

**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)

**AMENDED REQUEST FOR EVIDENTIARY HEARINGS OF  
SIERRA CLUB AND THE UTILITY REFORM NETWORK**

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Dated March 28, 2013

**AMENDED REQUEST FOR EVIDENTIARY HEARINGS  
OF SIERRA CLUB AND THE UTILITY REFORM NETWORK**

Pursuant to the direction of Administrative Law Judge David M. Gamson at the Prehearing Conference on March 20, 2013, the Sierra Club and The Utility Reform Network (“TURN”) (collectively “Requesting Parties”) submit this Amended Request for Evidentiary Hearings.

The Joint Parties’ and Energy Division proposals for a flexible capacity procurement mechanism contemplate significant and precedent-setting changes to the Commission’s existing Resource Adequacy program. On March 7, 2013, the Requesting Parties filed a Motion for Evidentiary Hearings due to concerns regarding the lack of a robust record upon which to base an informed decision on flexible capacity procurement and issues of material disputed fact that have not been meaningfully resolved through the workshop process. The California Independent System Operator (CAISO) has recently provided a revised analysis responsive to some of the Requesting Parties’ concerns and comments. However, the Requesting Parties’ concerns remain. Evidentiary hearings are required to provide a complete record and resolve remaining factual disputes prior to Commission consideration of a proposed flexible capacity procurement regime.

Transparency and informed deliberation have been significantly compromised in this proceeding due to ever-evolving assumptions and the trickled release of data and analysis supporting the Joint Parties’ and Energy Division proposals. The Joint Parties’ Proposal for Flexible Capacity Procurement originally submitted on October 29, 2012 included a “duck graph” that purported to show dramatic increases in flexible capacity needs with increased penetration of intermittent renewable resources. The Joint Parties’ Proposal contained no data

to support the “duck graph” or the extent to which existing supply of flexible resources would be sufficient to meet any increased need for flexible capacity. On December 26, 2012, the Sierra Club and Vote Solar jointly submitted extensive comments regarding both the potential overstatement of future flexibility need and understatement of the significant existing quantities of flexible capacity able to meet any future capacity need.<sup>1</sup> Likewise, in its December 26, 2012 comments, TURN pointed out the absence of data supporting CAISO’s estimates of flexible capacity need and supply.<sup>2</sup> These concerns were not adequately addressed at the January 23<sup>rd</sup> workshop. The CAISO also failed to provide complete underlying data and assumptions supporting its January 23<sup>rd</sup> slide presentation on flexible capacity procurement methodology. Shortly after the January workshop, both TURN and the Sierra Club submitted data requests to the CAISO with follow-up questions and a request for the data and assumptions supporting the CAISO’s conclusions on flexible capacity needs. Because CAISO was in the process of updating its analysis, a response to these data requests was not provided until the end of February. Moreover, because CAISO had still not completed updating its assumptions on future renewable deployment, even this belated response was incomplete. A complete data set was not provided until March 15th, shortly before the March 20th workshop.

Notably, the CAISO analysis for the March 20th workshop, which was now based on more accurate data derived from actual IOU RPS procurement projections -- rather than 2010

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<sup>1</sup> *Sierra Club and Vote Solar Initiative Comments on the Resource Adequacy and Flexible Capacity Procurement Joint Parties’ Proposal* (Dec. 26, 2012), pp. 3-10.

<sup>2</sup> *Comments of TURN on Joint Parties’ Proposal Regarding Resource Adequacy and Flexible Capacity Procurement* (Dec. 26, 2012), pp. 5, 7, 10-11. TURN also expressed concern about the scheduling at that time of only one workshop day to discuss the JP/ED proposals, stating that the Commission appeared to underestimate the amount of effort that will be required to analyze the proposals adequately, and that, at a minimum, “multiple days of workshops” would be necessary before the parties could file complete and informed comments. *Id.* at 2.

LTPP assumptions previously used for the “duck graph” -- showed significantly less future flexibility need than originally estimated.<sup>3</sup> On March 22<sup>nd</sup>, after the second (and apparently last) scheduled workshop on the Joint Parties and Energy Division proposals, the CAISO finally responded to and incorporated the December 26th comments by the Sierra Club/Vote Solar on assumptions regarding the fixed/tracking ratio of the future solar fleet. The resulting updated (March 22<sup>nd</sup>) profile further reduced estimated flexible capacity needs in the shoulder months.<sup>4</sup>

Recent revisions and responses from the CAISO have resolved some major concerns currently identified by the Requesting Parties related to CAISO analysis of future flexibility *needs* as a result of increased penetration of renewable resources. However, significant areas of material factual dispute remain, particularly with regard to *supply* – that is, the ability of existing resources and mechanisms to address operational flexibility needs for the foreseeable future.

The CAISO’s March 20<sup>th</sup> presentation recognizes that flexible capacity in the existing fleet greatly exceeds flexible capacity needs for the near future.<sup>5</sup> To determine the extent to which these flexible resources can be depended on to provide flexible capacity to ensure reliable operations, CAISO makes a series of assumptions. First, the CAISO assumes that only flexible capacity contracted within the existing resource adequacy program (EFC Dispatchable RA) and

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<sup>3</sup> *Compare* CAISO, Methodology for Determining Flexible Capacity Procurement Requirements, Presented at CPCU RA Workshop January 23, 2012, Slide 14 (showing roughly 1000-1500 MW increase in ramping need from 2014 to 2015 in shoulder months) *with* CAISO, Methodology for Determining Flexible Capacity Procurement Requirements, Presented at CPCU RA Workshop March 20, 2013 [hereinafter “CAISO March 20<sup>th</sup> Presentation”], Slide 12 (showing ramp increases in shoulder months from 800-1,000 MW per year).

<sup>4</sup> CAISO, Methodology for Determining Flexible Capacity Procurement Requirements, Presented at CPCU RA Workshop March 20, 2013 (Revised March 22, 2013 to reflect 80% fixed tilt solar fleet) [hereinafter CAISO March 20<sup>th</sup> Revised Presentation], [http://www.caiso.com/Documents/FlexRAPresentation\\_%20CPUC Workshop03-20-2013FinalUpdated20PercentTracking.pdf](http://www.caiso.com/Documents/FlexRAPresentation_%20CPUC%20Workshop03-20-2013FinalUpdated20PercentTracking.pdf), Slide 12.

<sup>5</sup> CAISO March 20<sup>th</sup> Revised Presentation, Slide 19, Light Green Bar.

included in the showings it reviewed can be relied upon to meet operational flexibility needs.<sup>6</sup> CAISO then further discounts the amount of EFC Dispatchable RA under a “Base Reduction Case” to account for, among other things, self-scheduling, hydro conditions, and once-through-cooling (OTC) retirement.<sup>7</sup> Only by assuming this significant cumulative series of reductions in operational flexibility supply is CAISO then able to show that flexibility need begins to approach the amount of flexible capacity supply that it believes can be operationally relied upon (the Base Reduction Case).<sup>8</sup>

The Requesting Parties dispute the facts and assumptions underlying CAISO’s reductions to its estimate of the supply of available operational flexible capacity. These disputes include, but are not limited to:

- *The CAISO assumption that only Dispatchable RA can be considered operationally available.* It is reasonable to assume that a flexible resource that does not receive RA payments for any portion of its capacity cannot be relied upon to provide operational flexibility during needed periods. However, in cases where a resource receives RA compensation for some, but not all of its flexible capacity, excluding additional available capacity than may not receive RA payments is unwarranted. For example, if an 800 MW combined cycle facility received RA payments for only 300 MW of its capacity, it should be expected to provide at least some portion of its additional 500 MW of remaining capacity should that capacity be needed. The generator has already committed to be operational, and meeting additional energy needs presents an opportunity to take advantage of additional revenue at minimal marginal cost. The Requesting Parties dispute that all non-RA flexible capacity should be ignored for the purpose of determining the availability of operational flexible capacity.
- *Reductions in EFC Due to OTC Retirements in 2015.* As part of its Base Reduction Case, CAISO decreases 500 MW of capacity from EFC Dispatchable RA due to OTC Retirements in 2015.<sup>9</sup> Were an OTC Retirement to occur in 2015, IOUs would be obligated to replace the OTC contribution to resource

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<sup>6</sup> CAISO March 20<sup>th</sup> Revised Presentation, Slide 19, Light Blue Bar, Slide 28 (same).

<sup>7</sup> CAISO March 20<sup>th</sup> Revised Presentation, Slides 27 and 28.

<sup>8</sup> CAISO March 20<sup>th</sup> Revised Presentation, Slide 28.

<sup>9</sup> CAISO March 20<sup>th</sup> Revised Presentation, Slide 27.

adequacy. Accordingly, any net loss in EFC Dispatchable RA would be limited. The Requesting Parties dispute this 500 MW reduction.

- *Reductions in EFC due to Self Scheduling.* As part of its Base Reduction Case, CAISO decreases 2000 MW of capacity from EFC Dispatchable RA due to “Reductions in Continued Self Scheduling” from flexible fossil fuel resources.<sup>10</sup> The basis for this significant reduction does not appear to be in the record of this proceeding. Under Public Utilities Code Section 380(c), generators receive Resource Adequacy payments in exchange for resources being “deliverable to locations and at times as may be necessary to provide reliable electric service.”<sup>11</sup> To the extent fossil fuel generators are self-scheduling out of preference or through a contractual agreement, this behavior would appear contrary to the Public Utilities Code because it now interferes with reliable service. To the extent a fossil fuel resource has a technical or operational limitation that requires self-scheduling, this justification has neither been disclosed nor is it part of the record of this proceeding. The Requesting Parties dispute the large mark-down in EFC Dispatchable RA due to self-scheduling. Self-Scheduling of fossil fuel resources also raises the question of whether the existing Resource Adequacy program can be optimized to better meet reliable needs without adoption of a new flexible procurement product at this juncture.
- *Reductions from hydro.* CAISO deducts 1000-2000 MW of dispatchable RA due to hydro conditions and 1,000 MW due to “Run-of-River Hydro Reductions”. Like the other reductions in the Base Reductions Case, CAISO has not adequately explained the basis for these deductions. Presumably, an IOU is aware of potential drought or other limiting hydrological conditions in advance on its month-ahead RA showing and reduces the RA contribution of hydro in recognition of these limitations. These significant unexplained additional reductions incorporated into the Base Reduction Case therefore appear unwarranted.
- *Availability of imports for flexibility.* Parties continue to dispute the extent to which imports are available to provide flexibility.

The disputed facts identified by the Requesting Parties are material to the outcome of this proceeding. The CAISO only very recently made data available on its estimate of the supply of

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<sup>10</sup> *Id.* (as reductions from hydro are treated elsewhere and wind and solar would not be considered dispatchable RA, self-scheduling for the purpose of CAISO reduction from total dispatchable RA is presumably limited to fossil fuel resources).

<sup>11</sup> Pub. Utilities Code § 380(c).

operational flexible capacity and has not provided its rationales for Base Case Reductions. Just as the need for flexible capacity was significantly overestimated when first proposed and was revised downward after back and forth among the parties, the supply of operational flexible capacity appears understated. Resolution of these disputes is critical for a robust record and accurate assessment of the need and appropriate timing for a flexible capacity procurement mechanism.

Dated: March 28, 2013

Respectfully submitted,

/s/

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