

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



Order Instituting Rulemaking to Continue
Electric Integrated Resource Planning and
Related Procurement Processes.

FILED
10/06/22
R.20-05-003 01:12 PM
(Filed May 7, 2020) R2005003

**REPLY COMMENTS OF ENVIRONMENTAL DEFENSE FUND ON THE RULING
SEEKING COMMENTS ON POTENTIAL NEAR-TERM ACTIONS TO ENCOURAGE
PROCUREMENT**

DATED: October 6, 2022

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PROPOSING POTENTIAL NEAR-TERM ACTIONS TO ENCOURAGE
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I. Introduction and Summary

Environmental Defense Fund (EDF) respectfully submits these reply comments on Administrative Law Judge Fitch’s Ruling Seeking Comments on Potential Near-Term Actions to Encourage Additional Procurement (Ruling), issued on September 8, 2022. In opening comments, EDF articulated general support for the proposal to modify the Commission’s approach to using “baseline resources” for purposes of determining Load-Serving Entity (LSE) compliance with D.19-11-016 and D.21-06-035 (Procurement Orders). EDF suggests the Commission modify the proposal to add the net qualifying capacity of all baseline resources not online as of January 1, 2020 to LSEs’ 2025 procurement obligations. As presented in the Ruling, it is possible that the proposal double counts baseline resources that came online between January 1, 2020 and September 26, 2022 towards LSEs’ future procurement obligations. Notably, Southern California Edison (SCE) acknowledges this exact issue in their opening comments and requests the Commission clarify that an amount of net qualifying capacity

equivalent to that of the baseline resources which came online between January 1, 2020 and September 26, 2022 are added to LSEs' future procurement obligations.¹

In these reply comments, EDF responds to opening comments submitted by three parties: (1) the California Independent System Operator (CAISO);² (2) Shell Energy North America (Shell);³ and (3) the Public Advocates Office (Cal Advocates).⁴ EDF supports CAISO's proposal to expedite the deadline by which LSEs must procure capacity to account for the baseline resources that were not online as of January 1, 2020. EDF strongly opposes Shell's proposal to widen the scope of eligible resources under the Procurement Orders to potentially include fossil-based generation resources. Last, EDF recognizes the merit in Cal Advocates' proposal for an interim procurement order covering 2026-2030, but suggests Commission Staff should prioritize the development of a permanent, programmatic approach to ordering procurement. We go into further detail on each of these items, below.

¹ Comments of Southern California Edison Company (U 338-E) in Response to ALJ Ruling Seeking Comment on Potential Near-Term Actions to Encourage Additional Procurement , at 5 (September 26, 2022).

² Opening Comments on Administrative Law Judge's Ruling Seeking Comment on Staff Paper on Procurement Process and Potential Near-Term Actions to Encourage Additional Procurement of the California Independent System Operator Corporation (September 26, 2022) (CAISO Opening Comments).

³ Opening Comments of Shell Energy North America (US), L.P. D/B/A Shell Energy Solutions on September 8, 2022 Administrative Law Judge Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement (September 26, 2022) (Shell Opening Comments).

⁴ Comments of the Public Advocates Office on Potential Near-Term Options to Encourage Procurement (September 26, 2022) (Cal Advocates Opening Comments).

II. Response to Selected Parties' Opening Comments

A. CAISO

EDF supports CAISO's proposal to expedite the timeframe for LSEs to procure resources to make up for baseline resources that are not yet online. As noted in the Ruling, circumstances have changed since the Commission issued the Procurement Orders, resulting in higher demand than originally contemplated in the Procurement Orders.⁵ CAISO asserts that not increasing LSEs' obligations until 2025 "does not address the pressing capacity need that exists between now and then."⁶ To more effectively address the shortfall in capacity, CAISO suggests that the Commission "require LSEs to procure replacement resources as soon as possible (by 2024 at the latest)."⁷ EDF agrees and thinks that the Commission should find it reasonable to shift procurement up to this 2024 date clearly and decisively.

CAISO also argues that LSEs' future procurement obligations should be adjusted based on the Effective Load Carrying Capacity (ELCC) of the baseline resources that have yet to come online, instead of their net qualifying capacity.⁸ EDF is not opposed to this change. However, EDF is concerned that it could introduce an unwarranted amount of uncertainty into the LSEs' procurement requirement. Requiring LSEs to procure an amount of net qualifying capacity equivalent to those baseline resources that were not online as of January 1, 2020 is likely sufficient to ensure these resources are adequately accounted for, particularly with the addition of

⁵ Administrative Law Judge's Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement, at 7-8 (September 8, 2022).

⁶ CAISO Opening Comments, at 4.

⁷ CAISO Opening Comments, at 4.

⁸ CAISO Opening Comments, at 3-4.

an expedited timeframe. Commission staff should be certain using ELCC for this purpose can be done in an efficient, reliable manner before committing to its use.

B. Shell

EDF strongly opposes expanding the scope of eligible resources under the Procurement Orders to include fossil-fired generation. In its opening comments, Shell suggests the Commission should consider expanding the resources that qualify under D.21-06-035 to include resources such as “renewable natural gas or other resources that may not be zero-emitting, or RPS eligible, ... such as natural gas peakers that could be converted to hydrogen or employ carbon capture and sequestration technology at a future date.”⁹ Shell argues such consideration is warranted to maintain and ensure reliability. Shell’s proposal directly conflicts with the economic, environmental, and social justice goals of both the Commission and the State, in addition to being unlikely to contribute to system reliability.

For one, it is not apparent that Shell’s proposal would contribute to system reliability. Shell simply proposes expanding the list of resources that count towards D.21-06-035 procurement obligations to include fossil resources. Shell does not, however, propose the Commission order any *additional* procurement beyond that contemplated in the Procurement Orders. Shell’s proposal also conflicts with the State’s GHG-reduction goals, in addition to the Commission’s duty to ensure just and reasonable rates. With the recent passage of Senate Bill (SB) 1020—which accelerates the timeline for the decarbonization of the State’s electric grid—any future Commission decision that authorizes procurement from fossil resources risks both inhibiting the State from achieving its GHG-reduction goals, and creating significant stranded

⁹ Shell Opening Comments, at 5.

costs.¹⁰ Crucially, Shell’s proposal would also conflict with the Commission’s social justice goals,¹¹ as continued reliance on fossil resources prolongs the disproportionate pollution burden historically borne by disadvantaged communities.

Shell’s proposal is unlikely to contribute to system reliability, but is likely to inhibit the State’s economic, environmental, and social justice goals. Should the Commission decide more procurement is needed, it should look to clean firm power, which is capable of simultaneously providing system reliability, GHG-reduction benefits, and pollution burden relief. Notably, hydrogen itself is not a clean fuel when blended with natural gas for power generation; while it may be less carbon intensive, that itself is insufficient to warrant this investment at this time. The Commission is developing an extensive record on hydrogen in existing natural gas pipelines in Rulemaking 13-02-008. It is premature to rely on hydrogen in electric procurement decisions until threshold infrastructure questions are resolved.

EDF also further notes that there are serious supply constraints for renewable natural gas/biomethane. Given the Commission authorized a biomethane procurement standard for residential customers in D.22-02-025, there is even less high integrity, additional and verifiable gas available for power generation. Simply put, EDF does not believe the Commission will ever be able to make a finding that sufficient gas can be put under contract that will ensure electric reliability. EDF suggests that Shell’s recommendation be dismissed as a distraction at this time.

C. Cal Advocates

EDF recognizes the merit in Cal Advocates proposal for an interim procurement order covering 2026-2030, but cautions against prioritizing interim orders over the development of a

¹⁰ See Clean Energy, Jobs, and Affordability Act (Laird 2021-2022).

¹¹ See Pub. Util. Code § 454.52(a)(1)(I).

programmatic approach to ordering procurement. Cal Advocates proposes the Commission “order a minimum level of interim procurement for the years 2026-2030 as part of an earlier decision addressing near-term actions to encourage procurement in 2026 or beyond.”¹² EDF agrees with Cal Advocates that more procurement is needed to achieve and maintain system reliability in both the mid- and long-term. EDF would support such an interim order. However, EDF is seriously concerned with the Commission becoming stuck in an endless cycle of issuing ad hoc, interim procurement orders, in lieu of establishing a durable, programmatic approach to procurement. EDF therefore supports Cal Advocates’ proposal only if its implementation will not divert Commission resources from the development of the Reliable and Clean Power Procurement Program.

III. Conclusion

EDF thanks the Commission for the opportunity to comment on the opening comments addressing the questions presented in this Ruling.

DATED: October 6, 2022

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¹² Cal Advocates Opening Comments, at 5.

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