

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

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2019 and 2020 Compliance Years.

FILED  
PUBLIC UTILITIES COMMISSION  
SEPTEMBER 28, 2017  
RULEMAKING 17-09-020

**ORDER INSTITUTING RULEMAKING**

**Summary**

We open this rulemaking to oversee the resource adequacy program, make any changes and refinements to the program, and establish local and flexible procurement obligations applicable to load-serving entities beginning with the 2019 compliance year. This proceeding is the successor to Rulemaking 14-10-010, which addressed these topics over the past three years.

Comments on preliminary matters pertaining to the scope, schedule, and administration of the proceeding are due October 30, 2017, and reply comments are due November 9, 2017.

**1. Purpose of Proceeding**

The Commission first undertook the resource adequacy (RA) program in Rulemaking (R.) 05-12-013, where we implemented “system” RA requirements for the 2006 compliance year and “local” RA procurement obligations for the 2007 compliance year. In that proceeding, we recognized the near and intermediate term need for annual proceedings to approve local capacity

requirements and to consider modifications and improvements to the RA program:

While the nature of the future RA program and the associated procedural requirements cannot be fixed at this time, it is clear that there is an ongoing need for a procedural vehicle to address both modifications and improvements to the RA program as well as routine administrative (but not ministerial) matters that are not delegable to staff. Among other things, the Local RA program component requires annual approval of [local capacity requirements (LCRs)] based on the [California Independent System Operator's (CAISO's)] LCR studies. For the near and intermediate term, we see a need for annual proceedings for these purposes. (Decision (D.) 07-06-029 at 52.)

D.13-06-024 adopted an interim flexible capacity requirement as an additional component of RA requirements. D.14-06-050 adopted an interim flexible capacity framework for the 2015 through 2017 RA years.

R.11-10-023 served as the forum for RA decisions for the 2013, 2014 and 2015 RA compliance years. R.14-10-010 served as the forum for RA decisions for the 2016, 2017 and 2018 RA compliance years. We open this rulemaking to address the 2019 and 2020 RA compliance years and any changes and refinements to the RA program.

## **2. Category**

The category of the proceeding is preliminarily determined to be ratesetting. Accordingly, *ex parte* communications are restricted and must be reported pursuant to Rule 8.3(c) until and unless the assigned Commissioner's scoping memo changes the category of the proceeding and/or the determination of need for evidentiary hearing. (See Rules 7.3, 8.3 and 8.5.)

### **3. Need for Hearing**

In the previous RA proceedings, R.11-10-023 and R.14-10-010, the issues were addressed through comments and workshops, without evidentiary hearings. Because this proceeding has a broader scope and may include factual issues, it is preliminarily determined that evidentiary hearings will be needed in this proceeding.

### **4. Preliminary Scoping Memo**

The preliminary scope of issues and schedule of the proceeding are set forth below, and may be changed by the assigned Commissioner's scoping memo. (*See Rule 7.3.*)

### **5. Issues**

#### **5.1. Local and Flexible Procurement Obligations**

- a. What are the Local Capacity Requirements for the respective load-serving entities (LSEs) for the 2019/2020 RA compliance years? The starting point for this determination shall be the CAISO's study of local area needs. This issue encompasses consideration of how the study's process, parameters, methods, and assumptions might be improved, including *e.g.*, whether local areas should be aggregated, the extent to which LSE procurement obligations should be adjusted or waived for local areas with resource deficiencies, and the reliability criteria targeted through procurement obligations.
- b. What are the Flexible Capacity Requirements for the respective LSEs for the 2019/2020 RA compliance years?
- c. Examination of the inputs, processes and results of the Local Capacity Requirements (LCR) and Flexible Capacity Requirements (FCR) studies, including past years, in order to improve the process for Commission approval of those studies.

## **5.2. Changes to the RA Program**

Given the passage of time and the rapid changes occurring in California's energy markets, it may be worthwhile to re-examine the basic structure and processes of the Commission's RA program. In their comments on this Order Instituting Rulemaking (OIR) parties should indicate whether they believe such a re-examination should occur, and if so, what processes (e.g. workshop, written comments, en banc meeting, working group, etc.) they believe would be helpful in conducting that re-examination. The assigned Commissioner and Administrative Law Judge (ALJ) will consider those recommendations in developing the scope and schedule of this proceeding. In their comments on this OIR parties may, but are not required to, identify specific changes they recommend be made to the RA program.

## **5.3. Refinement of RA Program Elements**

As part of the ongoing implementation and improvement of the RA program, refinements to RA program elements will be considered. In order to provide focus on the highest priority refinements, we will limit the number of refinements to be considered in this proceeding. In their comments on this OIR, parties should identify and prioritize no more than ten issues relating to refinements of RA program elements that they believe should be addressed in this proceeding. Based on those comments, reply comments, and discussion at the pre-hearing conference, the scoping memo will identify a limited number of issues to be addressed in this proceeding for 2019/2020.

D.17-06-027 identified a number of issues to be addressed in working groups or workshops, with the output of those processes to be incorporated in this proceeding. Additional issues were identified in R.14-10-010, but were not resolved in D.17-06-027. Parties may include any of these issues in the 10 issues

they identify and prioritize, but are not required to do so. The Commission’s Energy Division may also identify additional issues via written staff proposals.

**6. Schedule**

Since the local component of the RA program was first implemented, the Commission has determined that the annual compliance cycle should begin with issuance of a decision each June that establishes procurement obligations for the following calendar year. As a starting point, the schedule set forth below generally follows the previously-used schedule, but does not include processes to consider a re-examination of the RA program (*see* section 5.2 above). Based on comments, reply comments and discussion at the pre-hearing conference, the scoping memo may add to or otherwise change the schedule to incorporate a re-examination of the RA program, and may incorporate multiple tracks or phases. Accordingly, the preliminary schedule for the proceeding is as follows:

EVENT	DATE
Comments on OIR filed and served	October 30, 2017
Reply comments on OIR filed and served	November 9 , 2017
Prehearing conference	November, 2017
Scoping memo	December, 2017
Workshops conducted by Energy Division <sup>1</sup> (Workshops may continue later as needed.)	Q4 2017
Party proposals filed <sup>2</sup>	February, 2018
Comments on proposals filed	March, 2018

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<sup>1</sup> Workshops in this proceeding will be posted to the Commission’s Daily Calendar. Decision-makers or advisors may be present at any such workshops.

<sup>2</sup> Energy Division may also serve a proposal, either prior to or concurrently with the parties.

EVENT	DATE
Reply comments filed and served	March, 2018
CAISO publishes draft 2019 LCR and FCR Report	March 16, 2018**
CAISO publishes final 2019 LCR and FCR Report	April 16, 2018**
Comments on 2019 LCR and FCR Reports filed	May 2018
Proposed Decision	May 2018
Final Commission Decision	June 2018

\*\*Dates for those components of the LCR and FCR studies and review process that are administered by the CAISO will be determined by the CAISO in consultation with the Commission's Energy Division.

This is a preliminary schedule, and is subject to change. The assigned Commissioner and the assigned ALJ (with the assigned Commissioner's concurrence) may modify the schedule as necessary during the course of the proceeding to promote the efficient and fair resolution of the rulemaking. Because this proceeding is intended to address procurement for both 2019 and 2020, we anticipate this proceeding will be resolved within 24 months from the issuance of this OIR.

## **7. Comments on Preliminary Determinations and Scoping Memo**

Comments may be filed on October 30, 2017, and reply comments may be filed on November 9, 2017, addressing this order's preliminary determinations as to category of the proceeding, the need for evidentiary hearing, issues to be considered, or scheduling. (See Rule 6.2.) As described above, parties should indicate whether they believe this proceeding should re-examine the basic structure and processes of the Commission's RA program, and if so, what processes they recommend for conducting that re-examination. In addition, parties should identify and prioritize no more than ten issues relating to

refinements of RA program elements that they believe should be addressed in this proceeding.

**8. Service of Order Instituting Rulemaking**

This OIR shall be served on the Official Service List for the predecessor proceeding, R.14-10-010. *Service of the OIR does not confer party status or place a person who has received such service on the Official Service List for this proceeding.*

**9. Addition to Official Service List**

Addition to the official service list is governed by Rule 1.9(f) of the Commission's Rules of Practice and Procedure.

Any person will be added to the "Information Only" category of the official service list upon request, for electronic service of all documents in the proceeding, and should do so promptly in order to ensure timely service of comments and other documents and correspondence in the proceeding.

(See Rule 1.9(f).) The request must be sent to the Process Office by e-mail ([process\\_office@cpuc.ca.gov](mailto:process_office@cpuc.ca.gov)) or letter (Process Office, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, California 94102). Please include the Docket Number of this rulemaking in the request.

Persons who file responsive comments become parties to the proceeding (see Rule 1.4(a)(2)) and will be added to the "Parties" category of the official service list upon such filing. *In order to assure service of comments and other documents and correspondence in advance of obtaining party status, persons should promptly request addition to the "Information Only" category as described above; they will be removed from that category upon obtaining party status.*

**10. Subscription Service**

Persons may monitor the proceeding by subscribing to receive electronic copies of documents in this proceeding that are published on the Commission's

website. There is no need to be on the official service list in order to use the subscription service. Instructions for enrolling in the subscription service are available on the Commission's website at <http://subscribecpuc.cpuc.ca.gov>.

#### **11. Public Advisor**

Any person or entity interested in participating in this rulemaking who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor in San Francisco at (415) 703-2074 or (866) 849-8390 or e-mail [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov). The TTY number is (866) 836-7825.

#### **IT IS ORDERED** that:

1. In accordance with Rule 6.1 of the Rules of Practice and Procedure, the Commission institutes this rulemaking on its own motion to continue its efforts to ensure the availability of reliable and cost-effective electricity supply in California through implementation and administration of, and refinements to, its resource adequacy program. As indicated in Rule 6.1, this proceeding may result in the adoption, repeal, or amendment of rules, regulations, and guidelines that constitute the resource adequacy program, and may modify prior Commission decisions pertaining to the resource adequacy program that were adopted by rulemaking.

2. Comments on the preliminary determinations of category, need for hearing, scope of issues and schedule may be filed and are due by October 30, 2017, and replies to such comments may be filed and are due by November 9, 2017.



3. The Executive Director shall cause this Order Instituting Rulemaking to be served on the service list for Rulemaking 14-10-010.

This order is effective today.

Dated September 28, 2017, at Chula Vista, California.

MICHAEL PICKER  
President  
CARLA J. PETERMAN  
LIANE M. RANDOLPH  
MARTHA GUZMAN ACEVES  
CLIFFORD RECHTSCHAFFEN  
Commissioners