

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.

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**REPLY 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 14, 2022

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

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Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Reply 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 Reply Comments are timely filed and served pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure.

**I.  
SUMMARY**

CEERT and other parties in opening comments observed that California's Resource Adequacy (RA) Program must be reformed to accommodate the rapid increase of clean energy resources being added to the power system as well as changes in demand resulting from electrification of transportation and other parts of the California economy. CEERT is pleased to see that most parties support the 24-hour Slice of Day (SOD) proposal that has been outlined in the Proposed Decision.<sup>1</sup> With the diligent resolution of the issues identified in the three proposed work streams over the next several month CEERT is convinced that a durable, fair and efficient resource adequacy program can be put in place by the 2025 compliance year.

CEERT agrees with the California Independent System Operator (CAISO) that with an analytically rigorous and transparent process the Commission can assure that a cost-effective set of resources will be available in the future to meet electricity demand across all hours of the

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<sup>1</sup> See, e.g., NRDC Opening Comments, at p. 1; SEIA and LSA Association Opening Comments, at p. 1; and SCE Opening Comments, at p. 1.

day.<sup>2</sup> While the SOD approach is new, its development has benefited from a robust workshop process that was documented in a report to the Commission. That report provided a strong analytical basis for the Proposed Decision while recognizing that additional effort will be required on rules that need to be applied in its deployment for the 2025 compliance year.

CEERT also agrees with the CAISO that it will be important that the California Slice of Day approach is understood by other parties in the Western Interconnection.<sup>3</sup> To that end it would be useful for the Commission to seek participation in the upcoming work streams by parties outside of California that participate in the greater west-wide market for RA.

CEERT also agrees with the CAISO that a well-functioning RA Program requires modeling that is conducted through an iterative round-trip process to assure that the portfolio of resources brought to the market by multiple load-serving entities (LSEs) meets the reliability standards adopted by the Commission to assure a reliable electric system in a highly electrified economy.<sup>4</sup> There will be an ongoing need to refine the planning reserve margin(s) that will be used in the RA Program. It is important that during the proposed 2024 test year that all parties clearly understand how using the SOD approach to resource adequacy will assure achievement of the targeted loss of load expectation.

Development of fair, transparent and replicable capacity counting rules for the determination of the contribution that variable output resources make to reliability is critical to assuring the ongoing procurement of the needed resources by the multiple LSEs. The counting rules need to be able to account for synergies that will be provided by evolving hybrid resources as the overall resource portfolio changes. It is important the the proposed RA program is adaptable as new combinations of resources are brought into the energy market. CEERT believes that there are opportunities to improve upon past approaches to capacity counting rules.

## **II. THE COMMISSION SHOULD SEEK FURTHER GUIDANCE FROM PARTIES ON CAPACITY COUNTING RULES**

CEERT agrees with the Natural Resources Defense Counsel (NRDC) that the Commission should consider alternative approaches to capacity counting rules that account for

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<sup>2</sup> CAISO Opening Comments, at p. 15.

<sup>3</sup> *Id.*, at pp. 6-8.

<sup>4</sup> *Id.*, at pp. 5-6.

the potential correlation between resource production and reliability risk.<sup>5</sup> Effective Load Carrying Capability (ELCC) has been extensively discussed in this proceeding. ELCC provides a reasonable approximation for the capacity value of solar and wind resources at a single point in time with a specific portfolio it does not appear to be sufficiently nimble and adaptable to be used in the proposed SOD approach. An alternative approach of using historical exceedance values for wind and solar may not robustly capture the interactions between weather-impacted load and resource availability.

The SOD approach requires capacity counting rules for solar and wind resources that can be used in California's decentralized procurement structure with many load-serving entities making procurement decisions and entering into long-term commitments. NRDC proposed a "Worst Day" of the month approach that will use modeling that considers the correlated effects of weather on load and resources dependent on weather conditions.<sup>6</sup> Such a representation of the hourly dynamics of resource productivity during stressed conditions will be an important element of assuring reliability. CEERT agrees with NRDC that the Proposed Decision should be revised to allow for consideration of alternative renewable resource capacity counting metrics.

### III.

#### **ADDITIONAL ANALYSIS IS NEEDED FOR ASSESSING ANNUAL AND MONTHLY PLANNING RESERVE MARGIN VALUES**

A planning reserve margin (PRM) is a well-used tool in electric resource planning to measure the adequacy of a specific resource portfolio in meeting a Loss of Load Expectation (LOLE) target. An important goal of the RA program should be to assure cost effective procurement of resources across all months of the years to achieve the annualized loss of load target. CEERT agrees with NRDC that the Commission need to further evaluate the use of a single annualized PRM that is applied across all months.<sup>7</sup> CEERT believes that further consideration of the PRM values used in the RA program could reduce the possibility of over-procurement of resources to meet monthly requirement during seasons of the year.

CEERT agrees with NRDC that the SOD approach to RA heightens the importance of using PRM values in determining adequate procurement particularly of shared resources that

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<sup>5</sup> NRDC Opening Comments, at pp. 2-3.

<sup>6</sup> *Id.*, at p. 3.

<sup>7</sup> *Id.*, at pp. 3-5.

may be used at different times in other parts of the West.<sup>8</sup> It will be important to understand the interaction of the Program's capacity counting rules with annual and monthly PRM values. CEERT encourages the Commission to further consider the the adoption of monthly-specific PRM values as part of the reformed RA program.

#### **IV. HOURLY LOAD OBLIGATION TRADING SHOULD BE TESTED IN 2024**

Peninsula Clean Energy, San Jose Clean Energy and California Energy Storage Alliance (Joint Parties) argue that trading among LSEs of their hourly load obligations under the SOD approach should be approved by the Commission.<sup>9</sup> CEERT believes the Joint Parties make a reasonable argument that hourly trading of load obligations could reduce the cost of compliance under a reformed RA program. They maintain that certain LSEs may have shortfalls in capacity in certain hours when other load serving entities have excess capacity. This seems like a reasonable assumption although no specific evidence is provided in support.

Pacific Gas and Electric (PG&E), on the other hand, argues that allowing hourly load obligation trading could create a disincentive to the creation of new capacity products such as demand response measures that enable the shifting of load from excess hours to shortage hours.<sup>10</sup> PG&E believes that hourly imbalances is likely to be a short-term issue that should be resolved once more energy storage comes on-line.<sup>11</sup> Again, it is hard to assess the reasonableness of this assertion absent any evidence.

CEERT believes the Joint Parties argument that the swapping of shortfalls by one LSE with excess generation from another LSE should be tested in the proposed 2024 test year. By testing this mechanism, the Commission can determine before the final implementation of the reformed RA program whether to include this mechanism in the final design.

#### **VI. THE COMMISSION SHOULD REEVALUATE REJECTION OF THE JOINT DER PARTIES' PROPOSAL**

In its Opening Comments, CEERT urged the Commission to revise the Proposed Decision and adopt the Joint DER Parties' Proposal, or at a minimum, provide a pathway

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<sup>8</sup> NRDC Opening Comments, at pp. 3-5.

<sup>9</sup> Joint Parties Opening Comments, at pp. 3-4.

<sup>10</sup> PG&E Opening Comments, at pp. 3-4.

<sup>11</sup> *Id.*

forward to address this Proposal.<sup>12</sup> CEERT agrees with the Joint DER Parties that Proposed Decision “does not acknowledge the substantial work presented in the proposal to address each of the eight barriers, nor does it attempt to rule on the merits of the Joint DER Parties’ recommendations.”<sup>13</sup> CEERT shares Leapfrog Power, Inc.’s (Leaps’) frustration with “the Commission’s decision not to create a pathway to enable behind-the-meter (BTM) resources to receive both energy export and RA credit.”<sup>14</sup>

Similarly, CEERT agrees with Solar Energy Industries Association and Large-Scale Solar Association (SEIA and LSA) who expressed disappointment “that the Proposed Decision would reject the comprehensive Joint DER Proposal in its entirety, without also providing meaningful direction and a path forward to allow DERs to contribute to the RA program.”<sup>15</sup> SEIA and LSA correctly state that if the Proposed Decision is adopted it “will be the third consecutive year in which little progress will have been made on the participation of BTM resources in the RA program.”<sup>16</sup> CEERT again urges the Commission to offer a pathway forward to reevaluate the Joint DER Parties’ Proposal in order to promote BTM resources.

## VI. CONCLUSION

CEERT is persuaded by the comments of other parties that the SOD framework is equitable, transparent, stable, and adaptable while being administratively manageable for LSEs, the Commission and the CAISO. CEERT also recommends that the Commission consider modifications to the future work streams as suggested in the reply comments above.

Respectfully submitted,

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<sup>12</sup> CEERT Opening Comments, at p. 6.

<sup>13</sup> Joint DER Parties Opening Comments, at p. 2.

<sup>14</sup> *Id.*

<sup>15</sup> SEIA and LSA Opening Comments, at p. 6.

<sup>16</sup> *Id.*, at p. 7.