FILED
06/21/24
04:59 PM
R2005003

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	R.20-05-003

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS ON STAFF PROPOSAL TO ALLOW TEMPORARY BRIDGE RESOURCES TO MEET DIABLO CANYON REPLACEMENT OBLIGATIONS

Evelyn Kahl,
General Counsel and Director of Policy
Lauren Carr,
Senior Market Policy Analyst
Eric Little,
Director of Regulatory Affairs

CALIFORNIA COMMUNITY CHOICE ASSOCIATION
1121 L Street, Suite 400
Sacramento, CA 95814
Telephone: (510) 980-9459
E-mail: regulatory@cal-cca.org

June 21, 2024

TABLE OF CONTENTS

SUMMARY OF RECOMMENDATIONS

- The California Public Utilities Commission (Commission) should refrain from "frontloading" procurement obligations at a time when there is limited supply to satisfy demand in a timely manner and instead allow load-serving entities (LSE) to manage risk associated with meeting a demonstrated need and continue to work with LSEs on the challenges that are resulting in project delays; and

- The Commission should ensure any relief provided to LSEs struggling to meet their obligations is consistent across LSEs and prevents double penalties for the same delay.

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	R.20-05-003

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS ON STAFF PROPOSAL TO ALLOW TEMPORARY BRIDGE RESOURCES TO MEET DIABLO CANYON REPLACEMENT OBLIGATIONS

California Community Choice Association[1] (CalCCA) submits these reply comments pursuant to the *Administrative Law Judge's Ruling Seeking Comments on Staff Proposal to Allow Temporary Bridge Resources to Meet Diablo Canyon Replacement Obligations*[2] (Ruling), dated May 21, 2024. The Ruling seeks feedback on an attached staff proposal to allow temporary non-emitting or renewables portfolio standard (RPS)-eligible bridge resources to meet the requirements for Diablo Canyon Power Plant (Diablo Canyon) replacement resources detailed in Decision (D.) 21-06-035.[3]

---

1 California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, Energy For Palmdale's Independent Choice, Lancaster Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

2 *Administrative Law Judge's Ruling Seeking Comments on Staff Proposal to Allow Temporary Bridge Resources to Meet Diablo Canyon Replacement Obligations*, Rulemaking (R.) 20-05-003 (May 21, 2024) (Ruling).

3 D.21-06-035, *Decision Requiring Procurement to Address Mid-Term Reliability (2023-2026)*, R.20-05-003 (June 24, 2021).

I. INTRODUCTION

Community Choice Aggregators (CCA) understand the urgent need to bring new resources online to increase capacity on the grid, alleviate current constraints on the resource adequacy (RA) market, and support the transition to clean electricity. CCAs are working hard to bring these new resources online without putting additional pressure on electricity costs. CCAs have signed over 14 gigawatts of long-term contracts for clean resources, have met their first mid-term reliability (MTR) procurement targets in aggregate, and are on track to meet future targets. In many cases, CCAs' elected boards have chosen more aggressive targets than the California Public Utilities Commission (Commission), driving procurement above Integrated Resource Plan (IRP) targets.

At the same time, all load-serving entities (LSE) and developers face challenges with getting new capacity online as scheduled, including interconnection delays, supply chain issues, permitting challenges, and others. The Energy Division Staff Proposal states that "allowing temporary bridge resources to help LSEs meet the D.21-06-035 Diablo Canyon Replacement obligations is in the best interest of system reliability and California ratepayers."[4] Whether or not this is the case depends on (1) the unique position of LSEs and their Diablo Canyon replacement resources procurement progress, and (2) the proposal's impact on the RA market, which is currently facing significant scarcity impacting LSEs' ability to find available RA at affordable prices. For this reason, CalCCA does not take a position on the Energy Division Staff Proposal. Instead, these reply comments respond to the Environmental Defense Fund's (EDF) and Pacific Gas and Electric Company's (PG&E) Opening Comments[5] with the goal of ensuring the

---

4 Ruling, Attachment A at 4.

5 References to parties' Opening Comments refer to those filed on June 11, 2024, in R.20-05-003.

Commission implements future procurement obligations and enforcement actions in a manner that is cost-effective and equitable.

EDF recommends the Commission frontload procurement of zero-emitting and renewable resources to ensure the State can achieve its electric sector decarbonization goals without sacrificing system reliability. EDF states that frontloading procurement orders is necessary so that the Commission breaks the cycle of ordering procurement and making subsequent extensions. EDF states that "extending LSEs' procurement deadlines sends a signal to LSEs that they do not need to make all efforts to comply with their procurement obligations, particularly where that procurement may be costly because the Commission is likely to modify those obligations."[6] To remedy this, EDF recommends the Commission "order LSEs to frontload procurement well beyond the amounts the Commission has historically ordered" so that if LSEs are unable to fully comply, they would already have a built-in buffer to prevent shortfall.[7] The reply comments below explain that, while well-intended, EDF's proposal will not solve the challenges that result in project delays and instead could further adversely affect customer affordability. These reply comments recommend alternative ways to promote new resource build in a manner that balances reliability, affordability, and GHG-reduction.

PG&E recommends that the Commission provide relief to LSEs whose compliance is threatened by last-minute project delays by relieving these LSEs from pursuing bridge resources if the following conditions have been met:

- The LSE is notified of a project delay by a developer within 30 days prior to the expected online date for the delayed project;
- The "new" delay is not expected to extend for a period greater than 30 days after the project's expected online date prior to the delay; and

6 EDF Opening Comments at 6.
7 *Id.* at 7.

- The LSE has met its RA requirements for the impacted month(s) or period of delay.[8]

CalCCA supports the Commission in providing relief to LSEs who make good-faith efforts to procure but, despite these efforts, still experience delays for reasons outside of their control. The reply comments below urge that, if the Commission adopts PG&E's proposal, or its request for an extension of its June 1, 2024, D.21-06-035 procurement obligations,[9] the Commission must ensure it (1) provides equitable treatment to LSEs that may have requested relief or will request relief in the future, and (2) prevents double penalizing LSEs for the same delay.

In response to EDF's and PG&E's comments, CalCCA recommends, in summary:

- The Commission should refrain from "frontloading" procurement obligations at a time when there is limited supply to satisfy demand in a timely manner and instead allow LSEs to manage risk associated with meeting a demonstrated need and continue to work with LSEs on the challenges that are resulting in project delays; and
- The Commission should ensure any relief provided to LSEs struggling to meet their obligations is consistent across LSEs and prevents double penalties for the same delay.

II. THE COMMISSION SHOULD REFRAIN FROM "FRONTLOADING" PROCUREMENT OBLIGATIONS AT A TIME WHEN THERE IS LIMITED SUPPLY TO SATISFY DEMAND IN A TIMELY MANNER

EDF proposes that the Commission "frontload" procurement orders well beyond historical levels to end the cycle of the Commission ordering procurement, LSEs not meeting their procurement requirements, and the Commission offering extensions.[10] First and foremost, EDF's proposal appears to be out of scope for this Ruling, given it appears to address future procurement orders rather than the MTR procurement order under consideration in this Ruling. Second, EDF's proposal would result in unintended consequences for customer affordability for the following reasons.

8 PG&E Opening Comments at 6-7.

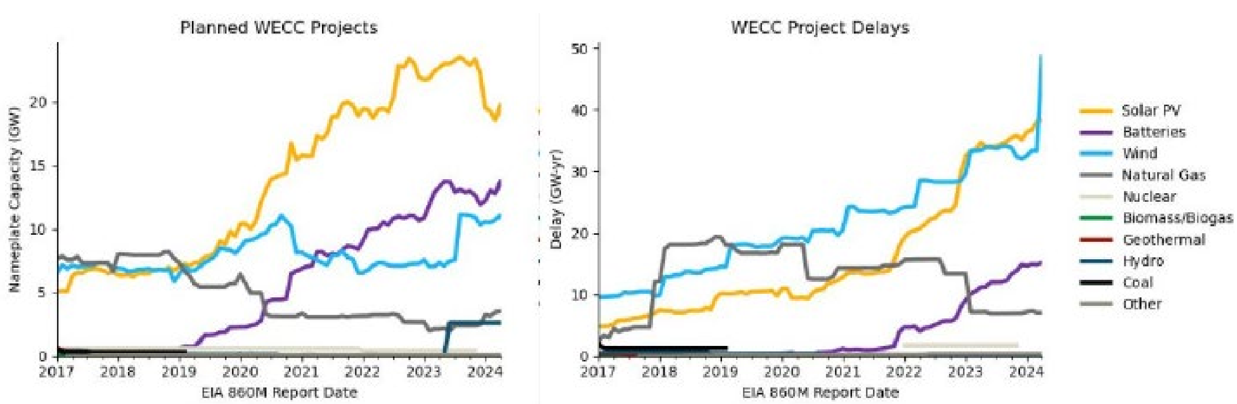
9 *Pacific Gas & Electric, Request for Extension of Time Under CPUC Rule 16.6 for Mid-term Reliability Procuremen*ts *(D.21-06-035)* (May 23, 2024) (PG&E Request).

10 EDF Opening Comments at 6-7.

EDF calls its proposal a "no regrets option" because such new resources will be "undoubtedly needed" to serve load in the near or long term.[11] As stated in Section 1 above, CCAs agree with EDF that providing sufficient new resources to increase grid capacity is necessary. This will alleviate current constraints in the RA capacity market and facilitate the transition to a clean grid. CCAs are working hard to bring new resources online to support these objectives. However, EDF's proposal is not without "adverse consequences" and is not a "no-regrets" approach. *Requiring* LSEs to frontload procurement could have serious consequences for customer affordability and risks creating a procure-at-any-cost compliance program, which the Commission has rightly avoided in this proceeding.[12]

CalCCA's analysis of Energy Information Administration data[13] shows continued delay challenges for wind, solar, and battery projects in the Western Electric Coordinating Council (WECC), as depicted in Figure 1.

Figure 1: Planned Projects in WECC and Their Delays



---

11 *Id.* at 7.

12 *Administrative Law Judge's Ruling Seeking Comments on Need and Process for Centralized Procurement of Specified Long Lead-Time Resources*, R.20-05-003 (Apr. 26, 2024) at 38. "…[T]he Commission is also mindful of the substantial rate pressure electricity customers are currently experiencing. Consequently, the centralized procurement approach outlined in this ruling is not intended as a commitment to procure LLT resources at any cost. If the premium required to develop the initial tranche of resources exceeds the portfolio diversity and initial investment values of taking an initial step, the Commission could elect to suspend or postpone the procurement by DWR."

13 U.S. Energy Information Administration: https://www.eia.gov/electricity/data/eia860m/.

Several factors contribute to the inability to complete projects as scheduled, many of which are outside the control of the LSE or developer. Data from WECC and CalCCA members indicate that delays are driven primarily by supply chain issues, followed by interconnection, and permitting issues. WECC notes that essential grid equipment has experienced significant delays, including delays for transformers (10 months–3 years), circuit breakers (1.5–2.5 years), and switchgear (1 year).[14]

There is already very high demand in the market pushing prices for new supply to high levels. Increasing demand for supply not yet necessary to meet reliability needs will push prices even higher, especially when delays outside the LSEs and developers' control make it extremely difficult to accelerate the rate of new build. Frontloading procurement requirements could, therefore, present a significant impact on customer affordability. In February 2024, The Brattle Group released a document scoring the interconnection processes across the nation. In addition to looking at the interconnection process, Brattle also noted that supply chain issues cause significant delay in new resource implementation stating:

> In any Region where numerous network upgrades are required, construction delays are a problem—meaning that even once projects have made it through a years-long interconnection process, they often face additional delays beyond the project developer's control before being able to come online. Supply chain constraints have recently been widespread, especially with respect to circuit breakers and transformers. These constraints result in delays for network upgrades required to bring projects into commercial operation and those delays are frequently reported to the interconnection customer once deadlines are approaching or already passed.

---

[14] *Presentations for Summer Reliability Workshop*, 21-ESR-01 (May 30, 2024) (Workshop Presentations) at 39.

> Some interconnection customers report that supply chain constraints are particularly acute for high voltage upgrades, with projects on facilities carrying over 345 kV taking three to four years (lower rated facilities are taking at least two and a half years).[15]

In addition, the costs of interconnection are rapidly rising in recent years according to CAISO data providing anticipated costs of procuring and installing facilities required to interconnect generation.[16] Data on the costs of a new substation to interconnect generation between 60 kilo-volts (kV) and 230 kV shows that the costs in the PG&E area have increased rapidly in the past three years by 16 to 23 percent (see Figure 1). This increase has occurred after having remained unchanged from 2017 through 2020. These rapid cost increases are indicative of increasing demand without supply increasing sufficiently to keep costs constant and other economic drivers.

Figure 2 – PG&E anticipated cost for new generator interconnection

New Substation Equipment Complete loop-in Substation, equipped with one line position to terminate a single gen-tie and loop in and out one existing PG&E T line. 1 complete Bay and 1 Partial Bay - 5 CBs			
	60/70 kV	**115 kV**	**230 kV**
2023	$ 14,500,000	$ 15,500,000	$ 18,500,000
2022	$ 13,500,000	$ 14,500,000	$ 17,500,000
2021	$ 12,500,000	$ 13,000,000	$ 16,000,000
2020	$ 12,500,000	$ 13,000,000	$ 15,000,000
2019	$ 12,500,000	$ 13,000,000	$ 15,000,000
2018	$ 12,500,000	$ 13,000,000	$ 15,000,000
2017	$ 12,500,000	$ 13,000,000	$ 15,000,000

Frontloading of procurement orders assumes that the Commission can be more effective in managing procurement than the LSEs. In many cases, depending on the details of their

---

15 *Generator Interconnection Scorecard Ranking Interconnection Outcomes and Processes of the Seven U.S. Regional Transmission System Operators* (February 2024) Authors: John D. Wilson, Richard Seide, Rob Gramlich, and J. Michael Hagerty.

16 https://www.caiso.com/library/participating-transmission-owner-per-unit-costs.

contracted projects, LSEs will likely be better positioned than the Commission to assess the risk of resource failure. When evaluating potential projects and their ability to meet compliance deadlines, LSEs likely already assess the probability of a resource not achieving necessary commercial operations dates and could account for these probabilities in their procurement. The Commission does not have sufficient information on these risks at the project level to front-load procurement requirements in a manner that is equitable for all LSEs.

The Commission should, therefore, not frontload procurement orders by ordering procurement above and beyond the identified need at the time of the order. The Commission, through IRP Staff and the Tracking Energy Development task force, should continue to work with LSEs and suppliers to address head-on the factors that stand in the way of getting more projects online sooner. In addition, the Commission could encourage LSEs to accelerate their procurement when it is feasible and economical to do so. It can accomplish this by allocating LSE procurement requirements and costs in a manner that considers the LSEs' historic procurement of clean resources that meet the need. The Commission should adopt need allocation and cost allocation measures in the Reliable and Clean Power Procurement Program and Assembly Bill 1373 (Stats. 2023, ch. 367) central procurement framework that considers procurement efforts already taken by LSEs.

III. THE COMMISSION SHOULD ENSURE ANY RELIEF PROVIDED TO LSES STRUGGLING TO MEET THEIR OBLIGATIONS IS CONSISTENT ACROSS LSES AND PREVENTS DOUBLE PENALTIES FOR THE SAME DELAY

PG&E indicates that "[r]ecently, PG&E experienced "last-minute" notifications from developers experiencing a new, or extended existing, delay to a resource coming online as expected."[17] In light of these last-minute delays, PG&E requests "that the Commission provide

17 PG&E Opening Comments at 6.

LSEs with relief for these types of delays for the Diablo Canyon replacement requirement category and consider extending the same for all other procurement categories."[18] Under PG&E's proposal, LSEs would be relieved from pursuing bridge contracts if the following conditions have been met:

- The LSE is notified of a project delay by a developer within 30 days prior to the expected online date for the delayed project;
- The "new" delay is not expected to extend for a period greater than 30 days after the project's expected online date prior to the delay; and
- The LSE has met its RA requirements for the impacted month(s) or period of delay.[19]

In a separate filing, PG&E requests an extension to comply with its MTR obligation to procure 1,201 megawatts of Net Qualifying Capacity by June 1, 2024, for seemingly similar last-minute delays.[20] If the Commission provides such relief as described in PG&E's Opening Comments or the PG&E Request, the Commission must ensure it provides such relief uniformly across all LSEs that request relief and meet the same criteria. This appears to be the intent of PG&E's proposal in its opening comments and should extend to any type of relief provided by the Commission, including that requested in the PG&E Request.

The Commission should also consider striking the third condition in PG&E's opening comments, "[t]he LSE has met its RA requirements for the impacted month(s) or period of delay," to avoid penalizing LSEs multiple times for the same delay. Bridge resources are RA-eligible resources. If an LSE experiences a delay in a Diablo Canyon replacement resource, and that delay causes the LSE to be short on its RA requirements, it is unlikely that if the LSE cannot find bridge capacity for its Diablo Canyon replacement, it would be able to find RA capacity to

---

[18] *Id.*

[19] *Id.* at 6-7.

[20] PG&E Request.

replace the delayed RA capacity. The opposite is also true, if the LSE can find bridge capacity to replace its Diablo Canyon replacement, it likely could use that same capacity to resolve its open RA position. Therefore, this condition would primarily serve to double penalize LSEs that face delays but cannot find bridge/RA capacity, once through the failure to obtain Diablo Canyon bridge capacity and again through the RA program. The Commission should consider removing this condition, instead focusing on the timing of the notification of delay and the duration of the delay, as PG&E proposed in its first two conditions, and "good faith efforts" based on D.21-06-035[21] and Resolution M-4846.[22]

IV. CONCLUSION

For all the foregoing reasons, CalCCA respectfully requests consideration of these reply comments.

Respectfully submitted,

Evelyn Kahl,
General Counsel and Director of Policy
CALIFORNIA COMMUNITY CHOICE ASSOCIATION

June 21, 2024

21 D.21-06-035, Conclusion of Law 27.

22 Public Utilities Commission of The State of California, Resolution M-4846, *Resolution Adopting Commission Enforcement Policy* (Nov. 5, 2020).