

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)

CLEAN COALITION'S COMMENTS ON DECEMBER 6, 2012 PHASE 2 SCOPING MEMO
AND ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE RULING

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Pursuant to the December 6, 2012 Phase 2 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge and revised filing date issued by Administrative Law Judge Gamson by email on December 19, 2012, the Clean Coalition respectfully submits the following comments on Attachment A, the Joint Parties Proposal on Flexible Resource Adequacy.

I. Introduction

The Clean Coalition is a California-based nonprofit organization whose mission is to accelerate the transition to local energy systems through innovative policies and programs that deliver cost-effective renewable energy, strengthen local economies, foster environmental sustainability, and enhance energy security. To achieve this mission, the Clean Coalition promotes proven best practices, including the vigorous expansion of Wholesale Distributed Generation (WDG) connected to the distribution grid and serving local load.

The Clean Coalition drives policy innovation to remove major barriers to the procurement, interconnection, and financing of WDG projects and supports complementary Intelligent Grid (IG) market solutions such as demand response, energy storage, forecasting, and communications. The Clean Coalition is active in numerous proceedings before the California Public Utilities Commission and other state and federal agencies throughout the United States, in

addition to work in the design and implementation of WDG and IG programs for local utilities and governments. The Clean Coalition is highly sensitive to the need to strengthen the grid in tandem with increased intermittent renewable generation and seeks to discuss how the Joint Parties' Proposal may impact the future market for clean, local energy.

II. Comments on Selected Questions from Attachment B of the Scoping Memo

2. ***This proposal attempts to address reliability risk by recommending that the CPUC establish a monthly interim flexible capacity obligation that is based on the ISO's identified flexible capacity needs.***
 - a. *Identify the key tasks required to implement this proposal. Propose the order in which they should be addressed, and discuss whether they should be taken up simultaneously or sequentially.*

Clean Coalition has no comment at this time.

- b. *Can the difference between load and net-load be met partially by introducing curtailment provisions in renewable contracts (particularly solar resources)? What are the implications of doing so?*

Renewable curtailment could be viewed as another form of flexible capacity and be procured as such through incentives in renewable contracts. This would reduce ramping requirements in the system, especially for solar, and maintain the incentive to produce for renewable operators. This option should be compared to the price of procuring additional flexible capacity and should be closely integrated with available improvements in forecasting.

- c. *What are other options to alleviate the underlying reliability risk(s) (e.g. modified bidding behavior, incentives within procurement programs to procure resources that reduce identified reliability risks)? What are the benefits and drawbacks of addressing reliability risk by developing a flexible capacity obligation for LSEs relative to the alternatives?*

The Clean Coalition recognizes both the potential of California's pursuit of its renewable policy goals to create reliability challenges, and that renewable resources do not necessarily, inherently, or uniquely contribute to additional reliability needs. We agree that CAISO and the CPUC should be pursuing available solutions to minimize the impact of the growth of intermittent resources on the system. However, there are several alternatives to flexible capacity

procurement which may be more cost-effective and less detrimental to state policy goals and should be examined in detail before beginning a process which may have long-term impacts if it encourages the construction of additional 'flexible' generation from non-preferred resources. These include renewable curtailment, as described above, advanced inverters and energy storage systems which allow resources to better control their ramp rates, better forecasting and scheduling of weather-dependent resources, a new market for flexible ramping¹, and increased awareness of resources at the distribution level. Clean Coalition recommends that these alternatives be examined along with the determination of flexibility need that CAISO is undertaking for the flexible capacity proposal.

d. In addition to addressing reliability risk, does the flexible capacity obligation have other market impacts?

As written, the interim proposal may create a further incentive for thermal generation, as preferred resources would not be able to participate fully due to the lack of counting conventions. Seeking to ameliorate the conditions caused by preferred resources may end up disadvantaging them in seeking long-term contracts. The Clean Coalition encourages the CPUC to delay the interim process until the options for filling this need with preferred resources such as demand response and potentially energy storage have been examined through the stakeholder process, including the potential to aggregate multiple preferred resources to meet flexible capacity standards not achievable by individual resources or technologies.

Likewise, we continue to call for review of the defined requirements for flexible capacity, which appear overly modeled on traditional resource characteristics.

e. How does this type of proposal, as compared to others, satisfy the Guiding Principles as set forth in the August workshop? (See Draft Guiding Principles in the Appendix to these questions)

¹ <http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleRampingProduct.aspx>

Clean Coalition has no comment at this time.

3. *The proposed flexibility procurement initiative institutes an interim RA solution for 2014-2017. What are the anticipated impacts of an interim approach on resource adequacy contracts? What factors should the CPUC consider in deciding whether an interim approach is appropriate?*

The CPUC should consider that an interim approach may eventually become the default approach due to the difficulty of breaking contracts, policies and other agreements made during the interim period. An interim approach that is not carefully implemented may make it difficult to change the approach in the future. In addition, an interim approach creates uncertainty for participants, which may prevent the solution from being effective.

An interim approach which does not take into account preferred resources and other resources such as storage will also encourage the continuation of traditional resources and may delay the innovation and development of preferred resources for this purpose. The CPUC should consider whether this approach will slow the achievement of policy goals through the procurement of additional thermal generation. As such, we recommend pursuing the minimum necessary procurement until these issues are resolved.

4. *Should the flexible capacity start in 2014? Explain why or why not.*

According to the proposal, flexible capacity need is not expected to increase significantly until 2015.² CAISO has also created a proposal to procure backstop flexible capacity in the short term.³ The Clean Coalition believes it would be prudent to fully examine alternatives to flexible capacity procurement and develop counting conventions for demand response and storage resources and creating a fully fleshed out proposal for 2015. The Energy Storage proceeding (R.10-12-007) may produce insights that will assist in creating counting conventions for energy storage resources. It might also be advisable to wait for the resolution of the deliverability for

² Joint Parties' Proposal, page 5

³ <http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleCapacityProcurement.aspx>

distributed generation initiative to see how these resources could participate in providing flexible capacity.

10. According to the proposal, a resource must be able to ramp and sustain energy output for a minimum of three hours to qualify as flexible. Is this a suitable condition to determine eligibility for flexible resource? (Section 5.1) Please explain why or why not.

The Clean Coalition believes that there is no technical basis for this particular flexibility requirement. Three resources with one hour capacities can provide the same benefits as one resource with a three hour capacity aside from some administration costs. There are also flexibility needs which will not remain constant for three hours; these shorter term resources should be allowed to meet shorter term flexibility needs in addition to aggregating their abilities to perform for longer periods.

17. Should there be different qualitative and quantitative metrics of flexibility for demand response and storage resources?
a. If so, what characteristics or criteria could be used to quantify flexibility for storage devices and demand response?

Clean Coalition currently does not endorse a specific metric of flexibility for demand response or energy storage. We believe that developing an accurate counting mechanism should be a focus of the Resource Adequacy proceeding and examining how these fast responding, low emitting resources can contribute to meeting flexible capacity should be a top priority in discussions of flexible resource adequacy. Currently these resources are being required to conform to a counting mechanism with definitions based on thermal resources. If they can meet these, they will be allowed to participate. This is not technologically neutral and not applicable since this method requires a resource to have a Net Qualifying Capacity (NQC). Energy storage and demand response do not currently have NQCs, nor is energy storage designated as dispatchable by CAISO. Creating a proposal without addressing this issue will disadvantage these resources

for the near term and slow their adoption for this purpose when their fast response capability arguably makes them more suited to the task than other forms of generation.

III. Conclusion

The Clean Coalition appreciates this opportunity to provide opening comments on this proposal and looks forward to working with other stakeholders in the upcoming workshops.

Respectfully submitted,

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