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 MOTION OF SIERRA CLUB AND THE UTILITY REFORM NETWORK REQUESTING EVIDENTIARY HEARINGS

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CONSULTANT TO THE
ALLIANCE FOR RETAIL ENERGY MARKETS

March 18, 2013

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I. INTRODUCTION

On March 11, 2013, Administrative Law Judge David Gamson issued a *Ruling Resetting Schedule for Comments on Phase 2 Resource Adequacy Issues and Scheduling a Prehearing Conference* ("March 11 Ruling"). The March 11 Ruling sets a Prehearing Conference for March 20, 2013 for the purpose of considering the Motion of Sierra Club and The Utility Reform Network ("TURN"), *Request for Evidentiary Hearings of Sierra Club and The Utility Reform Network* ("Sierra/TURN Request"), which was filed on March 7, 2013.

1 The Sierra/TURN Request asks the California Public Utilities Commission ("Commission") to conduct evidentiary hearings on the California Independent System Operator's analysis of the need and timing of the implementation of flexible capacity requirements, and furthermore suggests that this vetting of flexible capacity requirements will necessarily mean that the Commission's contemplated June 2013 decision on 2014 Resource Adequacy ("RA") requirements cannot include flexible capacity

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requirements. The Alliance for Retail Energy Markets ("AReM") ² offers this brief response with respect to the Sierra/TURN Request.

II. AREM RESPONSE

AReM does not have an opinion at this time on the need for full evidentiary hearings with respect to the CAISO's analysis of flexible capacity requirements. AReM believes that discussion at the upcoming workshop on March 20, 2013 will help inform whether such hearings are needed. Nevertheless, AReM notes for this Prehearing Conference that the procurement of any sort of flexible capacity requirement for the 2014 RA compliance year can only occur if a myriad of implementation details can be resolved no later than June 2013, ³ if such procurement is to occur in an orderly and cost-effective manner. Those details include, but are not necessarily limited to:

- Determination of the flexible capacity available from the generating fleet and the manner in which that information will be made available.
- Whether grandfathering of some sort is necessary for existing RA contracts and how such grandfathering will impact compliance.
- Establishing how the flexible capacity capability of a generating unit will be allocated if there are multiple RA purchasers for a single generating unit.
- Implementing rules that will apply in the event of non-compliance, either due to lack of sufficient resources to meet a particular flexible resource requirement or otherwise,

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² 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.

³ AReM notes that its fundamental position is and has been that flexible resources to meet intermittent integration requirements should NOT be embedded in RA, but rather should be structured as biddable ancillary services, a topic that it expects will continue to be discussed as flexible requirements are established.

including compliance cure periods, waiver applications, and backstop procurement mechanisms.

III. CONCLUSION

AReM respectfully requests that the Commission consider implementation details that must be resolved if the Commission plans to move forward with incorporating flexible capacity requirements into the RA program for 2014.

Respectfully submitted,

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