

**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 THE WESTERN POWER TRADING FORUM IN REGARD
TO THE PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE GAMSON**

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TABLE OF CONTENTS

I. OPENING REMARKS 1

II. REPLY COMMENTS 2

 A. Reply to Independent Energy Producers Association and Calpine Corporation2

 B. Reply to Parties Advocating Greater Reliance on Preferred Resources2

 C. Reply to Noble Americas Energy Solutions LLC.....4

III. CONCLUSION..... 5

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Pursuant to Rule 14.3(d) of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Western Power Trading Forum (“WPTF”)¹ provides the following reply comments addressing 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.

I. OPENING REMARKS

As noted in our December 26, 2012 comments,² and reiterated in our April 5, 2013 comments,³ WPTF’s intent is to highlight improvements that are required to increase the efficiency and effectiveness of the RA program consistent with the Commission’s stated goal for the program:

First, the Commission seeks through RAR to ensure that the infrastructure investment required for reliability actually occurs. Second, the Commission seeks to ensure that the generation capacity made possible through that investment is available to the grid at the times and at the locations it is needed. Third, the Commission intends that capacity must be sufficient for stressed conditions, i.e.

¹ WPTF is a California non-profit, mutual benefit corporation dedicated to enhancing competition in Western electric markets in order to reduce the cost of electricity to consumers throughout the region while maintaining the current high level of system reliability. WPTF actions are focused on supporting development of competitive electricity markets throughout the region and developing uniform operating rules to facilitate transactions among market participants.

² See, *Comments of the Western Power Trading Forum in Response to the Phase 2 Scoping Memo and Ruling* (“December 26 Comments”).

³ See, *Comments of the Western Power Trading Forum in Regard to Flexible Capacity Procurement Issues* (April 5 Comments”).

sufficient generation should be available under peak demand conditions even when there are unexpected outages.⁴

WPTF is encouraged that basically all parties concur that policy goals should be adopted for the interim period of 2014, with specific compliance requirements applicable to both generators and load-serving entities (“LSEs”) deferred to 2015. This is an issue of paramount importance that the PD has resolved appropriately and to the apparent satisfaction of all parties. Further, it aligns with WPTF’s recommendation in its April 5 Comments. In their opening comments filed on June 17, 2013, however, parties raised several other issues for which WPTF offers the following reply comments.

II. REPLY COMMENTS

A. Reply to Independent Energy Producers Association and Calpine Corporation

Both the Independent Energy Producers Association (“IEP”) and Calpine Corporation (“Calpine”) noted that the PD mischaracterizes Energy Division’s proposal on the sale of flexible capacity. The PD’s paraphrase implies that a resource owner’s decision to sell flexible capacity is an all-or-nothing choice. However, as noted by IEP, the Energy Division recommendation is more nuanced, and is intended to ensure that capacity is not double counted across the generic and flexible capacity categories. Calpine states that its, “understanding of the Energy Division Proposal is that it allows specific capacity that is potentially flexible to be sold as generic but that selling specific flexible capacity as generic does not necessarily obligate the supplier to sell the entire capacity of the associated resource as generic.”⁵ IEP’s comments make the same observation. WPTF concurs with and supports the IEP and Calpine request that the PD be corrected to correctly reflect the Energy Division’s proposal as noted in Appendix A to the PD.

B. Reply to Parties Advocating Greater Reliance on Preferred Resources

A number of parties advocated revisions to the PD to make it clear that various preferred resources should be eligible for inclusion as flexible resources. For example, the Center for Energy Efficiency and Renewable Technologies (“CEERT”) recommends that the PD, “should be modified to make clear that the adopted ‘framework’ is authorized only on an interim basis and to create a

⁴ D.05-10-042, at pp. 7-8

⁵ Calpine, at p. 5.

specific path for inclusion of Loading Order preferred resources (energy efficiency and demand response) and use-limited resources such as energy storage in the RA program in that framework before the 2015 RA year.”⁶ The 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.” The California Energy Storage Alliance (“CESA”) advocates for any adopted flexibility requirement to, “include preferred resources and all forms of energy storage, and that specifically takes into full consideration all of the flexible capabilities of energy storage resources.”⁷ The Clean Coalition advocates the, “need for evolving mechanisms to best address matching demand with reliance upon preferred and sustainable resources.”⁸

WPTF agrees in part and disagrees in part with the foregoing comments. We fully concur with CEERT’s comment that the adopted framework should be regarded as an interim procedure that will be subject to such modifications and changes that parties may develop and for which WPTF hopes some degree of unanimity can be reached in the planned workshops. The adopted framework clearly should not be set in stone and workshop participants should have a free hand to offer suggested process improvements.

It is, however, premature to determine that the inclusion of Loading Order preferred resources and use-limited resources must be included in whatever framework is ultimately adopted for 2015 and beyond. Parties advocating the inclusion of these resources should have the full right to offer arguments on behalf of their respective positions at the upcoming workshops. However, the final decision to be issued in this phase should refrain from resolving these issues in advance. For example, as Vote Solar observes, “it is imperative that the PD be revised to indicate that the ‘starting point’ for the workshops will be not figuring out how to shoe-horn a limited, if any, number of preferred resources into the Joint Parties’ flexible capacity eligibility requirements, but to first determine a reasonable and flexible ramping standard with the most inclusive and flexible eligibility requirements.”⁹ The rational answer to parties’ desires to ensure preferred resources are allowed to meet flexibility requirements is not to flip-flop the PD to instead express a preference for Loading Order preferred and use-limited resources.

⁶ CEERT, at pp. 4-5.

⁷ CESA, at p. 2.

⁸ Clean Coalition, at p. 2.

⁹ Vote Solar, at p. 2.

Rather, the PD should make it explicitly clear that these issues are fully within scope for debate and discussion at the upcoming implementation workshops – and that the decision to be issued next year, after the workshops have been held and parties have offered their comments and recommendations, will address these issues.

The PD in fact states that the deferral until 2015 will provide the Commission and parties with an opportunity to further consider and clarify important aspects of the flexible procurement requirements. It states that the Commission, “will gather information, analyze such information, hold workshops to consider refinements to the adopted flexible capacity framework, and build a record for such refinement in our expected June 2014 decision in this docket or its successor.”¹⁰ And further, “In workshops and comments, stakeholders will develop counting rules, eligibility criteria, and must-offer obligation[s] for use-limited resources, preferred resources, combined cycle gas turbines, and energy storage resources for Commission consideration.”¹¹

The cited language addresses the concerns raised by the parties cited above. WPTF believes that at this point in time it is premature to predispose the Commission in any particular direction. Rather, the Commission and all interested parties need to work cooperatively on developing a flexibility standard that is both operationally and economically feasible.

C. Reply to Noble Americas Energy Solutions LLC

Noble Americas Energy Solutions LLC (“Noble Solutions”) notes that the PD contains certain ambiguities with regard to LSE showings that should be clarified in the final Decision and Order. Specifically, it notes that Ordering Paragraph 6 appears to require a 2014 year-ahead showing of flexible capacity for “each month” of the forecast year. WPTF concurs with Noble Solutions’ position that flexible capacity resources are to be considered a subset of system resources, to be reported for informational purposes only in 2014. This means that the 2014 year-ahead showing for flexible capacity resources should follow the same requirements as for the 2013 year-ahead showing for local and system resources; i.e., a 12-month showing of local capacity procurement, and a summer-months showing of system capacity procurement. Therefore, for 2014, “the only change would be to identify the flexible capacity available from

¹⁰ PD, at p. 57.

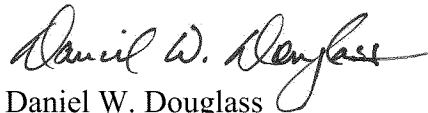
¹¹ Id.

the units presented in the showings.”¹² WPTF concurs that the PD should be amended to clarify this point.

III. CONCLUSION

WPTF respectfully submits these reply comments and requests that the Commission modify the PD as necessary to adopt the recommendations contained herein.

Respectfully submitted,



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¹² Noble Solutions, at p. 2.