

**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  
TO THE SUPPLEMENT TO  
PACIFIC GAS AND ELECTRIC COMPANY'S  
PETITION TO MODIFY DECISION 12-06-025**

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**ALLIANCE FOR RETAIL ENERGY MARKETS**

Date: November 30, 2012

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In accordance with Rule 16.4(f) of the Commission's Rules of Practice and Procedure, the Alliance for Retail Energy Markets ("AReM")<sup>1</sup> submits this response to the supplemental filing made of Pacific Gas and Electric Company ("PG&E") on November 21, 2012, with respect to its July 31, 2012 petition to modify Decision ("D.") 12-06-025.

**I. INTRODUCTION**

In the aforesaid petition, PG&E requests modification of "the existing timeline for the monthly resource adequacy ["RA"] submissions that Commission-jurisdictional load serving entities (LSEs) are required to make to the Commission"<sup>2</sup> so that the Commission's RA submissions timeline matches the new timeline that the California Independent System Operator ("CAISO") had said it intended to implement in connection with its replacement requirement for scheduled generation

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<sup>1</sup> AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the 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.

<sup>2</sup> PG&E Petition at 2

outages. As PG&E explained in the petition, the CAISO's Board of Governors had authorized the filing of tariff amendments with the Federal Energy Regulatory Commission ("FERC") that would require LSEs to submit preliminary month-ahead RA plans to the CAISO on the 45th day before the first day of each month. PG&E further explained that, under the Commission's current RA program rules, LSEs are required to submit month-ahead RA compliance reports on the 30th day before the first day of each month. PG&E's specific request is that the timeline for the submission of month-ahead RA compliance reports to the Commission be revised to match that of the CAISO, such that the month-ahead RA compliance reports filed with the Commission are likewise due on the 45th day before the first day of each month. PG&E did not, however, request any corresponding adjustments to the other dates associated with the monthly RA allocations, compliance and verification process.

On August 30, 2012, AReM filed a timely response urging the Commission to deny PG&E's petition on the grounds that (i) the petition was premature as the CAISO had not filed any tariff amendments with FERC; (ii) there is no compelling need for the CAISO and Commission RA submission timelines to be identical; and (iii) the petition is procedurally improper and does not comport with the Commission's Rules of Practice and Procedure. AReM pointed out further that if the Commission was inclined to grant PG&E's petition, it would need to address additional issues associated with the month-ahead RA allocations and compliance process.

In the supplement to its petition, PG&E reports that FERC issued an order on November 19, 2012, approving the CAISO's proposed tariff revisions (with modifications unrelated to the revised RA submission timeline described above), effective November 20, 2012. PG&E therefore requests that the Commission "act on PG&E's petition at this time, and that D.12-06-025 be modified

to adopt the changes to the Commission's monthly resource adequacy timelines described in more detail in PG&E's July 31, 2012, petition..."<sup>3</sup>

## **II. RESPONSE**

AReM remains opposed to PG&E's request to change the timeline for the submission of month-ahead RA compliance reports to the Commission.

PG&E did not identify any compelling reason in its petition for why the Commission's timeline for month-ahead RA compliance showings needs to match the CAISO's new monthly RA plan submission timeline. As AReM explained in response to the petition, the purpose behind the CAISO's new requirement for LSEs to submit monthly RA plans 45 days before the beginning of each month is to allow the CAISO to initiate its evaluation as to whether the supplier of RA capacity an LSE intends to use for the coming month has scheduled an outage, thereby requiring replacement of the capacity that was not addressed in the LSE's RA plan.<sup>4</sup> The Commission's requirement monthly RA compliance showings to be filed 30 days ahead of the beginning of each month serves an entirely different purpose: it allows the Commission to determine whether an LSE has contracted for adequate System and Local RA capacity to meet the Commission's defined RA requirements. Since the Commission's review of month-ahead RA compliance reports does not include an evaluation of the CAISO's outage replacement requirements, there is no need to move the timeframe of the former to the CAISO's replacement requirement timeframe.

PG&E has not presented any new information in the supplement to its petition that would cause AReM to change its position. If the Commission nevertheless considers granting the

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<sup>3</sup> PG&E Supplemental Filing at 2-3.

<sup>4</sup> Once that evaluation is complete, the CAISO will notify the LSE if replacement is necessary. If so, the LSE will have until 10 days before the beginning of the month to have secured the necessary replacement capacity, unless excused by the CAISO.

petition, such that LSEs are required to file their month-ahead RA compliance reports with the Commission 45 days before the beginning of the month (i.e., 15 days earlier than currently required), the Commission must also ensure that the provision of RA forecasts, adjustments for load migration, RA capacity credits and compliance templates are also accelerated by the same 15-day increment. In particular, it is critical that the timeframe for the provisions of RA capacity credits to LSEs be likewise adjusted, as such allocations directly affect an LSE's RA requirements and procurement needs. If such credits are provided too late in the monthly process, LSEs may over- or under procure, thereby creating inefficiencies and potentially higher costs for their customers.

Moreover, as the Commission is well aware, the procurement of RA capacity in one-month increments can be very difficult, especially when the large utilities wait until the last minute to make excess RA capacity in their portfolios available for sale to other LSEs. Requiring a 45-day ahead showing with other steps in the monthly RA process left unmodified, as PG&E proposes, would compress the time schedule even further, thereby exacerbating these problems and increasing the inherent market power enjoyed by the utilities.

To avoid this problem if it grants PG&E's petition, the Commission should also (a) modify the timeline for all the monthly RA steps, including provision of RA credits, revised load and monthly templates; and (b) refrain from implementing the new timeframe until it has received assurances from the California Energy Commission ("CEC") that it can and will evaluate the LSEs' forecasts earlier and that the Commission Staff can and will produce the RA templates, with the RA allocations, earlier as well.

### III. CONCLUSION

For the above reasons, AReM continues to urge the Commission to deny PG&E's petition to modify D.12-06-025. If the Commission nevertheless considers granting PG&E's petition, AReM respectfully requests that the Commission address the additional issues AReM has identified with respect to the month-ahead RA allocations and compliance timeline.

Respectfully submitted,



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