

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.

Rulemaking 11-10-023
(Filed October 20, 2011)

**CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES
PROPOSAL ON PHASE 1 ISSUES**

January 13, 2012

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits its Proposal on Phase 1 issues in Rulemaking (R.) 11-10-023 (Resource Adequacy (RA)). This Proposal is timely filed and served pursuant to the Commission's Rules of Practice and Procedure and the Phase 1 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge ("Scoping Memo") issued in R.11-10-023 on December 27, 2011.

SCOPING MEMO INSTRUCTIONS

While directions for today's filing by parties was limited in the Scoping Memo, the "Phase 1 Schedule" at page 8 provides for parties to "file proposals on Phase 1 issues" on January 13, 2012.¹ In its Ruling No. 4, the Scoping Memo provides: "The schedule for the Phase 1 of this proceeding is as stated." In terms of what such "proposals" should be, the Scoping Memo refers only to the Energy Division staff's preparation and issuance of a "staff proposal to improve implementation of the RA Program" that is to be issued "to parties on January 13, 2012."²

The Scoping Memo further advises that the Energy Division staff proposals will include, "at minimum," topics related to Qualifying Capacity (QC) rules for dynamically scheduled or pseudo tie resources, revisions to the maximum cumulative capacity (MCC) bucket percentages

¹ Scoping Memo, at p. 8.

² Scoping Memo, at p. 7.

and related policy changes, and changes to the rounding convention as adopted in Decision (D.) 07-06-029.³ The intent of these proposals is to “promote discussion of these topics at the scheduled workshops and allow subsequent comment by parties as per the schedule below.”⁴ In keeping with these basic directions, CEERT offers its Proposal on Phase 1 issues herein.

CEERT PROPOSAL ON PHASE 1 ISSUES

In its initial comments on R.11-10-023 filed on November 7, 2011, CEERT recommended that the scope of this proceeding include the following:

- “(1) This rulemaking should address the need to refine the current RA rules to appropriately count renewable resources for RA purposes. CEERT notes that it has long challenged the manner in which this Commission has determined qualifying capacity (QC) for intermittent resources for RA purposes. Today, CEERT still has pending an application for rehearing of Commission Decision (D.) 09-06-028 on that point, which, despite being filed more than two years ago, has still not been addressed or resolved by the Commission. This issue is even more important now as, in the coming years, variable renewable resources will become well over one half of the nameplate capacity of the State’s generation. The current RA rules must be refined to reflect this change.
- “(2) This rulemaking should address revisions to correct the RA program’s current, erroneous assumption that reliability is assured simply by focusing on maintaining a sufficient operating reserve margin during super peak hours of the year. The recent San Diego-wide area blackout graphically demonstrates the fallacy of this assumption.
- “(3). This rulemaking should reverse the longstanding creation of RA program rules on a retrospective, instead of prospective, basis. The ‘once Resource Adequate, always Resource Adequate’ dictum means that scarce transmission capacity is reserved even for resources that are sure to retire in the near future. The inevitable result is delay and cost increase in new renewable generation and/or surplus transmission sited in the wrong places, while other regions continue to suffer from a lack of transmission capacity needed for reliability and cost effective new generation interconnection.”⁵

In reviewing the Scoping Memo, it appears that these issues might be addressed in Phase 1 in the context of Issue 2 (“Refinements to the Resource Adequacy Program”), subpart g.

³ Scoping Memo, at p. 6.

⁴ Scoping Memo, at p. 6.

⁵ CEERT Initial Comments, at p. 3.

(“Update Resource Adequacy rules to account for differences in procurement due to the 33% Renewable Portfolio Standard [RPS] requirement, the electrical system’s operational needs, and related issues.”)⁶ However, the Scoping Memo’s description of Phase 2 to include consideration of potentially longer term RA issues (i.e., rules related to generation interconnection) could also extend to the issues identified by CEERT.

In these circumstances, CEERT continues to urge that the Commission in both Phase 1 and Phase 2 recognize that, while RA has been a retrospective process, this approach must be modified in the face of implementation of the 33% RPS, which requires a prospective view of a radically different future resource portfolio. Thus, while RA starts with the assumption that the generation portfolio is static, that assumption should be changed to recognize that significant retirements or reductions of out-of-state coal imports will occur, and these retirements will free up transmission capacity that needs to be assigned to new renewable resources that overwhelmingly constitute the interconnection queue.

CEERT, therefore, proposes that the Phase 1 Workshops identify and include consideration of the impact of the “retirement” of out of state coal imports resulting from implementation of Senate Bill (SB) 1368 on recent additions or improvements to the transmission network. Since a significant fraction of the relatively recently built transmission network was built to allow these imports, the impact of the reduction in those imports on maximum import capability (MIC) designations for the next 2 to 3 years needs urgent consideration.

CONCLUSION

CEERT looks forward to participating in the Phase 1 Workshops. To meet the Scoping Memo’s goal of “improv[ing] implementation of the RA Program” starts with ensuring timely

⁶ Scoping Memo, at pp. 2, 5.

consideration of the impact of the changes in California’s generation portfolio that will result from out-of-state coal resource “retirement” coupled with “the 33% Renewable Portfolio Standard requirement.”⁷

Respectfully submitted,

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⁷ Scoping Memo, at pp. 5, 7.