

**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)

**SIERRA CLUB OPENING COMMENTS ON PROPOSED DECISION ADOPTING  
LOCAL PROCUREMENT OBLIGATIONS FOR 2014,  
A FLEXIBLE CAPACITY FRAMEWORK, AND  
FURTHER REFINING THE RESOURCE ADEQUACY PROGRAM**

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Dated: June 17, 2013

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LOCAL PROCUREMENT OBLIGATIONS FOR 2014,  
A FLEXIBLE CAPACITY FRAMEWORK, AND  
FURTHER REFINING THE RESOURCE ADEQUACY PROGRAM**

Sierra Club appreciates the opportunity to submit the following Opening Comments on the Administrative Law Judge’s Proposed Decision Adopting Local Procurement Obligations for 2014, a Flexible Capacity Framework, and Further Refining the Resource Adequacy Program, filed May 28, 2013 (“Proposed Decision”).

Sierra Club supports the Proposed Decision’s conclusion that flexible capacity procurement is not needed for 2014 and the Decision’s emphasis on the importance of ensuring preferred resources and energy storage are meaningfully incorporated into any flexible capacity procurement regime. Following approval of the Proposed Decision, the Commission should immediately begin development of criteria for preferred resources and energy storage to participate in a flexible capacity procurement mechanism.

Sierra Club is concerned that the Proposed Decision places undue emphasis on “generating” resources to meet future flexibility needs. Non-generating resources, like demand response and energy storage, can also meet flexibility needs and with less carbon intensity. In addition, while ensuring preferred resources are eligible to participate in flexible capacity procurement is an important starting point, flexible capacity procurement should also be consistent with the Loading Order. Providing capacity payments to dirty fossil-fuel generators when low carbon solutions are also available is inconsistent with State environmental and energy policy.

**I. Development of Eligibility Criteria for Demand Response and Energy Storage Should Begin Immediately After Approval of the Proposed Decision**

Sierra Club supports the Proposed Decision’s recognition of the need to develop “a mechanism to allow preferred resources to participate in the flexible capacity framework.” (Proposed Decision at 51.) In addition, as the Proposed Decision observes, “it is necessary to start as soon as possible to finalize [] details” of, among other things, eligibility criteria for these resources. (Proposed Decision at 57.) In this Resource Adequacy cycle, exploration of flexible capacity procurement and supporting analysis and data did not begin in earnest until late winter. Indeed, in Sierra Club’s view, many significant questions regarding the near-term need for

flexible capacity procurement have yet to be adequately resolved. It is neither in the Commission's nor any party's benefit to repeat this rushed experience in the coming year. A workable solution to meaningfully incorporate preferred resources and energy storage may take time. Workshops on preferred resources and energy storage should begin this summer to ensure that the Proposed Decision's stated intent of including these resources in a flexible capacity mechanism is realized.

In our April 5<sup>th</sup> comments, Sierra Club noted that development of flexible capacity eligibility criteria specific to the use limitations of demand response was needed in a timely manner to ensure this product could be included in Investor Owned Utility (IOU) 2015-2017 demand response applications to the Commission. The Commission should prioritize development of demand response criteria to meet flexible capacity needs to meet this timeline. In the event a workable and well-considered definition cannot be developed within this timeframe, the Commission should modify deadlines for demand response applications to avoid having to delay IOU development and practice with flexible demand response products until 2018.

## **II. The Proposed Decision Should Remove Any Emphasis on “Generating” Resources and Recognize the Role of Resources Capable of Reducing Overall Ramping Needs**

In several places, the Proposed Decision refers to “generation” or “generating resources” as needed to meet flexibility needs. (*See, e.g.*, Proposed Decision at 12 (“flexible fleet of generating resources”), Finding of Fact #4 (“grid operations and reliability may suffer without sufficient generation capable of being flexibly dispatched.”).) This phrasing creates an unnecessary and improper bias toward fossil fuels. Demand response and energy storage are not “generating” resources but nonetheless can provide flexibility. Accordingly where referenced, “generation” or “generating resources” should be replaced with the more neutral “resources.”

In addition, ensuring the operational availability of resources that provide flexibility is only one way to meet future three-hour ramping needs. Another complementary mechanism is the reduction of total ramping needs. Energy storage is a resource that can both reduce total ramping need and providing ramping capability by taking in energy immediately prior to an upward ramping period and discharging that energy during the ramping period (or vice versa for a downward ramp). The Proposed Decision should recognize the role of services that reduce

ramping needs. In particular, Finding of Fact #4 should be modified to state:

There is a need for refinements to the RA program to further define elements of flexibility, as grid operations and reliability may suffer without sufficient ~~generation resources~~ resources capable of reducing ramping needs or being flexibly dispatched.

While there are many mechanisms that could reduce total ramping needs, energy storage is a logical starting point. In working to develop eligibility criteria for the use of storage as a flexible resource following approval of the Proposed Decision, thought should concurrently be given to accounting for the role of storage in reducing overall ramping needs to meet future flexible capacity procurement obligations.

### **III. Flexible Capacity Procurement Must Incorporate the Loading Order and Prioritize Low-Carbon Resources**

Developing criteria to enable preferred resources and energy storage to qualify to meet flexible capacity needs is an essential prerequisite to implementation of a flexible capacity procurement regime. However, this is only a first step. Resource adequacy procurement must also be consistent with the Loading Order and align with the State's near- and long-term greenhouse gas emission reduction targets. Capacity payments provide additional revenue for generators and in doing so, help determine the types of resources that are constructed and the types of resources that have an economic incentive to remain operational. To enable California's transition to a low carbon future, the Commission must examine how resource adequacy procurement for flexible capacity can more fully comply with the Loading Order and prioritize low carbon resources.

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Respectfully submitted,

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