

**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)

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY
(U 39 E) 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 24, 2013

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Pursuant to the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure 14.3(d), Pacific Gas and Electric Company (“PG&E”) respectfully submits these reply comments on the *Proposed Decision Adopting Local Procurement Obligations for 2014, A Flexible Capacity Framework, and Further Refining the Resource Adequacy Program* (“PD”) issued by Administrative Law Judge Gamson on May 28, 2013. As discussed in its June 17, 2013, opening comments, PG&E supports the PD with three requested modifications. The focus of these reply comments is on issues brought up by parties in opening comments that PG&E did not address in its opening comments.

**I. PG&E SUPPORTS PROPOSED REPORTING REQUIREMENT
MODIFICATIONS**

Both Southern California Edison Company (“SCE”) and San Diego Gas and Electric Company (“SDG&E”) recognize the need to clarify that the year-ahead and month-ahead flexible resource adequacy (“RA”) showings will follow the current system RA requirements of demonstrating 90% procurement in the year-ahead showing and 100% procurement in the month-ahead showings.^{1/} While the PD does recognize that the Joint Parties’ Proposal “calls for

^{1/} SCE Comments, p.3, and SDG&E Comments, p 3.

the Commission to require each Commission-jurisdictional load serving entity to make a 90% year-ahead and 100% month-ahead showing for flexible capacity for each month of the compliance year”^{2/} and Conclusion of Law 13 does state that “[t]he Joint Parties’ Proposal should be used as a starting point, along with PG&E’s proposal for counting of hydro resources, for a flexible capacity framework,”^{3/} this requirement is not clearly stated in the ordering paragraphs of the PD or Appendix A which outlines the flexible capacity framework. PG&E agrees with SCE and SDG&E that this requirement should be explicitly recognized in the PD.

II. PG&E SUPPORTS THE RECOMMENDATION TO ESTABLISH A SCHEDULE IN THE NEXT RESOURCE ADEQUACY PROCEEDING FOR MULTI-YEAR RESOURCE ADEQUACY REQUIREMENTS

The California Energy Storage Alliance (“CESA”) recommends that the Commission explicitly address in this PD how, when, and where the Commission will address the issue of multi-year forward requirements given broad stakeholder consensus to move in this direction.^{4/} CESA refers to PG&E’s outstanding motion filed on September 20, 2012, to move the issue of multi-year forward procurement requirements from the 2012 Long-Term Procurement Plan (“LTPP”) proceeding to the RA proceeding.^{5/} PG&E continues to support extending RA to a three-to-five-year-ahead requirement, and requests that this issue be specifically addressed in a separate track of the next RA proceeding to begin shortly after a decision is reached in the current RA proceeding, rather than being considered in Track 3 of the current LTPP proceeding, R.12-03-014. PG&E believes it is important that the issue of multi-year forward requirements is addressed in a *separate track* of the next RA proceeding so that the issue does not distract from the objectives outlined in the PD to further refine the flexible capacity framework for the

^{2/} PD, p. 18.

^{3/} PD, p. 67.

^{4/} CESA Comments, pp. 6-7.

^{5/} PG&E’s *Motion To Move The Multi-Year Procurement Requirement Issue From Track 3 Of The Long-Term Procurement Plan Proceeding To The Resource Adequacy Proceeding* was filed in both this proceeding (R.11-10-023) and the 2012 LTPP proceeding (R.12-03-014).

2015 RA compliance year.

III. RECOMMENDATIONS ON FLEXIBILITY CRITERIA FOR ENERGY STORAGE SHOULD BE CONSIDERED IN THE NEXT RESOURCE ADEQUACY PROCEEDING

CESA makes several recommendations regarding the treatment of energy storage resources as flexible capacity, including establishing a storage resource's effective flexible capacity based on the output that the resource can maintain for 15 minutes.^{6/} Given that CESA's proposal is inconsistent with the three-hour ramping definition of flexibility that the California Independent System Operator ("CAISO") has put forward and given that the PD clearly indicates that the treatment of energy storage resources will be an issue addressed in the next RA proceeding before flexible RA requirements become binding in 2015, the Commission should not take action at this time on CESA's recommendations and should allow further discussion and evaluation of these and other proposals for how storage can help meet flexibility requirements during the next RA proceeding.

IV. RECOMMENDATIONS BY VARIOUS PARTIES REGARDING THE USE OF THE ERROR TERM IN THE FLEXIBILITY REQUIREMENT FORMULA SHOULD BE REJECTED

Two parties make specific recommendations regarding the use of the error term in the flexibility requirement formula. The Center of Energy Efficiency and Renewable Technologies ("CEERT") recommends that the error term be set at 70 percent of the total flexibility requirement to account for existing resources that provide flexibility, but may not, for various reasons, participate in the flexible capacity framework.^{7/} Marin Energy Authority ("MEA") recommends that the Commission clarify that any new error term applicable to flexible capacity procurement is not additive, but rather subsumed within the existing 15 percent minimum reserve margin.^{8/} Both of these recommendations should be rejected as they fail to recognize the

^{6/} CESA Comments, pp. 4-6.

^{7/} CEERT Comments, pp. 5-7.

^{8/} MEA Comments, pp. 2-3.

intended purpose of the error term. The error term is intended to capture forecasting error and uncertainty inherent in the flexible capacity requirements calculation due to variability in load, wind and solar generation, and other variables that can impact the flexibility requirements calculation results.^{9/} It is important that this error term be established based on data and analysis of actual operating experience and forecast error, rather than arbitrary values that are not tied to the variables in question.

V. THE RECOMMENDATION TO DEDICATE RESOURCE ADEQUACY PAYMENTS TO FUND EXISTING GAS FLEET RETROFITS SHOULD BE REJECTED

CEERT recommends that the PD be modified to require the dedication of RA payments to fund the retrofitting of existing gas resources.^{10/} This recommendation should be rejected as it is not appropriate for the Commission to dictate how money generated by selling resource attributes is used by generators. A generator should have the option to choose whether or not making such improvements is in its best interest given the value of the generation resource's flexible and other attributes. It is entirely possible that funds generated through RA payments could be used by generators to make other investments (besides retrofits) that have equal or even greater value to the system and ratepayers.

VI. RECOMMENDATIONS ON THE ALLOCATION METHODOLOGY FOR FLEXIBILITY REQUIREMENTS SHOULD BE ADDRESSED IN THE CAISO STAKEHOLDER PROCESS AND THE NEXT RESOURCE ADEQUACY PROCEEDING

The Concentrating Solar Power Alliance's ("CSPA") recommendation to allocate flexible capacity requirements based on each load-serving entity's contribution to system-wide maximum net load ramps should not be adopted for 2014 as it has not been vetted in this proceeding, but should be considered during the next RA proceeding for future RA compliance years.^{11/} This

^{9/} Joint Parties' Proposal, p. 7.

^{10/} CEERT Comments, pp. 9-10.

^{11/} CSPA Comments, pp. 9-10.

issue is currently being discussed in the CAISO's Flexible Resource Adequacy Criteria and Must-Offer Obligation stakeholder process and should be coordinated with discussions to occur on this topic in parallel in the next RA proceeding.

Respectfully submitted,

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