

**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 Procurement Obligations

R.11-10-023
(Filed October 20, 2011)

**INITIAL COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY
(U 39 E) ON THE RULEMAKING**

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Dated: November 7, 2011

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Pursuant to the schedule set forth in the October 20, 2011, Order Instituting Rulemaking (OIR) establishing this proceeding, Pacific Gas and Electric Company (PG&E) provides these initial comments addressing the issues to be considered in this proceeding and PG&E's perspective on their relative priorities.

In these comments PG&E also recommends that the scoping memo in this proceeding include the following milestones in its phase 1 schedule:

1. a deadline for parties to serve any concrete recommended modifications to the California Public Utilities Commission's (Commission) resource adequacy program that fall within the scope set by the scoping memo for phase 1 of this proceeding;
2. a deadline for other parties to respond to the proposed modifications;
3. dates for workshops and/or evidentiary hearings, as is determined to be appropriate; and
4. dates for opening and reply post-workshop comments on the proposed modifications.

I. With The Exception Of The “Non-Generic Capacity Procurement” Topic, Which PG&E Recommends Be Addressed In A Separate Rulemaking, PG&E Has No Objection To Consideration Of The Appendix A Topics In This Proceeding

With one exception, PG&E has no objection to the consideration in this proceeding of the topics identified in Appendix A of the OIR. In Section III of these comments PG&E recommends a prioritization of the issues, including the additional topics PG&E identifies in Section II.B below.

PG&E’s one concern with the list of topics in Appendix A is with item 5., the non-generic capacity procurement requirement process. PG&E recommends that this topic be addressed in a separate OIR. It is too large an issue to be adequately evaluated during the relatively short period of time allocated for the workshop and comment process in a phase of this OIR. The issue is an important one, driven by the increasing penetration of intermittent generation sources in the resource mix.

The CAISO has indicated that it intends to explore, in a stakeholder process, development of a mechanism for the CAISO to forward procure “flexible” capacity for system reliability purposes.^{1/} If not well coordinated, future CAISO and Commission processes may overlap and be duplicative, resulting in costly and inefficient procurement of flexible capability. PG&E recommends the scope of the new, separate OIR include the development of a guiding framework on how resource adequacy and flexibility capacity will be procured by Commission and CAISO processes to ensure there is sufficient, but not duplicative, procurement of flexible capability.

II. PG&E’s Proposed Additional Topics

PG&E proposes that a number of resource adequacy topics be considered in this rulemaking. While the first set of items listed below may already be captured by Appendix A of the OIR, PG&E is calling them out separately to ensure they are identified. The second set of topics are in addition to those reflected in Appendix A.

^{1/} October 11, 2011, CAISO Renewable Integration Roadmap, p. 11-12.

A. Resource Adequacy Issues That May Already Be Reflected In Appendix A Of The OIR

1. Resource Adequacy For “Behind The Meter” Generation

This proceeding should review, and possibly update, how “behind the meter” generation should be counted for resource adequacy purposes. Alternatives to subtracting “behind the meter” generation from load should be considered to estimate the resource adequacy contribution of “behind the meter” generation. This item may already be captured by item 8 of Appendix A, which covers resource adequacy topics associated with distributed generation.

2. Use Of Effective Load Carrying Capacity For Wind And Solar Powered Generation

Section 399.26(d) of the Public Utilities Code states that the Commission shall determine the effective load carrying capacity (ELCC) of wind and solar energy resources on the California electrical grid, and use these values in establishing the contribution of wind and solar energy resources toward meeting resource adequacy requirements.

The planned additions of wind and solar generation require the resource adequacy value of these resources be adjusted from time to time to reflect the composition of the resource fleet, the hours of need, and the resulting contribution to system reliability of wind and solar resources. In particular, the resource adequacy value of wind and solar resources may vary relative to their penetration, or the amount already in the state’s resource fleet. As a result, the net qualifying capacity of solar and wind resources should be updated from time to time based on the ELCC approach to properly capture the planned changes in the state’s resource fleet. This requirement should be addressed in this proceeding. This item may already be captured by item 9 of Appendix A, which covers resource adequacy topics associated with increased levels of renewable generation on the system.

B. New Topics PG&E Proposes Be Included In This Rulemaking

1. Dynamic Pricing Program Hours and Resource Adequacy for 2013

In D.11-06-022 the Commission approved PG&E receiving full resource adequacy value for its dynamic rate programs in 2012 even though the operating hours for these programs are 2 p.m. to 6 p.m., rather than the required 1 p.m. to 6 p.m. The decision also requires PG&E to “propose changes to the current large commercial and industrial and agricultural customers PDP [Peak Day Pricing] operational period of 2 p.m. to 6 p.m. to 1 p.m. to 6 p.m. in its 2012 Rate Design Window (RDW) application. PDP for other customer classes that has not been implemented should comply with the new measurement hours in 2013.”^{2/}

As ordered, PG&E will propose changes to comply with these operational hours in the 2012 RDW application, but PG&E is concerned that Commission approval may not be received in time for implementation in 2013. Therefore, PG&E requests that it be granted a conditional exemption, to be allowed to continue to count dynamic rates for full resource adequacy value for 2013, if PG&E does not receive Commission authorization to shift the dynamic rate operating hours in time for implementation in 2013. If the shift is authorized in time to allow for implementation for 2013, no exemption will be necessary.

2. Resource Adequacy Non-Availability Charges on Excess Reserves

Currently a resource adequacy unit could be subject to the CAISO’s resource adequacy non-availability charges even though the load serving entity associated with the unit provided more than its resource adequacy obligation in a given month. To minimize exposure to these charges, load serving entities may not make all of their resource adequacy units available for resource adequacy.

To encourage load serving entities to make all capacity available for resource adequacy,

^{2/} D.11-06-022, p. 60.

PG&E proposes that this proceeding consider modification of the resource adequacy program so that resource adequacy non-availability charges are not charged to the extent a load serving entity's excess resource adequacy reserves cover the forced outages that would be subject to non-availability charges.

3. Centralized Database To Record Resource Adequacy Purchases and Validate Resource Adequacy Compliance

PG&E proposes that this proceeding consider the establishment of a centralized database to record all suppliers' and load serving entities' purchases and sales of resource adequacy capacity, and to validate all load serving entities' resource adequacy compliance. In recent years, the Energy Division has worked closely with load serving entities to develop a more efficient and effective compliance filing process, including redesigning the compliance templates, holding workshops to solicit stakeholders input, and reevaluating filing procedures. However, completing and submitting the compliance templates remains essentially a manual process, which can be error prone.^{3/} Reconciling reporting errors can take a substantial amount of time by all parties and at times lead to differing conclusions on whether a load serving entity has met its procurement obligations. A centralized database, maintaining a record of both load serving entity resource adequacy obligations, and all parties' resource adequacy resource purchases and sales, would allow automation of resource adequacy compliance reporting, which would greatly reduce and potentially eliminate reporting errors associated with the current process. This would lead to a more efficient and effective process for all parties involved.

III. Proposed Topics To Be Addressed In Phase 1

As discussed above, PG&E recommends that the non-generic capacity procurement requirement topic be moved to its own rulemaking. PG&E recommends that the following

^{3/} The Energy Division reported in the 2010 Resource Adequacy Report, April 22, 2011, that "Although 2010 saw a large improvement in the quality of the RA filings, recurrent minor errors still consume staff time and delay the processing of filings." (p. 31)

topics be included in phase 1 of this proceeding.

- The local procurement obligations for 2013;
- Distributed generation resource adequacy issues (item 8 of Appendix A to the rulemaking, including item 1 from Section II.A, above). PG&E suggests that the appropriate timing for any action regarding resource adequacy issues for generators interconnecting under Rule 21, currently at issue in the Distributed Generation Interconnection proceeding, R.11-09-011, should be coordinated with the identification of any RA eligibility rules that cover distributed generation in this proceeding;
- Renewable generation resource adequacy issues (item 9 of Appendix A, including item 2 of Section II.A, above);
- PG&E's conditional exemption from the operational hours requirement for dynamic pricing programs (item 1 of Section II.B, above);
- PG&E's resource adequacy non-availability charge proposal for excess resource adequacy resources (item 2 of Section II.B, above); and
- PG&E's centralized database proposal (item 3 of Section II.B, above).

IV. Recommended Milestones For The Phase 1 Workshop and Comment Process

As indicated above, PG&E recommends a number of issues for consideration in phase 1 of the proceeding. It is important to have an established schedule for the evaluation of these to help ensure that they are fully vetted and evaluated within the short window allowed for the phase 1 workshop and comment process.

The schedule for determining local procurement obligations is fairly well established, and (as noted in the OIR) is set by the CAISO in any event.

As for the remainder of phase 1, the OIR states that the phase 1 workshop and comment process, except for local capacity requirement issues, is to begin in November of this year and end in March of next year. The scoping memo should provide additional specificity to the schedule for phase 1.

PG&E proposes the following additional milestones for phase 1, excluding the local capacity requirement issues:

Date	Event
December 9, 2011	Scoping Memo Issued
January 13, 2012	Specific proposals served on parties
January 27, 2012	Comments on proposals served on parties
February 6-10, 2012	Workshops on proposals
March 9, 2012	Comments on proposals filed with Commission
March 30, 2012	Reply comments on proposals filed with Commission

In particular, it is important that parties requesting changes to the current resource adequacy program be required to provide specific, concrete proposals of the specific changes they are recommending. A level of specificity is important to ensure that any issues associated with those proposed changes are fleshed out through the workshop and comment process. This, in turn, will allow the Commission to make informed decisions on the proposed changes.

Respectfully Submitted,

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By: _____ /s/
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