

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



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Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider Program
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Resource Adequacy Procurement Obligations

Rulemaking 21-10-002

**CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE'S AND THE CENTER FOR
ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES' COMMENTS ON THE
RESOURCE ADEQUACY REFORM WORKSHOP REPORT**

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CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE’S AND THE CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES’ COMMENTS ON THE RESOURCE ADEQUACY REFORM WORKSHOP REPORT

Pursuant to the California Public Utilities Commission’s Rules of Practice and Procedure, the California Environmental Justice Alliance (“CEJA”) and the Center for Energy Efficiency and Renewable Technologies (“CEERT”) respectfully file these comments Resource Adequacy (“RA”) Workshop Report (hereinafter “Workshop Report” or “Report”). These comments are timely filed pursuant to the schedule in the Scoping Ruling.

DESCRIPTION OF ORGANIZATIONS

CEJA is an alliance of grassroots environmental justice organizations situated throughout California. CEJA’s mission is to build the power of communities across California to create policies that alleviate poverty and pollution through a statewide movement and advocacy for environmental health and social justice. CEJA’s member organizations work with residents in low-income communities and communities of color throughout California that bear disproportionate pollution and energy burdens.

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, environmental organizations, public health groups and environmental justice organizations. 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.

INTRODUCTION AND SUMMARY

CEJA and CEERT thank the many workshop organizers and facilitators for the hard work that went into coordinating ten workshops and compiling the Workshop Report. While the parties have by no means come to consensus, CEJA and CEERT greatly appreciate the opportunity to assess party proposals in a public forum, which allowed for better understanding of proposals and the opportunity for parties to refine their proposals in response to feedback.

The Workshop Report represents a thoughtful compilation of many options for counting resources and helping ensure reliability. However, despite statutory requirements and

Commission precedent requiring the RA program to advance environmental requirements, greenhouse gas and air emissions are not mentioned at all in the entire Workshop Report. Based on our analysis of the Report and the many proposals included within it, two themes are evident. First, there is a dynamic interaction between the proposed counting rules for the various resources and the determination of the loss of load probability for the entire system, and second, that integrating greenhouse gas emissions and criteria air pollution data into the master data file and into the LSE submissions will be crucial to ensure statutory requirements and policy goals related to greenhouse gas emissions, air quality and equity are met. These comments summarize a series of recommended additions to ensure that the final slice-of-day structure and process best advance California’s policies and requirements and Commission precedent.

BACKGROUND

1. The Public Utilities Code and Commission Precedent Require RA Reform to Advance California’s Environmental Goals.

The Public Utilities Code and Commission precedent require greenhouse gases (“GHGs”), air pollution, and disadvantaged community (“DAC”) impacts be considered in the RA program. Section 380 of the Code requires the RA program to: “ensure the reliability of electrical service in California while advancing, to the extent possible, the state’s goals for clean energy, reducing air pollution, and reducing emissions of greenhouse gases.”¹ The requirement to consider air pollution and GHGs is echoed in several parts of the Code. For example, Section 454.52 requires “[m]inimiz[ing] localized air pollutants and other greenhouse gas emissions, with early priority on disadvantaged communities.”² Section 399.13(a)(8) further provides that electrical corporations “shall give preference to renewable energy projects that provide environmental and economic benefits to communities afflicted with poverty or high employment or that suffer from high emission levels of toxic air contaminants, criteria pollutants, and greenhouse gases.”³

Consistent with these requirements and policies, the Commission has explicitly required consideration of air pollution, GHGs, and DACs in prior RA decisions. For example, in D.20-06-002, the Commission required that the Central Procurement Entity (“CPE”) include

¹ Cal. Public Util. Code § 380(b).

² Cal. Public Util. Code § 454.52(a)(1)(I).

³ Cal. Public Util. Code § 399.13(a)(8).

consideration of “[l]ocation of the facility (with consideration of environmental justice).”⁴ To evaluate this factor, the Commission provided that the CPE must require bidders to include the CalEnviroScreen score of the resource location or the pollution burden if CalEnviroScreen score is unavailable.⁵ Further, in this Reform Track, the Commission has established that “any RA framework must balance the need for hourly energy sufficiency to ensure reliable operations with advancing California’s clean energy, greenhouse gas emission reduction, and air pollution reduction goals.”⁶ The Commission based this principle on the Code,⁷ and further described that one of its primary motivations for restructuring the RA program was to “achieve California’s environmental policy goals.”⁸

2. Recent Legislation Highlights the Need to Focus on Reducing Hourly and Annual GHG Emissions.

In addition to the Section 380 of the Code and previous Commission decisions, Senate Bill (“SB”) 1158 (2022) requires focused consideration of hourly GHG emissions by requiring that:

The commission shall review the total annual emissions of greenhouse gases and the annual average greenhouse gas emissions intensity reported for each load-serving entity pursuant to this section and may assess whether those emissions of greenhouse gases, combined with the load-serving entity’s procurement plans for subsequent years, demonstrate adequate progress toward achieving the load-serving entity’s greenhouse gas emissions targets established pursuant to Section 454.52.⁹

SB 1158 further requires an assessment of how different hourly requirements are met and whether they are met through system power, renewable power, or other resources. This type of transparency and assessment is not only required by law—it is critical for meeting GHG requirements. Indeed, meeting GHG requirements when solar levels are high is low-hanging fruit. It is more difficult to meet GHG requirements when solar is off-line. Thus, examining GHGs for all hours of the day is also essential for moving the grid forward and transforming it to meet climate and air quality requirements.

⁴ D.20-06-002, p. 53.

⁵ D.20-06-002, p. 53.

⁶ D.21-07-014, p. 27.

⁷ Cal. Public Util. Code § 380(b).

⁸ D. 21-07-014, p. 7.

⁹ SB 1158 (2022); Cal. Pub. Util. Code § 398.6.

Furthermore, recent legislation has highlighted the need to move to 0 MMT faster than before. Specifically, AB 1279 established a clear, legally binding goal for California to meet carbon neutrality with an 85% emission reduction target. As part of this target, the Legislature found that the State needs “drastic reductions in fossil fuel use.”¹⁰ It also noted that “[m]illions of Californians breathe unhealthy air” and that “[p]rioritizing direct emission reductions will help California to meet both its air quality standards and net zero greenhouse gas emissions.”¹¹ This recent legislation highlights the need for the Commission to prioritize consideration of GHGs when setting for the new RA Framework.

DISCUSSION

1. The RA Resource Database Should Include GHG Heat Rate and Whether a Resource is in or Adjacent to a DAC or LCR Area.

Many parties agree that the compilation of a RA Resource Database will be helpful for increasing transparency and the overall RA program.¹² CEJA and CEERT further agree with Energy Division’s proposal to include information from generators to populate the database. In addition to the information discussed in the Workshop Report, CEJA and CEERT recommend that the following information be included in the RA Resource Database:

- *GHG Heat Rate* – While this information is tracked by the CEC, GHG heat rate should be included in the Resource Database, especially when it is not available or it has been updated, consistent with prior Commission direction for local resources.¹³ Including this information will also enable LSEs to transparently consider and procure energy from facilities with lower GHG heat rate in their transactions, consistent with requirements from section 380 of the Code, SB 1158, as well as SB 350.
- *Whether the Resource is in an LCR Area* – With CAISO support, Energy Division can designate which resources are located within an LCR area to enable LSEs to assess which resources may also meet local needs while increasing transparency for other stakeholders about resources that are located within locally constrained areas. This recommendation is

¹⁰ AB 1279, Section 1 (2022).

¹¹ AB 1279, Section 1 (2022).

¹² Workshop Report, pp. 14-15, 167-68.

¹³ See D.22-03-034, p. 25 (“To the extent that heat rate information is not publicly available or updated, the CPE is encouraged to consult with Energy Division and the CAM PRG to develop a proxy for heat rate information”).

consistent with the Commission’s recognition of the need for additional transparency related to local procurement.¹⁴

- *Whether the Resource is in a DAC* – Given SB 350’s requirement to minimize air pollution emissions with a priority for DACs and the Commission’s commitments in the ESJ Action Plan, the RA Resource Database should also include information about the location of resources using the most-up-to-date version of CalEnviroScreen. The disclosure should further include information about whether the facility is sited in a community adjacent to a DAC, consistent with the definition in AB 1550.¹⁵ This recommendation is consistent with prior Commission direction requiring reporting related to RA capacity procured in disadvantaged communities¹⁶ and the Commission’s commitment to equity and environmental justice in its ESJ Action Plan.

These recommendations pose minimal administrative burden, and yet these data provide critical information to help improve the understanding of the impact of LSE RA procurement on the GHG emissions and air quality.

2. LSE Reporting Should Include an Aggregated Hourly Breakdown of Resources by Type.

LSE reporting should include a summary of resource types for each month by hour in the Slice of Day RA showings. For example, an LSE could report that a certain hour is filled with 70% solar, 10% wind, and 20% gas resources. This type of information is critical for both ensuring that GHG requirements are being advanced as required under Section 380 as well as for meeting the requirements of SB 1158, which require an increased emphasis on reporting hourly GHG emissions. This recommendation is similar to and consistent with the type of aggregated information the Commission requires to be reported related to local RA procurement.¹⁷

Reporting of the types of resources meeting RA requirements has also previously been included

¹⁴ D.22-03-034, p. 45 (“The Commission agrees that additional transparency in the CPE procurement process would be beneficial to improving the CPE framework.”)

¹⁵ CalEPA provides maps of which communities meet the adjacent community definition under AB 1550. See, e.g., <https://calepa.ca.gov/envjustice/ghginvest/>.

¹⁶ See, e.g., D.22-03-034, p. 46 (requiring reporting of “Total capacity of MW procured by the CPE from generation facilities located in Disadvantaged Communities.”)

¹⁷ See D.22-03-034, p. 46 (requiring disclosure of “additional information about preferred resources selected by the CPE and procurement of generation facilities located in Disadvantaged Communities.”).

in the Commission’s State of the Resource Adequacy Market report.¹⁸ The Commission should commit to at least this type of reporting and expand on it to include information about resources contracted for the various to hourly slices and whether they are located in DACs.

3. The Commission Should Require Reporting of How Loading Order Was Considered in Contracting.

LSE reporting should also discuss how they ensured that their contracting met the requirements of the loading order, by prioritizing demand-side and renewable resources to the greatest extent possible. Specifically, the Commission should give directions, consistent with its direction to the CPEs, to require consideration of the Loading Order, GHGs, and impacts to DACs in procurement decisions, consistent with the requirements of the Public Utilities Code.¹⁹ For example, the Code requires that “[w]here feasible, [the Commission] should authorize procurement of resources to provide grid reliability services that minimize reliance on system power and fossil fuel resources.”²⁰ The Code further describes how the ultimate portfolio of resources “shall rely upon zero carbon-emitting resources to the maximum extent reasonable and be designed to achieve the greenhouse gas limit.”²¹ These considerations must be integrated into all RA decisions to ensure advancement of environmental goals and requirements.²²

Ideally, the compliance verification tool would include a discussion of how GHG emissions were considered when determining the optimization of the resource portfolio. To the extent this recommendation is difficult to be included in the near-term, we request consideration of how to include this analysis as additional procurement of new resources is planned.

4. The LSE Portfolio Test Should Ensure Sufficient Solar/Wind Capacity to Charge Storage.

CEJA and CEERT agree with parties that LSEs should demonstrate that they have sufficient deliverable solar and wind resources to charge storage to ensure that GHGs are reduced with the addition of storage devices to LSE portfolios.²³ Storage resources only reduce

¹⁸ CPUC, The State of the Resource Adequacy Market – Revised (January 13, 2020), pp. 3-4. https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacy-homepage/ra_market-report_revised-final.pdf

¹⁹ See *supra* pp. 2-4 (describing requirements of the Code and the Commission’s directions to the CPEs).

²⁰ Cal. Public. Util. Code § 400(c).

²¹ Cal. Public Util. Code § 454.51(a).

²² See Cal. Public Util. Code § 380 (requiring that the RA program advance environmental goals to the extent possible).

²³ See, e.g., Workshop Report, pp. 80, 113-114, 118.

GHG emissions if they are charged by zero-emission resources, and thoughtful procurement is critical for both reducing GHG emissions and to cost-effectively avoid renewable energy curtailment moving forward thereby lessening reliance on fossil fueled resources. Thus, a showing of the linkage between charging and available solar and wind generation should be part of reporting requirements.

5. The Test Year Should Be Used to Evaluate Resource Sufficiency, GHG Emissions, and Administrative Process/Implementation.

Although the Report irrefutably saw the value of a test year for evaluating the implementation of the program, parties had difficulty reaching a consensus for what the test year should include.²⁴ Since the Commission is about to complete a wholesale redesign of the RA program, the Commission should default to adopting more checks rather than less to ensure that the program design works as intended and does not result in unintended consequences. One of the unintended consequences that greatly concerns CEJA and CEERT is that the program's design in practice may incentivize extending unnecessary gas procurement. While we understand that outcome is not the intent of any of the proposals, thus far there has not been a robust analysis that shows how LSE contracting will play out under this new paradigm. As such, it is important for the Commission to look at how the slice-of-day could impact contracting for gas resources in the test year. For example, this analysis could look at the difference in gas contracting for the test year and compare the results to the current RA program design. This type of comparison will help show how the RA reform proposals will work in practice. A robust analysis is important to ensure that this new RA structure does not inadvertently lock in gas resources.

6. The Maximum Cumulative Capacity Buckets Showing Should Be Eliminated from the RA Program.

Earlier this year, the Commission directed the parties to examine eliminating the Maximum Cumulative Capacity (MCC) buckets:

The Commission finds it prudent to carefully evaluate the consequences of removing the MCC buckets under the 24-hour framework to ensure that use-limited resources are available throughout the compliance month period and not over-relied on in meeting the 24-hour requirements.²⁵

²⁴ Workshop Report, p. 137.

²⁵ D.22-03-034, p. 101.

Consistent with many parties, CEJA and CEERT urge the Commission to eliminate the use of MCC buckets in the RA Program except for Demand Response (“DR”) resources, which may need further evaluation regarding performance and impact of reliability. The MCC buckets are a vestige of the past that is no longer useful for ensuring the reliability of California’s rapidly decarbonizing grid with a wide diversity of resources. A framework like MCC buckets is not used to assure reliability in any other region of the country with competitive wholesale electricity markets.

The proposed RA Reform should allow the Commission to shed the MCC bucket framework because it is a historical artifact designed for a fossil-fuel based system that relied primarily on different types of gas generators to supply capacity and energy. As California increasingly decarbonizes, moving beyond the MCC approach is necessary in order to avoid artificially locking the State into retaining gas capacity and ensure that the increasingly diverse set of energy resources are not limited. Keeping excess gas capacity online is unnecessarily costly for ratepayers and for the community members breathing harmful air pollution from these plants every day. While we agree that the DR bucket should continue to be evaluated, the other buckets should not be retained moving forward.

7. The RA Program’s Planning Resource Margin Should Be Calibrated with the Counting Metrics used for Accrediting Specific Resources.

CEJA and CEERT agree with PG&E and NRDC that there must be a dynamic interaction between determining the Planning Reserve Margin (“PRM”) necessary to assure reliability and the counting metrics used for accrediting the various types of resources included in each LSE resource portfolio.²⁶ Without this round trip verification of system reliability based on a Loss of Load Probability study, LSEs may end up procuring excessive amounts of resources in the aggregate.

In addition, some counting metrics are impacted by the load curves that are used by each LSE to present worst monthly conditions. These load curves are likely to change given trends towards increased building electrification, adoption of electric vehicles, and increased demand-side management. The metrics used for accrediting specific resources should ensure that LSE RA requirements can quickly and flexibly adapt to changes in load curves.

CONCLUSION

²⁶ See, e.g., Workshop Report, p. 154 (discussing PRM Conversion Tool).

For the reasons discussed above, CEJA and CEERT recommend that the Commission take additional actions to ensure that the final slice-of-day structure and process best advance California's policies and requirements and Commission precedent.

Thank you for consideration of these comments.

Dated: December 1, 2022

Respectfully submitted,

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