

**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
(October 20, 2011)

**COMMENTS OF THE INDEPENDENT ENERGY PRODUCERS
ASSOCIATION ON THE PROPOSED DECISION ON RESOURCE
ADEQUACY AND FLEXIBLE CAPACITY**

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In the *Proposed Decision Adopting Local Procurement Obligations for 2014, a Flexible Capacity Framework, and Further Refining the Resource Adequacy Program* (PD), issued on May 28, 2013, Administrative Law Judge David Gamson outlined the framework for incorporating flexible capacity needs into the Commission’s Resource Adequacy (RA) program in 2014 and 2015. Because the proposed framework is largely in line with the proposals developed in workshops on flexible capacity convened over the last year and because the PD tracked closely with the comments the Independent Energy Producers Association (IEP) submitted on the workshops and proposals, IEP will limit its comments to a few areas that need further development or clarification.

I. FLEXIBLE CAPACITY AS A COMPONENT OF THE LOCAL RESOURCE ADEQUACY OBLIGATION

At several points, the PD links the flexible capacity framework to the existing local RA obligation. For example, on page 2, the PD states the intention to adopt “an interim ‘flexible capacity’ framework as an additional component of local capacity requirements.”

Similarly, Conclusion of Law No. 4 addresses the need “to define flexible attributes for local reliability purposes in order to ensure ongoing reliability in a changing load and supply environment.”

At the same time, the PD endorses the principles outlined in Appendix A, which include the statement that “An LSE [load-serving entity] can show a flexible resource as a system RA resource and a local RA resource if it qualifies as either.”

IEP understands the statements referring to flexible capacity as an aspect of local capacity requirements to mean that the proposed flexible RA capacity obligation, like the existing local RA capacity obligation, is in effect for all twelve months of the year and requires showings on the same schedule as the local RA obligation. Based on the statement from Appendix A quoted above, IEP’s understanding is that LSEs may also count flexible RA capacity that can meet the requirements of local RA capacity toward their local RA capacity procurement obligations. Similarly, LSEs may count flexible RA capacity that meets the requirements of system RA toward their system RA capacity procurement obligations.

In other respects, including the offer obligations, replacement capacity provisions, and similar details, the requirements ultimately adopted for flexible RA capacity may differ from the corresponding requirements for local RA capacity. For example, for LSEs to count flexible RA capacity toward their flexible RA obligations, the RA contract must incorporate any flexible capacity offer obligations the Commission may adopt, and those obligations may differ from the offer obligations for local RA capacity.

IEP urges the Commission to clarify the relationship between the local (and system) RA program and the flexible capacity procurement obligation as it revises the PD in response to comments.

II. THE NEED FOR A CONSISTENT TREATMENT OF USE-LIMITED RESOURCES

The PD endorses the Joint Parties' proposal for calculating the flexible capacity of hydroelectric units,¹ but defers the determination of flexible capacity for other types of use-limited resources.²

Use-limited resources constitute both a large fraction of California's existing generating fleet and technologies qualifying as "preferred resources" under the state's resource loading order. It is critical for the Commission to develop a consistent approach to determining the amount of flexible capacity these resources can offer. Use of resources may be limited in different ways, but the Commission should strive to develop an overall approach to use-limited resources that results in a fair treatment of resources that reflects the value--or lack of value--associated with their specific limitations. Incorporating use-limited resources into the flexible capacity framework in a consistent way will increase the potential supply of flexible capacity and control the cost to ratepayers of procuring needed flexible requirements.

The Joint Parties included a discussion of different types of use-limited resources in their proposal, and the PD offers to "prioritize" this issue and to develop refinements in time for a decision in June 2014. IEP urges the Commission to adhere to this schedule and to take up the treatment of use-limited resources during the workshops and other processes occurring in 2013. IEP notes that the Revised Straw Proposal on Flexible Resource Adequacy Criteria and Must-Offer Obligation issued by the California Independent System Operator (CAISO) on June 13 proposes to address use-limited resources eligibility to provide flexible capacity within the framework of the existing CAISO market requirements (with some potential modifications). The

¹ PD, p. 47.

² PD, p. 48.

Commission should work with the CAISO to address how use-limited resources can be incorporated into the flexible RA capacity framework.

III. COORDINATION WITH THE CAISO'S STAKEHOLDER PROCESS

As mentioned above, the CAISO has instituted a stakeholder process on flexible capacity procurement. In addition, the Federal Regulatory Energy Commission has rejected a CAISO proposal on procurement of flexible resources and has scheduled a technical conference on flexible capacity issues for this summer. At this point, it may be difficult to foresee exactly how the CAISO stakeholder process will interact with the proposed additional Commission workshops on flexible capacity issues, but it will remain essential for the CAISO and Commission efforts to be coordinated. It would be confusing and counterproductive if the Commission and the CAISO were to adopt different solutions to the same problem, such as the treatment of use-limited resources discussed in the previous section.

IV. CORRECTION OF ENERGY DIVISION'S RECOMMENDATION

On page 20, the PD characterizes one portion of the Energy Division's recommendation:

A generator may choose not to sell the flexible portion and instead sell the resource's entire capacity as generic capacity. However, should a generator decide to sell any flexible capacity from its resource then it must sell the entire capacity as generic capacity.

The Energy Division's actual recommendation was somewhat different:

A generator may chose not to sell the flexible portion and instead sell the resource's entire capacity as generic capacity. However, should a generator decide to sell any flexible capacity from its resource then it must bundle each flexible MW sold with an equivalent MW of generic capacity.³

³ Energy Division proposal, p. 7.

The PD's paraphrase implies that the decision to sell flexible capacity is an all-or-nothing choice. The Energy Division recommendation, however, is more nuanced, and is intended to address the double counting issue. IEP asks the Commission to correct this passage in response to comments on the PD.

V. CONCLUSION

IEP respectfully urges the Commission to consider its comments and to incorporate the corrections and modifications IEP recommends in the Commission's final decision.

Respectfully submitted this 17th day of June, 2013 at San Francisco, California.

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