

**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)

COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO

The City and County of San Francisco (City) respectfully files these comments in accordance with Judge Gamson's March 11, 2013 ruling (the Ruling). The Ruling asks whether the Commission needs to make a decision this year establishing a new flexible capacity resource adequacy (RA) procurement requirement. A Commission decision this year adopting a flexible capacity procurement requirement for the 2014 RA compliance year is premature and unnecessary. In addition, the Ruling seeks comments on the issues discussed during a January 23, 2013 Workshop and on the Energy Division revised proposal on flexible capacity procurement attached to the Ruling (ED Proposal). The City supports the determination in the ED Proposal that any flexible capacity counting convention and must offer framework should adopt the approach for hydroelectric (hydro) resources developed by Pacific Gas and Electric Company (PG&E) that is also attached to the Ruling.

A. It Is Unnecessary and Premature to Adopt a Flexible Capacity Procurement Requirement for the 2014 RA Compliance Year.

Among other issues, the Ruling asks whether it is necessary for the Commission to make a decision this year to implement a new flexible capacity procurement requirement for load serving entities (LSEs). It is both premature and unnecessary for the Commission to adopt flexible capacity procurement requirements for LSEs for the 2014 RA compliance year.

There is not enough time this year, and the record is not sufficiently developed, to adopt a decision implementing such a significant change to the RA program. There are a number of issues that have not yet been discussed in this proceeding, but which are necessary in order to implement a new flexible capacity requirement for next year, including (among others) (1) how to treat existing capacity contracts with generators that have flexible capacity to sell, and whether grandfathering is necessary; (2) treatment of use-limited resources, including Demand Response; and (3) rules for instances of non-compliance.

Moreover, responsible LSEs are making procurement decisions for 2014 now. Thus, a change in requirements for 2014 could create unnecessary additional expenses for LSEs as they scramble at the last minute to adjust agreements with their counterparties, or rush to procure additional resources. A Commission decision is unlikely before June. This leaves at best only three months for LSEs to seek to adjust existing arrangements or enter into new ones before their year-ahead RA compliance filings are due in October. There is simply not enough time to allow LSEs to change procurement plans without incurring unnecessary additional expense.

Further, the evidence presented by the California Independent System Operator (CAISO) to date indicates that there would be no adverse impact to reliability by waiting to impose a requirement until the 2015 RA compliance year. The CAISO presentation at the January 23, 2013, workshop shows no change in system net load requirements until 2015. This is supported by the “duck” graph presented by the CAISO (CAISO Presentation at 1/23/13 Workshop, Slide 10), which shows no change in net load patterns in 2014, as compared to 2012 and 2013, but which does indicate an expected change in the CAISO net load in 2015. Additionally, during the March 20, 2013, workshop, CAISO presented a bar chart (CAISO Presentation at 3/20/13 Workshop, Slide 28) comparing its forecast for the flexible capacity need for 2014-2016 against

the “Effective Flexible Capacity Dispatchable RA” portion of 2012 system RA. That bar chart indicates that even under the CAISO’s conservative assumptions, there would be more than enough flexible capacity in 2014, and in 2015 as well, assuming it is not a low hydro flexibility year, and that counting rules do not preclude the participation of flexible hydro resources.

The Commission should work with parties to develop a more complete interim procurement requirement for the 2015 year, with sufficient time for LSEs to understand the new requirements and be able to identify and negotiate with providers of flexible capacity. At most, this June the Commission should adopt a policy decision that expresses the Commission’s intent to implement a flexible capacity procurement requirement for the 2015 compliance year after a full record is developed this year.

B. Any Flexible Capacity Counting Convention Should Ensure that Flexible Hydro Resources Are Able to Contribute.

The ED Proposal explains that the Energy Division “supports PG&E’s proposal that flexible hydro resources should be required to submit economic bids, within environmental constraints such as mandatory water deliveries and start up restrictions.” See ED Proposal at 5.

The ED Proposal explains: “Staff supports the approach elaborated in Attachment A as provided by PG&E. The key elements of the proposed counting convention for hydro resources are:

1. A hydro resource will qualify as flexible if it has the physical storage capability to provide energy equivalent to PMax for 6 hours.
2. The proposed EFC should not exceed the NQC or the PMax of the resource.
3. Further, for the month-ahead showing, the resource owner is allowed to adjust the flexibility showing downward to account for hydrological conditions, water duty, and the state of the reservoir. This results in the further requirement that the LSE makes up any shortfall in hydro flexibility from other resources. ED Proposal at 6.

The City strongly agrees with the ED Proposal in this regard. As the Energy Division explains, the Joint Parties’ proposal for the Must Offer Obligation would rule out the

participation of many use-limited resources that could otherwise provide flexible capacity, particularly hydroelectric generation, a plentiful and potentially beneficial and low-cost flexible resource in California. This outcome would limit the pool of available flexible resources, and would very likely increase the cost of compliance to ratepayers.

PG&E's proposal provides a reasonable compromise, imposing requirements on hydro resources that they can meet while ensuring that they provide adequate value to the CAISO. The City agrees with PG&E that hydro resources should have a minimum daily energy limit, beyond which a given flexible hydro resource would have no further dispatch obligation. The City also supports PG&E's proposal that the effective flexible capacity of a given hydro resource should be determined at least partly on a prospective basis with input from plant operators so as to take into consideration hydrological conditions and regulatory obligations of the generator.

C. Conclusion.

The Commission should not impose a flexible capacity requirement before 2015. Moreover, the Commission should adopt the approach developed by PG&E for obtaining flexible capacity from hydro resources.

Dated: April 5, 2013

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CERTIFICATE OF SERVICE

I, KIANA V. DAVIS, declare that:

I am employed in the City and County of San Francisco, State of California. I am over the age of eighteen years and not a party to the within action. My business address is City Attorney's Office, City Hall, Room 234, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102; telephone (415) 554-4649.

On April 5, 2013, I served:

COMMENTS OF THE CITY AND COUNTY OF SAN FRANCISCO

by electronic mail on all parties in CPUC Proceeding No. R.11-10-023 on the attached list. The following addresses without an email address were served:

- BY UNITED STATES MAIL: Following ordinary business practices, I sealed true and correct copies of the above documents in addressed envelope(s) and placed them at my workplace for collection and mailing with the United States Postal Service. I am readily familiar with the practices of the San Francisco City Attorney's Office for collecting and processing mail. In the ordinary course of business, the sealed envelope(s) that I placed for collection would be deposited, postage prepaid, with the United States Postal Service that same day.

STACIE BEHNKE
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I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed on April 5, 2013, at San Francisco, California.

/S/

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