

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 REPLY COMMENTS ON RESOURCE ADEQUACY AND
FLEXIBLE CAPACITY PROCUREMENT PROPOSALS

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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 March 11th, 2013, the Clean Coalition respectfully submits the following reply comments related to the proposals on Flexible Resource Adequacy and workshops of January 23rd and March 20th, 2013.

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 resilience. 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 need for evolving mechanisms to best address

matching demand with reliance upon preferred and sustainable resources. We submit these brief reply comments to bring attention to points broadly shared and those of note that may not have been adequately considered.

Summary

- Need has not been demonstrated at this time
- Consequences of the Joint Proposal have not been evaluated
- The Joint Proposal is not technologically neutral and discriminates against preferred resources
- Alternatives have not been considered
- Alternatives have been proposed and merit consideration

Discussion

CAISO has presented information indicating the changing net load patterns expected to develop under current trends and offered a proposal in consort with the major investor owned utilities (Joint Parties) to dramatically alter the Resource Adequacy standards to address projected ramping and flexibility needs. We acknowledge the good faith efforts put forth by the Joint Parties in bringing important concerns to the attention of the Commission and offering a possible response. However, these parties have in no way demonstrated that the Joint Proposal, with or without modifications proposed by PG&E and the Energy Division, appropriately considers impacts on markets, opportunities to shift demand trends and scheduling of system generation, imports, and exports, or consider cost, emissions impacts, and opportunities to use preferred resources to address evolving needs. The initial needs are not projected to arise until 2015, and even foundations of this projection are in dispute, as noted in the motion for evidentiary hearings.

Multiple parties have contested recommended Findings of Fact that were included in Attachment B of the ISO's April 5th comments, including:

1. There is a reasonable likelihood of operational flexible capacity deficiency starting as early as 2014.
2. Flexible capacity is needed to ensure that the ISO has sufficient flexible capacity available in 2014 to manage current and incremental operation needs as more intermittent resources come on-line.

TURN, Sierra Club and Vote Solar have provided detailed comments on this point in submission of December 26th, 2012 and April 5th 2013. TURN's comments are based in part on confidential data available to the commission, and these parties have requested evidentiary hearings to establish the basis for a finding of need. The Clean Coalition agrees that evidence of need has not been established for the 2014 procurement period, as does DRA in its comments.

The ISO also recommends adoption of the finding:

3. The adoption of a flexible capacity requirement as part of the resource adequacy program will help ensure that flexible capacity is operationally available to the ISO to maintain grid reliability.

While some form of flexible capacity requirement can certainly play an important role in ensuring sufficient flexibility is available when needed, it is not clear that creating a requirement as described in the ISO proposal is the most appropriate approach. Alternatives such as pre-established (inflexible) scheduling may greatly reduce the need for flexible capacity, and improvements in forecasting will make more efficient use of flexible scheduling. Monitoring communication and control provided Intelligent Grid deployments further enhance the opportunities to manage both need and response with greater accuracy and timeliness.

In addition, as we and other parties have pointed out, the artificially high standards for qualifying as flexible under the ISO definition will ignore more limited but significant flexibility that is available, resulting in apparent shortages substantially before additional capacity is actually required, and failing to utilize preferred resources and storage. Effective discrimination

against preferred resources is directly contrary to their very basis of establishment. The proposal by PG&E for counting hydro resources that would otherwise be excluded is a very clear example of the problems with the proposed counting methodology proposed by the ISO and a technology specific solution that is inherent in the Joint Parties proposal. Each type of resource deserves comparable consideration in order to both accurately assess the ability of existing and planned resources to meet needs for flexibility and/or ramping, and to avoid distorting the market for all types of resources contributing to RA.

The importance of a technologically neutral definition of flexible capacity was acknowledged by the Joint Parties in Section 1.10 of the Joint Proposal:

. . . Joint Parties believe that providing flexible capacity should be technology neutral. Therefore, flexible capacity capabilities of resources like distributed generation, demand response, and storage should ultimately count towards an LSE's flexible capacity procurement obligation. . . . To the extent necessary, the Joint Parties recommend the Commission explore this issue and develop a record on the flexible capacity counting conventions of preferred resources in a subsequent RA proceeding. (p. 24).

SDG&E support this in their comments:

Eligibility criteria encouraging the provision of flexible capacity by suppliers representing energy-storage technologies, demand response, renewable resources, and use-limited resources (other than hydroelectric generation which is addressed elsewhere) should be considered for the 2015 Compliance Year; (p.3)

CLECA further notes:

If hydro can receive special treatment, there is no reason why these other resources cannot. Furthermore, while there was discussion of addressing such resources next year, there is no assurance that a viable proposal to allow use-limited preferred resources will emerge next year. This concern is heightened by the ED's statement about future discussions on "whether a limit should be imposed on the amount of use-limited resources that should qualify under these criteria." This proposed restriction is raised before the use of such resources is even being contemplated, much less addressed. The

implication is that use-limited resources may never qualify on an equal basis with gas-fired generation to provide flexibility, especially since many of these use-limited resources are preferred resources. This would contravene Commission policy to encourage the use of preferred resources. (p8)

This is the time to develop and evaluate solutions before prematurely committing to a path earlier than is warranted, as is clear from the comments and concerns raised by parties across the spectrum. While there is merit in the idea of an early trial of mechanisms before they are actually needed, such trials should start with evaluation of alternative solution sets to develop a comprehensive response, and after being vetted by parties, trialed in a dry run to identify unanticipated factors.

As DECA notes at page 10 “Almost certainly some combination of options will be more efficient. The Commission should take the time to look at all of them thoroughly rather than pick a non-ideal one now simply because that way a decision can be made as soon as possible.” This sentiment is reflected in comments by numerous parties, including those of the Clean Coalition.

DECA’s comments are of particular note in that they offer a highly contrasting proposed approach. While this alternate proposal is not as fully developed and has not benefitted from months of review by parties, it demonstrates at the very least the range and potential value of not only responding to the identified ramping and flexibility concerns differently, but of differentiating between ramping and flexibility and defining the “problem” differently so as to bring to bear available solution sets that were excluded from the Joint Parties proposal.

While numerous parties have raised significant issues that we share, not all have received adequate attention. The Clean Coalition believes DECA’s comments are of sufficient merit to repeat here in at length:

DECA is greatly concerned that the development of the CAISO’s flexible ramping products and the design and operation of the CAISO’s markets themselves are creating a “need” that may not otherwise be there and simultaneously pre-determining the kinds of resources that can meet that need. This concern served as the foundation for DECA’s Full CREDIT proposal, discussed below. That proposal, at its most fundamental level, asks

the Commission to value resources' abilities to meet flexibility needs even if the CAISO does not have a market mechanism for recognizing those abilities.

Perhaps the single most important problem with the demonstration of flexibility need is the commingling of any resource's ability to meet the flexibility need with a separate obligation to provide energy beyond the resources ramp mitigation capabilities. That a resource must offer energy beyond the ramp it mitigates in order to qualify as “flexible” is fundamentally flawed. In particular this assumption ignores the value of most preferred resources as well as those of interstate resources and California's interties. Unfortunately the idea that imports and exports do not “count” underlies both the Energy Division staff proposal and the Joint Parties' proposal. DECA strongly supports a more detailed assessment of the value of interties in addressing ramp needs and supports having an explicit conversation about the differences between meeting a ramp need and meeting a generic flexibility need that is based on that ramp factors external to it. (p.7)

Conclusion

The Commission should not impose a flexible capacity requirement on LSEs for 2014 while need has not been established nor mechanisms evaluated for their efficacy and cost, and compared with alternatives. The Commission should ensure that preferred resources are fully recognized for their ability to contribute to system needs, including flexible or scheduled ramping as appropriate for each technology's characteristics.

The Clean Coalition appreciates the efforts of all stakeholders in this process and the opportunity to participate.

Respectfully submitted,

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