEERT acknowledged that this would require an aggressive schedule but believed it could be met with the expeditious resolution of the issues outlined in the three proposed work streams. The Proposed Decision recommends using the 2024 compliance year as a test period to assure that the LSE showing tool and the Commission Verification Tool are fully vetted by all parties. This is a reasonable compromise as long as all of the implementation details are worked out well in advance of the beginning of compliance year 2024 (October 2023). In addition, it is imperative that the California Independent System Operator (CAISO) work closely with the Commission to identify and resolve any changes to the way it administers the RA program. It is CEERT's expectation that administrative changes can be effectuated without amending the CAISO tariff.

### **IV. DR MEASURES NEED TO BE INTEGRATED IN THE NEW RA FRAMEWORK**

Another compelling advantage of the SCE SOD approach to RA reform is that it will eliminate the need for LSEs to use the maximum cumulative capacity (MCC) buckets in assembling their resource portfolios as well as the need for the CAISO to have a separate flexible

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<sup>5</sup> See, e.g., CEERT Opening Comments on Administrative Law Judge's Ruling Seeking Comments on the Future of Resource Adequacy Working Group Report and the Local Capacity Requirement Working Group Report, submitted in this proceeding on March 24, 2022.

capacity requirement to meet operational ramping needs. Both of these RA program elements have been burdensome and have inhibited innovation in the implementation of the RA program. One of the rigid and inflexible requirements of the RA program has been the limitations on the use of DR measures to cost effectively address reliability requirements. These requirements need to be removed so that DR measure can contribute much more to meeting California's long-term energy goals.

CEERT understands that the California Energy Commission (CEC) has put together a working group to develop long-term recommendations for a new DR qualifying capacity (QC) methodology which is consistent with the SOD framework. That work needs to be closely coordinated with the proposed workstreams that are outlined in the Proposed Decision, specifically workstream 2 related to determining the Planning Reserve Margin and Counting Rules. Currently, the MCC RA element requires that DR measures must be available Monday through Saturday for four consecutive hours between 4 pm and 9 pm. This requirement makes sense when tied to the current single point in time RA requirement.

However, with hourly showings for the worst day of the month, a more flexible approach to DR measure should be considered. In order for the long-term DR qualifying capacity methodology to be compatible with the SOD framework, there will be a need for close coordination of the CEC with the proposed implementation workstreams.

## **V. APPROPRIATE EXCEEDANCE LEVELS NEED TO ACCOUNT FOR TECHNOLOGICAL AND REGIONAL VARIATIONS**

CEERT supports the recommendation to move away from using the Effective Load Carrying Capacity (ELCC) methodology for determining the contribution of various variable output resources such as solar and wind to meeting resource adequacy requirements. The ELCC

approach used by the Commission for the past decade produces varying results as the overall resource portfolio changes to one reliant more on variable output resources. The dramatic changes to the recommend ELCC values for solar and wind can be observed for the 2023 compliance year. A more stable and durable approach will be to adopt Pacific Gas and Electric Company's (PG&E's) exceedance-based methodology to determine hourly solar and wind profiles under the SOD framework.

More work is needed to determine the appropriate exceedance levels for wind and solar located in different regions of the Western United States including offshore for wind. The counting rules need to be sufficiently flexible to account for new arrangements behind the point of interconnection such as the hybridization of wind and solar with hydrogen electrolysis, batteries and fuel cells. Likewise, evolving technologies like concentrating solar with thermal energy storage may need to be accommodated in the SOD framework.

## **VI. THE PROPOSED DECISION MUST BE REVISED TO REVERSE ITS REJECTION OF THE JOINT DER PARTIES' PHASE 2 PROPOSAL**

In Decision (D.) 21-06-029, the Commission directed parties to “undertake a working group to develop a proposal that addresses the concerns raised by the Commission here ...” which relate to developing a QC value for behind-the-meter (BTM) storage and hybrids.<sup>6</sup> In their Phase 2 Proposal, the Joint DER Parties appropriately set forth a qualifying capacity (QC) methodology for BTM hybrids which will ensure the advancement of these important resources.

Unfortunately, the Proposed Decision rejects the Joint DER Parties Proposal and asserts that it is “premature” and “fails to address the threshold issues” identified by the Commission.<sup>7</sup> Neither of these statements is true. To begin with, the working group process took place at the

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<sup>6</sup> D.21-06-029, at p. 55.

<sup>7</sup> Proposed Decision, at p. 54.



Commission's direction over several months and through approximately five (5) publicly noticed workshops. Numerous, varied stakeholders spent significant time putting together the Joint DER Parties' Proposal. It is disappointing to see the Proposed Decision ignore the meaningful input of these stakeholders to create a meaningful Proposal that addressed the Commission's concerns and will appropriately value these needed resources.

Further, and perhaps worse, the out-of-hand rejection of the Joint DER Parties' proposal clearly undermines any open, transparent work accomplished by parties *at Commission direction* and will certainly lead to a chilling effect on future stakeholder participation. It must be remembered that it is these stakeholders – not in-house staff – that are critical to furthering the Commission's understanding of these resources needed for grid reliability and their appropriate valuation needed to grow these resources.

There are other negative impacts from the dismissal of this Proposal. To begin with, there is no reason for other agencies, like the CEC or the California Air Resources Board (CARB) to work on modeling these types of resources if the Commission is not showing that it values these resources. The Commission has effectively stalled advancement of DR and BTM resources, but the State still needs supply from these resources. The Commission's reluctance to move on from "just in time procurement" will lead to additional capacity problems.

As such, CEERT urges the Commission to reverse the Proposed Decision in its final decision and adopt the Joint DER Parties Proposal. At the very least, the Commission should offer a pathway forward for where modifications can be made to this proposal in order to promote BTM resources.

**VII.**  
**THE COMMISSION SHOULD CONSIDER REQUIRING PORTFOLIO COUNTING  
RULES FOR RA RESOURCES**

The Commission appears to have moved away from adopting portfolio counting rules for RA resources and thus has moved away from emphasizing the ability of these resources to provide reliability. However, CEERT urges the Commission to reconsider that position and either adopt interim portfolio counting rules to allow flexible load and DR to properly achieve RA credits or provide a pathway forward to adopting said rules. There must be counting rules in place in order to achieve a stable resource mix and to allow for procurement of flexible resources. Essentially, there must be transactability of RA resources and they must be fairly and appropriately evaluated so that they can be properly compensated.

**VIII.**  
**CONCLUSION**

CEERT is persuaded that the SOD framework being considered in this decision is equitable, transparent, stable and adaptable while being administratively manageable for LSEs, the Commission and the CAISO. CEERT also recommends that the Commission reevaluate its position on the Joint DER Parties Proposal.

CEERT asks that the Proposed Decision be modified for the reasons stated above. Those needed modifications to the Proposed Decision are included in Appendix A (Proposed Modifications to Findings of Fact, Conclusion of Law, and Ordering Paragraph) attached and incorporated by reference hereto.

Respectfully submitted,

June 9, 2022

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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 ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2023- 2025, ADOPTING FLEXIBLE CAPACITY OBLIGATIONS FOR 2023, AND REFORM TRACK FRAMEWORK**

Center for Energy Efficiency and Renewable Technologies (CEERT) proposes the following modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs in the Proposed Decision Adopting Local Capacity Obligations for 2023-2025, Flexible Capacity Obligations for 2023, and Reform Track Framework, mailed in R.21-10-002 on May 20, 2022 (Proposed Decision).

Please note the following:

- A page citation to the 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:**

11. [110] Given the complexities of implementing a new statewide RA framework, it is prudent to establish a 2024 test year to allow additional time for implementation and potential adjustments **to the LSE Showing Tool and the Commission Verification Tool, and coordination with the CAISO in administration of the RA Program**, prior to full implementation in the 2025 RA year.

12. [110] The “worst day” **for each month** approach is the appropriate method to establish individual LSE hourly load forecasts under the 24-hour slice framework. It is reasonable to apply the CEC’s load forecast proposal to the 24-hour framework.

13. [110] PG&E's proposed exceedance methodology is an **appropriate starting point sufficient means** to **establish determine** solar and wind profiles that are benchmarked to stressed system conditions.

16. [111] SCE's storage counting proposal for use of Pmax or UCAP-light (if developed), restricted to daily resource **cycling** capabilities, is reasonable.

**PROPOSED CONCLUSIONS OF LAW:**

13. [112] PG&E's proposed exceedance methodology should be used to determine wind and solar profiles, with the appropriate exceedance level **that recognizes regional and technological diversity for these technologies** to be determined as part of workstreams.

16. [112] SCE's storage counting proposal regarding use of Pmax or UCAP-light (if developed), restricted to daily resource **cycling** capabilities, should be adopted for energy storage resources under the 24-hour framework.

**PROPOSED ORDERING PARAGRAPHS:**

12. [116-117] Third-party demand response (DR) resources procured by all load-serving entities shall be subject to the following testing requirements:

- (a) The DR resource must dispatch for **at least one ~~four consecutive~~** hours during the Resource Adequacy (RA) measurement hours in every quarter of the delivery year.
- (b) The test must be done at the resource ID level and all resources within the same sub-Load Aggregation Point must be dispatched concurrently. If qualifying capacity values vary by month, within each quarter, the test shall be done in the month with the highest qualifying capacity for each sub-Load Aggregation Point.

The testing requirement for third-party DR resources shall be effective for the 2023 RA compliance year. The testing requirements do not apply to: (1) third-party DR resources procured via investor-owned utility (IOU) programs, such as the Capacity Bidding Program and Base Interruptible Program, or contracted by an IOU under Commission-approved contracts prior to the effective date of this decision; and (2) third-party DR resources in the 2023 Demand Response Auction Mechanism pilot. This Ordering Paragraph replaces Ordering Paragraph 13 of Decision 20-06-031.

15. [117] A 2024 test year shall be **implemented considered** for the 24-hour framework prior to full program implementation for the 2025 Resource Adequacy year.

16. [117-118] The California Energy Commission's (CEC) load forecast proposal shall be utilized for individual load-serving entities' hourly load forecasts in the 24-hour framework. Energy Division is requested to conduct a dry run load forecast in 2022 for **the 2023 Resource Adequacy year**, in coordination with the CEC, to identify challenges and determine if refinements to the methodology are needed.

17. [118] Pacific Gas and Electric Company's exceedance-based methodology shall be used to determine solar and wind profiles under the 24-hour framework. Parties are directed to continue development of the exceedance methodology to determine the appropriate exceedance level, **including accounting for geographical and technological diversity**.

24. [119] ~~All~~ **Use**-limited resources shall be subject to a minimum ~~four-hour~~ daily output availability **to be determined in the Workstream 2**.

27. [119-121] The following workstreams are adopted for further development of the 24-hour framework:

(1) Workstream 1. Develop 24-hour framework compliance tools:

- a. Resource Adequacy (RA) Resource Master Database to be coordinated with California Independent System Operator (CAISO).
- b. Load-Serving Entity (LSE) Showing Tool (template to be used by the LSE to make its filing to the Commission) and Commission Verification Tool (tool to be used by Energy Division to verify compliance).
- c. LSE Requirement Database to be coordinated with the California Energy Commission (CEC). This will utilize outputs generated by the CEC's load forecast proposal, including a dry run filing that may inform any necessary changes.
- d. Cost Allocation Mechanism (CAM) process and RA allocation to consider availability and capability of CAM-eligible resources and LSEs' load share during those slices.

(2) Workstream 2. Determine Planning Reserve Margin (PRM) and Counting Rules:

- a. Appropriate exceedance levels and hourly profiles for wind and solar **technologies** at **appropriate** technology and/or location levels.
- b. Counting rules for hybrid, co-located, and long-duration energy storage resources, as well as development of an Unforced Capacity Evaluation-light (ambient derate) mechanism to be applied to dispatchable resources.
- c. Elimination of the maximum cumulative capacity buckets.
- d. Test year **implementation** details.
- e. Appropriate PRM with single PRIM initially for all months and hours informed by a loss of load study, including National Resources Defense Council's calibration tool.

**NEW. COUNTING RULES FOR DEMAND RESPONSE MEASURE WILL BE DEVELOPED IN COORDINATION WITH THE CEC WORKING GROUP ON DEMAND RESPONSE COUNTING RULES. SEE ORDERING PARAGRAPH 11.**

- (3) Workstream 3. CAISO and Commission Validation and Compliance as follows:
- a. Confirm elements of CAISO and Commission validation and compliance that do not require modification in the near term.
  - b. Identify and resolve administrative changes to the RA program at both CAISO and the Commission (e.g., must-offer reporting, outage substitution).
  - c. Elimination of the flexible RA requirements.