

**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)

**COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
ON THE PROPOSED DECISION**

CHARLES R. MIDDLEKAUFF
MARK R. HUFFMAN

Pacific Gas and Electric Company
77 Beale Street
PO Box 7442
San Francisco, CA 94120
Telephone: (415) 973-3842
Facsimile: (415) 973-0516
E-Mail: MRH2@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: June 11, 2012

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Pursuant to Article 14 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) files its comments on the May 22, 2012, Proposed Decision of Administrative Law Judge (ALJ) David M. Gamson (PD).

In general, PG&E supports the PD, and supports the PD's proposal to begin to evaluate a flexible capacity framework for Resource Adequacy (RA) in this proceeding in the near future. While PG&E believes it is reasonable to target adoption of the framework by the end of 2012, PG&E is concerned that it may not be realistic to fully implement a flexible capacity RA program in time for 2014.

PG&E recommends three modifications to the PD. First, PG&E requests that the PD be modified to grant an exemption to allow PG&E's "Aggregator Managed Portfolio" demand response program to be counted toward PG&E's local resource adequacy requirements for 2013 in each local area to the extent that the contracts provide demand response within that local capacity area, even if the new AMP contracts cannot be dispatched locally. PG&E anticipates that it will be able to dispatch its "Capacity Bidding" and "Demand Bidding Programs" locally by May 1, 2013, as required by the PD.

Second, PG&E proposes that the PD be modified so that it does not mandate implementation of a separate "Maximum Cumulative Capacity" bucket for demand response

programs in this proceeding, as no detailed proposal has been presented for evaluation.

Third, PG&E requests that in light of the potentially significant revisions to the RA framework to incorporate flexible capacity requirements that may be upcoming, the PD be modified to not adopt a coincident peak adjustment factor to be used to establish load serving entities' (LSEs) RA obligations.

I. DISCUSSION

A. Flexible Capacity Issues

PG&E supports the PD's goal of addressing flexible capacity issues in a timely fashion. PG&E believes a significant amount of work is needed to define the appropriate flexibility metrics and establish the mechanism for accounting for the flexibility needs. Work needs to start immediately to determine this mechanism. However, PG&E is concerned that the PD sets a goal of implementation of a flexibility requirement for the 2014 RA showing. Requiring procurement of flexible capacity for 2014 that may not be needed could increase costs for consumers. Nonetheless, it is prudent to begin the design process for a flexibility showing, so that when the need for flexibility has been clearly demonstrated, each LSE's obligations will be definitive.

More generally, the PD notes the overlap between the upcoming consideration of flexible capacity RA requirements in this proceeding, and the evaluation of flexible capacity needs in the 2012 LTPP. (*See, e.g.*, PD, p. 13.) PG&E sees significant overlap as well, and encourages close coordination between the two proceedings. In particular, the Commission should be open to taking advantage, in this proceeding, of any information developed in the LTPP proceeding this year that can help to inform the development of a flexible capacity resource adequacy framework.

B. Demand Response Local Dispatchability Issues

In its April 11, 2012 post-workshop comments (p. 11), PG&E requested an exemption from the requirement in D.11-10-003 that all demand response resources (not including Dynamic Rate programs) must be capable of being dispatched locally by 2013 in order to receive local

resource adequacy credit. PG&E requested an exemption from this requirement for its Capacity Bidding Program (CBP), its Demand Bidding Program (DBP), and its Aggregator Managed Portfolio (AMP) for 2013. In the PD, the Commission appears to partially grant PG&E's request when it directs PG&E to implement local dispatchability for the CBP, DBP and AMP by May 1, 2013. (PD, Ordering Paragraph 10.)

1. Local Dispatchability Of AMP Contracts

PG&E does not yet know whether it will be able to implement local dispatchability for its AMP contracts in 2013. In D.12-04-045, the Commission gave PG&E the option to renegotiate its existing AMP contracts for 2013-2014, or to issue a new Request for Proposal (RFP) seeking new AMP contracts. PG&E subsequently issued a new RFP, which included a request for proposals for resources that can be locally dispatchable to the extent they are located within a local capacity area.

The winning offers will not be finalized until August 2012, so it will not be evident until then whether any locally-dispatchable demand response will be possible at all, and if so whether it will be available at a price consistent with the Commission's demand response cost-effectiveness standards approved in D.12-04-045.

If any of the selected bids contain an option for local dispatchability, PG&E and the winning bidder(s) will not know whether the contract(s) are approved until the Commission issues a decision on PG&E's September 7, 2012 application requesting approval of the selected bids.¹ A final decision on the application may come after the October filing date for the 2013 resource adequacy compliance filing, and perhaps as late as the end of 2012.

If any of the contracts that are approved by the Commission contain provisions for local dispatchability, PG&E will make every effort to ensure that these provisions are implemented,

¹ Ordering Paragraph 15 in D.12-04-045 authorized PG&E to issue a new RFP for its AMP program for 2013-2014 and ordered PG&E to submit its selected winning contracts to the Commission via application by September 7, 2012.

consistent with the schedule put forth by the selected winning bidder(s).

However, in light of the uncertainties currently surrounding PG&E's AMP contracts, PG&E requests that the PD be modified to grant an exemption to PG&E to have the AMP contracts continue to count for local capacity resource adequacy requirements in 2013 in each local area to the extent that the contracts provide demand response within that local capacity area, even if the new AMP contracts cannot be dispatched locally.

2. Local Dispatchability Of CBP And DBP

PG&E's intent when it requested an exemption was to postpone the local dispatchability requirement for CBP, DBP and the AMP until 2014. However, since requesting this exemption in its April 11 post-workshop comments, PG&E has determined that it expects to be able to implement local dispatchability for its CBP and DBP by May 1, 2013, consistent with D.11-10-003. (D.11-10-003, p. 1a.)

C. Modifications To The Maximum Cumulative Capacity Bucket Requirements, Including Establishment Of A Separate "MCC" Bucket For Demand Response

In the PD, the Commission proposes to add a Maximum Cumulative Capacity (MCC) bucket for demand response explicitly designed to allow demand response resources to contribute to RA as supply side resources. (PD, p. 14). There are a number of outstanding questions that should be answered before an MCC bucket for demand response is adopted. In the absence of a detailed proposal, it does not make sense to add a demand response-specific MCC bucket to the resource adequacy rules at this time. At a minimum, parties should be given an opportunity to consider and comment on a comprehensive Energy Division proposal, and to have any concerns addressed in a Commission decision. Under the PD, this would not occur. Therefore, PG&E requests that the PD be modified to remove the mandated implementation of a demand response-specific MCC bucket. If the Commission determines that the development of such an MCC bucket should be considered again, this topic should be moved to phase 2 of this proceeding, where DR can be considered in the context of the more significant modification to

the RA requirements to incorporate operational flexibility requirements.

D. Coincident Adjustment Factor

PG&E does not support the PD's adoption of the Alliance for Retail Energy Market's (AReM) proposal to modify the peak coincident factors. Given the need to incorporate operating flexibility into the RA requirement, it seems premature to change the peak coincident factor at this point. As indicated in Energy Division's March 23, 2012 report on the January 26 - 27, 2012 Resource Adequacy Workshops, "[r]ecent studies have indicated that reliability risk will soon be detached from peak load conditions and might occur more during off-peak months and during periods of ramping, such as when the wind ramps down in the morning at the same time as the load ramps up."² Therefore, changing an LSE's responsibility for RA requirements to reflect coincidence (or lack of it) with this single peak metric seems premature at this point.

Respectfully Submitted,

CHARLES R. MIDDLEKAUFF
MARK R. HUFFMAN

By: _____ /s/
MARK R. HUFFMAN

Pacific Gas and Electric Company
77 Beale Street
PO Box 7442
San Francisco, CA 94120
Telephone: (415) 973-3842
Facsimile: (415) 973-0516
E-Mail: mrh2@pge.com

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

² March 23, 2012, Workshop Report, p. 5.

Proposed Findings of Fact, Conclusions of Law, And Ordering Paragraphs

Findings of Fact

~~6. An average coincidence factor across all customer classes hides certain cost differences among classes and LSEs.~~

~~7. An LSE specific coincidence adjustment factor for hourly RA and an ESP composite coincidence factor for monthly RA more accurately allocates RA costs.~~

Conclusions of Law

6. It is **not** reasonable to adopt a coincidence adjustment factor which includes an LSE-specific coincidence adjustment factor for hourly RA and an ESP composite coincidence factor for monthly RA **at this time, in light of the potentially significant revisions to the RA program that will be considered in the near future.**

ORDER

IT IS ORDERED that:

~~4. The resource adequacy program shall be modified so that the coincidence adjustment factor uses a load service entity specific coincidence adjustment factor for annual resource adequacy requirements, and an energy service provider composite coincidence factor for monthly resource adequacy requirements, as follows:~~

~~Annual Resource Adequacy Requirements—The California Energy Commission will calculate a Load Serving Entity specific coincidence adjustment factor using Load Serving Entity hourly loads; and~~

~~Monthly Resource Adequacy Requirements—The California Energy Commission will calculate an Electric Service Provider composite coincidence factor, which would be applied to each Electric Service Provider's migrating load for the month; migrating load for community choice aggregators would be treated separately.~~

7. Energy Division shall update the percentages used for the Maximum Cumulative Capacity Buckets to reflect more current load shapes, ~~and to add a bucket specifically for Demand Response resources,~~ and to implement this via the Energy Division's Resource Adequacy template.

10. Pacific Gas and Electric Company's Aggregator Managed Program, Capacity Bidding Program and Demand Bidding Program shall be counted for Resource Adequacy in the 2013 Resource Adequacy compliance year. **These PG&E's Capacity Bidding and Demand Bidding**

programs must be locally dispatchable by May 1, 2013. **The Aggregator Managed Portfolio must be locally dispatchable to the extent that any contracts in PG&E's September 7, 2012 application that are approved by the Commission allow for local dispatchability.**
