

**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)

**RESPONSE OF THE
ALLIANCE FOR RETAIL ENERGY MARKETS
AND MARIN ENERGY AUTHORITY
TO THE MOTION OF PACIFIC GAS AND ELECTRIC COMPANY**

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Date: October 5, 2012

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Pursuant to Rule 11.1(e) of the Rules of Practice and Procedure of the California Public Utilities Commission, the Alliance for Retail Energy Markets¹ (“AReM”) and Marin Energy Authority² (“MEA”) respectfully submit this response to the motion of Pacific Gas and Electric Company (“PG&E”) submitted September 20, 2012, which requests to move three issues from Track 3 of the Long -Term Procurement Plans (“LTPP”) proceeding, Rulemaking (“R.”) 12 -03-014, to this Resource Adequacy (“RA”) proceeding (“Motion”). For the reasons discussed below, AReM and MEA support PG&E’s Motion.³

I. DESCRIPTION OF MOTION

PG&E’s brief Motion requests that the Commission move three issues from Track 3 of the LTPP to this RA proceeding. The identified Track 3 issues address flexible resources, new

¹ AReM is a California non -profit mutual benefit corporation formed by electric service providers that are active in California’s direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

² MEA is the not -for-profit public agency that administers the Marin Clean Energy community choice aggregation (“CCA”) program. MEA launched electricity service to customers in May 2010. It is the first operating CCA program in the state of California.

³ In a separate response filed today regarding PG&E’s separate LTPP motion in the LTPP proceeding, R.12 -03-014, AReM and MEA join with the Direct Access Customer Coalition in strongly opposing PG&E’s request to delay Track 3 in the LTPP proceeding, but support PG&E’s request to move the identified LTPP Track 3 issues to this RA proceeding.

market products of the California Independent System Operator (“CAISO”), and multi-year forward procurement requirements, as follows:

1. Flexible resources procurement and contract policies;
9. Policies related to ISO new markets and market products, including flexi-ramp products and intra-hour products;
12. Multi-year forward procurement requirements.⁴

PG&E also requests that the topics of a “multi-year procurement requirement and associated procurement rule issues” be addressed in the RA proceeding along with consideration of characteristics needed to qualify as “flexible resources.”⁵ In support of its Motion, PG&E argues that “[t]here appears to be emerging consensus ... that the current one-year, forward [RA] program should be improved in at least two aspects,” namely to take into account flexibility of the resource and to extend the RA program to a multi-year timeframe.⁶ PG&E states that the two issues are “too closely related to be artificially separated” and, because the Commission is already addressing “flexibility” in the RA proceeding, both issues should be considered together in the RA proceeding for “administrative efficiency.”⁷

II. RESPONSE

AReM and MEA do not oppose addressing the identified LTPP issues in this RA proceeding to be considered as part of the ongoing refinement of the RA program applicable to all load-serving entities (“LSEs”).

⁴ PG&E Motion, pp. 1-2.

⁵ PG&E Motion, heading, p. 2.

⁶ *Ibid.*

⁷ PG&E Motion, pp. 2-3.

In particular, AReM and MEA support addressing flexible resources and multi-year procurement for the RA program in this RA proceeding. AReM previously recommended this approach and requested that the Commission consider in this RA proceeding the full range of flexible capacity issues, including the characteristics of the operational attributes being sought, the definition of any procurement requirements, the determination of each LSE's obligation, and whether flexible capacity requirements should be embedded in RA requirements or addressed solely through the ancillary service markets.⁸ AReM also previously supported considering multi-year RA procurement for LSEs in this proceeding, while noting the need for commercial viability of any such obligation and a preference for a centralized capacity market.⁹ The LTPP proceeding has traditionally been directed toward utility procurement and obligations, whereas RA applies to all LSEs alike -- utilities, electric service providers ("ESPs"), and community choice aggregators ("CCAs"). Thus, the RA proceeding is the appropriate proceeding in which to address refinements to the RA program applicable to all LSEs.

AReM and MEA also agree that the current consideration of these topics in both the LTPP and RA proceedings is suboptimal and could significantly disadvantage ESPs and CCAs, especially if the outcome results in additional Commission-ordered IOU procurement in the LTPP with capacity costs recovered through the cost allocation mechanism ("CAM") coupled with new multi-year RA procurement obligations for ESPs and CCA in this RA proceeding.

Therefore, AReM and MEA agree with PG&E that these issues should be addressed in this proceeding. However, PG&E also states that there is an "emerging consensus" for a multi-year RA procurement obligation for LSEs and that flexible resources and a multi-year

⁸ *Reply of the Alliance for Retail Energy Markets to Comments on Phase 1 Resource Adequacy Proposals*, R.11-10-023, April 20, 2012, pp. 6-7.

⁹ *Ibid*, pp. 7-8.

procurement obligation are “closely related.” AReM and MEA would agree that the issues of flexible resources and a multi -year RA obligation are closely related, but there is nothing in the record yet to suggest that there is emerging consensus on whether and how to effectively modify the RA program to accommodate the changing needs of the electric grid. As noted above, these issues require a thorough vetting and careful analysis to ensure that market design changes are consistent with competitive wholesale and retail markets, and provide price transparency and appropriate incentives for the development of products and services that support renewable integration.

Accordingly, AReM and MEA respectfully request that the Commission approve PG&E’s Motion and address the topics of flexible resources and multi -year procurement in this RA proceeding.

III. CONCLUSION

AReM and MEA support addressing the three Track 3 LTPP issues as well as flexible resources and multi-year procurement in this RA proceeding and respectfully request that the Commission clarify the scope of the RA and LTPP proceedings as needed to implement that change.

Respectfully submitted,



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