**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 Reforms and Refinements, and Establish Forward Resource Adequacy Procurement Obligations.** | **Rulemaking 21-10-002**<br><br>**(Filed October 07, 2021)** |

# REPLY COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION ON THE PROPOSED DECISION ON PHASE 2 OF THE RESOURCE ADEQUACY REFORM TRACK

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**REPLY COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION ON THE PROPOSED DECISION ON PHASE 2 OF THE RESOURCE ADEQUACY REFORM TRACK**

The California Large Energy Consumers Association (CLECA)[1] submits reply comments on the March 3, 2023 Proposed Decision (PD) per California Public Utilities Commission (Commission) Rule of Practice and Procedure 14.3. CLECA agrees with OhmConnect, California Efficiency + Demand Management Council (CEDMC), Leapfrog, CPower, California Energy Storage Alliance (CESA), Southern California Edison (SCE), and Pacific Gas and Electric (PG&E) on the Transmission Loss Factor (TLF) adder.[2] Like these parties, CLECA opposes the PD's decision to set the value of the TLF adder at 0%. The Commission should recognize the *near-consensus* that the TLF adder should *not* be 0%, and should revise this aspect of the PD consistent with OhmConnect's proposed changes to Finding of Fact 19, Conclusion of Law 11, and Ordering Paragraph 12.

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[1] CLECA is an organization of large, high load factor industrial customers located throughout the state; the members are in the cement, steel, industrial gas, medical gas, pipeline, beverage, cold storage, and minerals processing industries, and share the fact that electricity costs comprise a significant portion of their costs of production. Some members are bundled customers, others are Direct Access (DA) customers, and some are served by Community Choice Aggregators (CCAs); a few members have onsite renewable generation. CLECA has been an active participant in Commission regulatory proceedings since the mid-1980s, and all CLECA members engage in Demand Response (DR) programs to both promote grid reliability and help mitigate the impact of the high cost of electricity in California on the competitiveness of manufacturing. CLECA members have participated in the Base Interruptible Program (BIP) and its predecessor interruptible and non-firm programs since the early 1980s.

[2] OhmConnect Cmts. at 3 (Mar. 23, 2023); CESA Cmts. at 12 (Feb. 24, 2023); CEDMC-CPower-OhmConnect Cmts. at 6-8 (Feb. 24, 2023); PG&E Cmts. at 15-16 (Feb. 24, 2023); SCE Cmts. at 12 (Feb. 24, 2023); SCE Reply Cmts. at 11 (Mar. 3, 2023); CEDM-Leapfrog Cmts. at 3-4 (Mar. 23, 2023); CLECA Cmts. at 9-10 (Feb. 24, 2023); CLECA Reply Cmts. at 4-6 (Mar. 3, 2023).

### A. Administrative Convenience Does Not Justify an Inaccurate Negative Effect on Capacity Resources During a Capacity Crunch.

California is suffering from tight supply conditions and unanticipated increases in electric demand.[3] Due to project delays and other constraints, there is little that can be done in the immediate term to bridge this capacity gap.[4] Under these circumstances, the Commission must avoid actions that could increase DR program attrition, such as removal of the TLF adder.

Setting the TLF adder to zero will necessarily undercount *all* supply-side DR, including Reliability Demand Response Resources (RDRR), and will promote DR attrition at the worst possible time. There is no dispute that a TLF of zero will inaccurately undercount DR. Energy Division accepts that DR resources are located at the customer meter level, and does not challenge the conclusion that DR *necessarily* avoids line losses.[5] Moreover, general concerns regarding the counting of DR cannot be extended to RDRR programs, which are triggered by system reliability conditions and have responded reliably during recent extreme conditions.[6]

By reducing the TLF adder to zero for the sake of administrative convenience, the PD mistakenly disregards the critical public need for grid reliability. The Commission should not undertake this tradeoff. The PD warrants revision to maintain the current TLF adder in the interest of preserving the capacity resources that are vitally needed *now*.

### B. Setting the Transmission Loss Factor to Zero Will Not Materially Reduce Administrative Complexity.

CLECA strongly agrees with OhmConnect that changing the TLF to 0% is unlikely to

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[3] *See* D.23-02-040 at 2, 6-7, 25 (Feb. 23, 2023).
[4] *See* California Community Choice Association Petition for Modification at 13 (Sept. 30, 2022).
[5] Pac. Gas & Elec. Opening Comments on Implementation Track Phase 3 at 16 (Feb. 24, 2023) (citing Energy Division proposals). For example, the Base Interruptible Program (BIP) has an enrollment of 800 MW. A BIP event will avoid transmission losses.
[6] CLECA Reply Comments on Implementation Track Phase 3 at 5 (Mar. 3, 2023).

reduce administrative burdens.[7] As OhmConnect explains, "[b]ecause the Proposed Decision retains the existing components of the planning reserve margin ('PRM') adder, Energy Division Staff will still have to calculate its value and submit it as a credit;" thus, "[r]emoving one of the two adders for which a credit must be calculated is unlikely to significantly reduce the administrative resources required."[8] Indeed, the PRM formula is straightforward:

***DR RA Value = 1.09 × DR Load Impact.***[9]

The TLF adder is the same, except it is multiplied by a *pre-determined* transmission loss factor:

***DR RA Value = 1.09 × DR Load Impact × transmission loss factor.***[10]

These are simple equations, and it is unclear how they add enough complexity to justify an undercounting of DR resources, especially when Energy Division staff would still send RA adders to CAISO. The stated purpose of setting the TLF at 0% to "minimize the administrative burden to account for fractional MWs" could be solved more simply and logically by simply rounding to the nearest MW.[11] Even if eliminating the TLF adder produced administrative savings, nothing in the record suggests the benefit is more important than the negative impacts on capacity resources, given California's highly constrained capacity market.[12]

### C. The Commission Should Respect the Near-Consensus Favoring the TLF Adder.

At Energy Division's recommendation, the Commission asked the California Energy Commission (CEC) to form a working group to study the TLF adder more comprehensively than

[7] OhmConnect Cmts. at 3 (Mar. 23, 2023) ("it is unclear that changing the TLF to 0 percent will actually have this effect.").
[8] *Id*.
[9] *See* 2021 Filing Guide for System, Local and Flexible Resource Adequacy (RA) Compliance Filings at 31 (Apr. 23, 2021); 2022 Filing Guide for System, Local and Flexible Resource Adequacy (RA) Compliance Filings at 36 (Oct. 18, 2021) (2022 RA Guide).
[10] 2022 RA Guide at 36-37.
[11] PD at 55.
[12] Energy Division has not provided details, such as the number of avoided full-time equivalent positions.

the CPUC itself had.[13] ***Energy Division also recommended retention of the TLF adder because transmission-connected DR "should be valued accurately."***[14] The Commission agreed with Energy Division, found a "consensus" in support of the CEC Working Group, and retained the TLF adder *because of stakeholder support for it*.[15]

The CEC Working Group deliberated over the TLF adder. The CEC does ***not*** agree with elimination of the TLF. It reports that CAISO was "the *only* stakeholder in favor of eliminating the TLF adder," while ***every party*** except CAISO "found the TLF reasonable and appropriate to include as a gross-up credit."[16] CEC staff disagreed with CAISO and instead suggested that it might be appropriate to ***expand*** the use of the TLF adder.[17] "CEC staff [found] the transmission and distribution loss factor adders ***reasonable***," and formally reserved judgment on *any* change to the TLF adder due to a lack of evidence one way or the other.[18]

The Commission should not arbitrarily reverse its decisions to delegate the issue to the CEC Working Group, nor should the Commission arbitrarily ignore stakeholders.[19] The record of this proceeding does not contain information unavailable to the CEC Working Group; parties continue to overwhelmingly support the TLF adder; and Energy Division has not reversed its

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[13] R.19-11-009, Energy Division Demand Response Proposals for Proceeding R.19-11-009, at 8 (Apr. 19, 2021) (ED 2021 Proposals); D.21-06-029 at 77, Ordering Para. 11(g) (June 24, 2021) (directing working group to consider "whether the transmission loss factor adder should be retained beyond 2022.").
[14] ED 2021 Proposals at 2 ("DR capacity (as measured at the distribution-level customer meter) should be valued accurately and appropriately relative to supply-side resources (as measured on the transmission grid"), 10 (retaining TLF adder is consistent with "guiding principle #3").
[15] *Id*. at 43.
[16] CEC, Working Group Final Report at 45 (Jan. 23, 2023).
[17] *Id*. at 46.
[18] *Id*.
[19] The Scoping Memo (Dec. 2, 2021) delegates to the CEC Working Group. Then, D.22-06-050 (June 24, 2022) confirmed that "***any changes to DR adders***" will be considered by the CEC Working Group. *Id*. at 27, 127. Recently, the Amended Scoping Memo (Sept. 2, 2022) confirmed the scope set by D.22-06-050.

view that the TLF adder is needed to "properly value" DR.[20] A policy change that *makes DR counting less accurate* and has almost no support cannot be adopted simply because it is more convenient. Moreover, any convenience may be short-lived. A TLF adder of zero could *increase* administrative complexity in the likely event the Commission subsequently adopts the CEC Working Group conclusion and reinstates the TLF adder.

### D. The Record Does Not Support a Transmission Loss Factor of Zero.

Setting the TLF adder to zero is the same as eliminating it. Nothing in the record supports such a distinction, which appears to be a nakedly cynical attempt to eliminate the TLF adder while claiming to do otherwise. Moreover, **Finding of Fact 19** improperly creates the false appearance of broad agreement that administrative burdens justify setting the adder to zero.[21] Only one party accepted Energy Division's administrative burden rationale.[22] As CESA notes, there is "almost universal stakeholder support for maintaining the TLF."[23]

CLECA appreciates this opportunity to submit these reply comments.

Respectfully submitted,
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March 28, 2023

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[20] ED 2021 Proposals at 10.

[21] PD at 84 ("There is consensus among parties to retain the TLF and DLF adders . . . Setting the value of the TLF adder at 0% for the slice-of-day test year minimizes the administrative burden").

[22] Middle River Power Cmts. at 24 (Feb. 24, 2023) ("MRP supports this proposal for the reasons given by Energy Division."); *see also* CAISO Cmts. at 7-8 (Feb. 24, 2023) (supplying different rationale); SDG&E Cmts. at 5 (Feb. 24, 2023) (supporting change without explicitly supporting rationale).

[23] CESA Cmts. at 12 (Feb. 24, 2023) ("it is inappropriate to remove the TLF adder for the main reason to reduce administrative burden on ED staff.").