

**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298**FILED**

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R1807003

June 15, 2023

Agenda ID #21689
Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 18-07-003:

This is the proposed decision of Administrative Law Judge Atamturk. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's August 10, 2023 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE

Michelle Cooke

Acting Chief Administrative Law Judge

MLC:mph

Attachment

Decision PROPOSED DECISION OF ALJ ATAMTURK (Mailed 6/15/2023)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking To
Continue Implementation and
Administration, and Consider Further
Development, of California Renewables
Portfolio Standard Program.

Rulemaking 18-07-003

DECISION GRANTING PETITION TO MODIFY DECISION 19-09-043

Summary

The California Public Utilities Commission grants the petition to modify Decision 19-09-043 filed by Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company (collectively, the Joint IOUs). Accordingly, the Joint IOUs are authorized to discontinue the annual determination of the Effective Load Carrying Capability values in Rulemaking 18-07-003 and instead use the results of the method undertaken in Rulemaking 20-05-003, *Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes*, or its successor proceeding.

Rulemaking 18-07-003 remains open.

1. Procedural History

On July 12, 2018, the California Public Utilities Commission (Commission) initiated Rulemaking (R.) 18-07-003 to address ongoing oversight of the Renewables Portfolio Standard (RPS) program. The RPS program is codified in Public Utilities Code Sections 399.11-399.33.

In Decision (D.) 19-09-043, issued in R.18-07-003, the Commission adopted modeling requirements for investor-owned utilities to determine one element of their respective least-cost best-fit methodologies, the Effective Load Carrying Capability (ELCC) values, to be used for the RPS program bid ranking and selection.¹ The Commission directed the investor-owned utilities to conduct a joint ELCC study utilizing the adopted modeling requirements for use in RPS

¹ ELCC is defined as an indicator that shows “how well a facility is able to meet reliability conditions and reduce expected reliability problems or outage events caused by capacity shortfalls.” (Administrative Law Judge’s Ruling Requesting Comments on Staff Proposal on Effective Load Carrying Capability, Time of Delivery Factors, and Project Viability, September 12, 2018, at 2.)

procurement in 2020 and to continue to update the joint ELCC study annually until directed otherwise.

On October 14, 2022, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively, the Joint IOUs or Petitioners) filed a petition to modify D.19-09-043 to discontinue the annual determination of ELCC values in the RPS proceeding and instead use the results of the method undertaken in R.20-05-003, *Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes* (IRP proceeding).²

No party filed responses to the Petition and this matter was submitted for decision as of November 15, 2022.

2. Petition to Modify Decision 19-09-043

Rule 16.4(b) of the Commission's Rules of Practice and Procedure requires that a petition for modification concisely state the justification for the requested relief and propose specific wording to carry out all requested modifications to the decision.

The petition identifies several reasons for the requested modification. The Joint IOUs state that the modification sought will eliminate the potential for inconsistent results between the modeling studies undertaken in the Integrated Resource Planning (IRP) proceeding and the RPS proceeding, remove analytical redundancies, and increase efficiency in the RPS proceeding.³

First, the Petitioners argue that D.19-09-043 is overly prescriptive in modeling input and assumptions, resulting in a calibration process that does not

² Administrative Law Judge's Ruling Finalizing Load Forecasts and Greenhouse Gas Emissions Benchmarks for 2022 Integrated Resource Plan Filings, R.20-05-01003, June 15, 2022.

³ Petition at 1-2.

reflect power system conditions. Noting that the calibration process required by D.19-09-043 is not used in other resource reliability studies, the Joint IOUs illustrate that the 2022 Joint IOUs ELCC Study results and the 2022 IRP Study Update results are inconsistent.⁴ The Petitioners state that while the inconsistency is partly due to studied portfolio differences, the D.19-09-043 required calibration process to reach the 0.1 loss of load expectation (LOLE) reliability target, combined with the requirement to calculate marginal ELCC values using the Preferred System Plan (PSP) as the resource baseline, result in marginal ELCC values that are likely distorted by the significant amount of artificial load added in the calibration process. The Petitioners assert that as long as the methodologies are inconsistent, the disparate results from the two different ELCC methodologies cannot be reconciled.

Second, noting that Energy Division Staff have already conducted reliability studies to estimate marginal ELCC values for renewables and required load-serving entities (LSEs) to use them for their IRP filings, the Joint IOUs assert that using ELCC values from the IRP process will remove analytical redundancies. The Joint IOUs add that the Energy Division staff would continue to develop similar resource reliability metrics, including for RPS resources, which can be used in place of RPS ELCC study values.⁵

Finally, the Joint IOUs state that the use of values based on IRP studies will increase efficiency in the RPS proceeding. As a result, IOUs do not support the use of ELCC values produced in the 2022 Joint IOUs' ELCC Study ordered by the D.19-09-043 to inform RPS procurement decisions, and instead, support the use

⁴ Petition at 6-7.

⁵ Petition at 4.

of ELCC values adopted in the IRP proceeding to inform RPS procurement decisions.

3. Discussion

3.1. Timeliness of the Petition

Rule 16.4(d) of the Commission's Rules of Practice and Procedure requires petitions for modification to be filed and served within one year of the effective date of the decision proposed to be modified. If more than one year has elapsed, the petition must explain why the petition could not have been presented within one year of the date of the decision. Since the petition was filed more than a year after the effective date of D.19-09-043, it must explain why it could not have been presented within the one-year timeframe.

In the Petition, the Joint IOUs state that they could not have filed the Petition within a year of the effective date of D.19-09-043, because the Joint IOUs were not aware of the scope of the inconsistency between the ELCC values adopted through the methodology adopted in R.18-07-003 and the ELCC values determined through the methodology used in the IRP proceeding.⁶ The Joint IOUs explain that even though 2020 and 2021 RPS ELCC Studies were filed without finding any fundamental flaws, inconsistencies were noted at the beginning of the 2022 RPS ELCC Study process. The Joint IOUs reported these flaws in PG&E Advice Letter 6636-E with the final study results, filed on July 1, 2022.

After considering the Joint IOUs' explanation, the Commission concludes that the Joint IOUs provide sufficient justification for filing the petition more than one year after the issuance of D.19-09-043.

⁶ Petition at 2.

3.2. Relief Requested by Joint IOUs

After reviewing the Petition, the Commission finds the relief requested by the Joint IOUs reasonable and grants the petition to modify D.19-09-043.

As noted in D.19-09-043, there is no statutory mandate to use ELCC or any other standardized method in least-cost best-fit valuations to measure the contribution of an RPS-eligible resource to reliably meet demand and maintain grid reliability under the RPS program. However, pursuant to Section 399.13(a)(4)(A)(vii), the rank ordering and selection of eligible renewable energy resources must consider "...capacity and system reliability of the eligible renewable energy resource to ensure grid reliability" to comply with the RPS program obligations. Similarly, Section 399.13(a)(8) requires that in soliciting and procuring eligible renewable energy resources, each retail seller consider the best-fit attributes of resource types that ensure a balanced resource mix to maintain the reliability of the electrical grid.

In D.19-09-043, the Commission determined that it is reasonable to adopt a standardized ELCC method to be used for RPS program bid ranking and selection because adopting a standardized approach will help the Commission maintain consistency between the modeling conventions used in this proceeding and the IRP proceeding.⁷ In D.19-09-043, the Commission noted that the ELCC modeling requirements for the RPS proceeding are slightly different than those adopted in the IRP proceeding and that the timing of modeling efforts in the IRP proceeding may not match the timing of the RPS procurement, thereby necessitating a separate process to calculate ELCC values for the RPS proceeding.

⁷ D.19-09-043 at 10-11.

Circumstances have changed since the issuance of D.19-09-043. Marginal ELCC values are now calculated by Commission staff in both the planning track and procurement track of the IRP proceeding.⁸ For example, recently, for the IRP procurement track, D.21-06-035, *Decision Requiring Procurement to Address Mid-Term Reliability (2023-2026)*, directed Commission staff to develop and publish marginal ELCCs for the required procurement of resources.⁹ For the IRP planning track, the June 15, 2022 Ruling, issued in R.20-05-003, directed LSEs to use the Resource Data Template, which includes the most recent planning track ELCCs developed by Commission staff, to show that their portfolios contribute to their share of system reliability.¹⁰

In conclusion, the process established in the IRP proceeding and the models used in the same proceeding provide the resource reliability metrics that can be used in this proceeding. Authorizing the use of these metrics by granting the petition will avoid duplicative ELCC analysis in multiple proceedings before the Commission, thereby avoiding confusion and inconsistent signals to the market regarding the ability of resources to contribute to system reliability. Using values based on IRP studies will also increase efficiency and reduce administrative costs by eliminating the need for the joint IOUs to conduct an independent study, file annual advice letters, and for the Commission to review those advice letters.

⁸ The Order Instituting Rulemaking that establishes R.20-05-003 and continues the IRP process, also divides the IRP proceeding into two main tracks: a planning track and a procurement track. *See Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes at 6 and 7.*

⁹ D.21-06-035 at Ordering Paragraph (OP) 15.

¹⁰ Administrative Law Judge's Ruling Finalizing Load Forecasts and Greenhouse Gas Emissions Benchmarks for 2022 Integrated Resource filings, June 15, 2022, issued in R.20-05-003, at 15. For Commission's IRP website, *see* [2022-2023 IRP Cycle Events and Materials \(ca.gov\)](https://www.cpuc.ca.gov/IRP)

Accordingly, the IOUs must use the latest marginal ELCC values that are produced in the IRP proceeding. Currently, these marginal ELCC values are produced either in the IRP planning track or the IRP procurement track. Each IOU must clearly identify in their annual RPS Plans which set of updated ELCC values from the IRP proceeding that they will be using in their RPS solicitations and why these values are the most appropriate.

The modifications adopted herein are listed in Section 3.3.

3.3. Modifications Adopted

The modifications we adopt today are listed below in strikethrough for deletions and underlined for additions.

- Finding of Fact 2 is revised as follows:

~~ELCC~~ The Commission establishes the capacity value of existing and new renewable resources ~~in relation to the whole electric system~~ in the IRP process.

- Finding of Fact 5 is revised as follows:

Adopting a standardized approach for RPS and IRP will help the Commission maintain consistency between the modeling conventions used in this proceeding and the IRP proceeding.

- Finding of Fact 6 is revised to read as:

Adopting a standardized ~~ELCC~~ methodology for all IOUs will facilitate planning and analysis by the IOUs, industry, and the Commission.

- Finding of Fact 9 is revised as follows:

Running ~~models~~ analyses periodically, ~~e.g., annually,~~ in the IRP will capture the dynamic nature of the market and power grid and keep up with market conditions.

- Finding of Fact 17 is revised as:

Establishing the capacity value of existing and new renewable resources in relation to the whole electric

~~system is~~ The ELCC modeling efforts are resource- and time- intensive.

- Findings of Fact 4, 7, 8, 10, 11, 12, 13, 14, 15, 16, 18, 20, 21, 22, 23, and 24 are deleted.
- Conclusions of Law 1 through 13 are deleted.
- Ordering Paragraph 1 is revised as follows:

Modeling requirements are adopted for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) to determine one element of their respective least cost best-fit methodologies, the capacity value of existing and new renewable resources in relation to the whole electric system ~~the Effective Load Carrying Capability (ELCC) values~~ to be used for the Renewables Portfolio Standard (RPS) program bid ranking and selection. These modeling requirements are the use of the capacity value of existing and new renewable resources in relation to the whole electric system adopted in the IRP: (1) ~~The Strategic Energy Risk Valuation Model must be used to determine marginal ELCC values;~~ (2) ~~Behind the meter Photovoltaic (PV) must be treated as a supply side resource;~~ (3) ~~An annual loss of load expectation study must be conducted;~~ (4) ~~Three resource classes (wind, solar PV, and storage) and six resource class subtypes (fixed axis PV, tracking PV, tracking PV paired with storage, distributed PV, wind, and wind paired with storage) must be modeled; four geographic locations located in the California Independent System Operator (CAISO) area and three regions located outside of the CAISO area must be modeled; and installed capacities from the Integrated Resource Planning proceeding's most recently updated base portfolio (Reference System Plan or Preferred System Plan) must be used;~~ (5) ~~The resource portfolio from the 2017-2018 IRP's Preferred System Plan with a study year of 2022, 2026, and 2030 must be modeled for the 2020 procurement cycle. For future~~

~~procurement cycles, the most recently updated base portfolio from the IRP proceeding must be used with study years of subsequent four-year increments.~~

- Ordering Paragraph 2 is deleted.

4. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the online Docket Card for that proceeding on the Commission’s website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. No relevant public comments regarding the Joint IOUs’ PFM were submitted to the Docket Card of this proceeding.

5. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

6. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Nilgun Atamturk is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The Joint IOUs filed a petition to modify more than a year after the effective date of D.19-09-043.
2. D.19-09-043’s required calibration process is not used in other resource reliability studies undertaken in proceedings before the Commission.
3. The Joint IOUs demonstrated that the 2022 Joint IOUs ELCC Study results and the 2022 IRP Study Update results are inconsistent.

4. Energy Division Staff have already conducted reliability studies to estimate marginal ELCC values for renewables and required LSEs to use them for their IRP filings.

Conclusions of Law

1. The Joint IOUs sufficiently justified filing the petition more than one year after the issuance of D.19-09-043.

2. Using ELCC values from the IRP process should remove analytical redundancies and inconsistent results.

3. The methodology adopted in the IRP proceeding to determine capacity value of existing and new renewable resources in relation to the whole electric system should be used in RPS bid ranking and selection.

4. The Joint IOUs' petition to modify D.19-09-043 should be granted.

O R D E R

IT IS ORDERED that

1. The Petition for Modification of Decision 19-09-043 filed by Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company on October 14, 2022 is granted.

2. The capacity value of existing and new renewable resources in relation to the whole electric system must be determined for the Renewables Portfolio Standard proceeding through the methodology adopted in Rulemaking 20-05-003, Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes, or its successor proceeding.

3. Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company must clearly identify in their annual Renewables Portfolio Standard (RPS) Plans the Effective Load Carrying

Capability values they will be using in their RPS solicitations and why these values are the most appropriate.

4. Decision (D.) 19-09-043 is modified as follows:

- a. Finding of Fact 2 in D.19-09-043 is revised to read as follows:

The Commission establishes the capacity value of existing and new renewable resources in the IRP process.

- b. Finding of Fact 5 in D. 19-09-043 is revised to read as follows:

Adopting a standardized approach for RPS and IRP will help the Commission maintain consistency between the modeling conventions used in this proceeding and the IRP proceeding.

- c. Finding of Fact 6 in D.19-09-043 is revised to read as follows:

Adopting a standardized methodology for all IOUs will facilitate planning and analysis by the IOUs, industry, and the Commission.

- d. Finding of Fact 9 in D.19-09-043 is revised to read as follows:

Running analyses periodically in the IRP will capture the dynamic nature of the market and power grid and keep up with market conditions.

- e. Finding of Fact 17 in D.19-09-043 is revised to read as follows:

Establishing the capacity value of existing and new renewable resources in relation to the whole electric system is resource- and time- intensive.

- f. Findings of Fact 4, 7, 8, 10, 11, 12, 13, 14, 15, 16, 18, 20, 21, 22, 23, and 24 in D.19-09-043 are deleted.

- g. Conclusions of Law 1 through 13 are deleted.

- h. Ordering Paragraph 1 is revised to read as:

Modeling requirements are adopted for Pacific Gas and Electric Company (PG&E), Southern California Edison

Company (SCE), and San Diego Gas & Electric Company (SDG&E) to determine one element of their respective least cost best-fit methodologies, the capacity value of existing and new renewable resources in relation to the whole electric system to be used for the Renewables Portfolio Standard (RPS) program bid ranking and selection. These modeling requirements are the use of the capacity value of existing and new renewable resources in relation to the whole electric system adopted in the IRP.

- i. Ordering Paragraph 2 is deleted.
5. Rulemaking 18-07-003 remains open.

This order is effective today.

Dated _____, at San Francisco, California.