

**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

**REPLY COMMENTS OF THE ENERGY PRODUCERS AND USERS COALITION**

Pursuant to Rule 14.3 of the California Public Utilities Commission Rules of Practice and Procedure, the Energy Producers and Users Coalition (EPUC)<sup>1</sup> provides its reply comments on the Proposed Decision of ALJ Gamson issued on May 28, 2013.

The Proposed Decision should more explicitly recognize that there are several significant issues regarding a must-offer obligation that must be resolved before a flexible capacity requirement is implemented. Until those issues are resolved, a must-offer obligation should not be imposed. EPUC supports the opening comments of several parties stating the California ISO investigation of a must-offer obligation<sup>2</sup> must be completed before such an obligation is included by the CPUC in this procurement program.<sup>3</sup>

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<sup>1</sup> EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, Chevron U.S.A. Inc., Phillips 66 Company, ExxonMobil Power and Gas Services Inc., Shell Oil Products US, THUMS Long Beach Company, and Occidental Elk Hills, Inc.

<sup>2</sup> The ISO has an on-going stakeholder process called "Flexible Resource Capacity Criteria and Must Offer Obligation," considering an enhanced MOO addressing dispatchability by the ISO: <http://www.caiso.com/informed/Pages/StakeholderProcesses/FlexibleResourceAdequacyCriteria-MustOfferObligations.aspx>.

<sup>3</sup> See, e.g., IEP's comment, p. 3, "*urging the Commission to ... take up the treatment of use-limited resources during the workshops and other processes occurring in 2013;*" DRA's comment at p. 2 that "*the PD should be clarified to state that an enhanced Must Offer Obligation should first be implemented by the California ISO;*" and the comment of DECA, p. 4 that "*the PD errs by ignoring the effects of the CAISO's proposed Flexibility Must Offer Requirement for use limited resources.*"

Attachment A to the Proposed Decision requires utilities to “submit economic bids into the day ahead and real time markets for the flexible resources reported in their monthly filings.”<sup>4</sup> There are several unresolved issues with implementing this requirement, at least for Qualifying Facilities and other use-limited resources. The Joint Parties Proposal recognizes that there are many issues to be resolved in subsequent proceedings before a must-offer obligation is implemented.<sup>5</sup> The PD in Finding of Fact 20 also at least implicitly recognizes these open issues.

EPUC is particularly interested in the issues related to resources that are use-limited and self-schedule, and how their output is counted for flexible capacity purposes. QFs generally produce energy that is characterized as Regulatory Must-Take Generation under the ISO Tariff, and the Tariff provides a mechanism to assure that such generation is delivered to load. QFs must self-schedule in order to assure physical consumption of the electricity they generate while supplying the thermal demands of their industrial host. It is unclear how self-scheduled output will be counted for purposes of satisfying flexible capacity requirements. For use-limited resources generally, the resource’s ability to limit its operations in order to respect its constraints has not been reconciled with the counting rules for flexible capacity.

In order to enable QFs and other use-limited resources to maximize their contribution of flexible capacity, the details of a must-offer obligation must be completed. Issues to be resolved before any must-offer obligation is imposed include:

- How Regulatory Must-Take Generation (RMTG) will be treated, and how its output will be counted for flexible capacity;

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<sup>4</sup> PD, Attachment A, p. 4.

<sup>5</sup> *Resource Adequacy and Flexible Capacity Procurement: Joint Parties’ Proposal*, October 29, 2012, p. 11.

- How the right to self-schedule for such RMTG will be respected and reconciled with a must-offer obligation; and
- How the must-offer obligation will be implemented with respect to use-limited resources.

To recognize properly these open issues and to clarify that the must-offer obligation will not be imposed until they are resolved, the following revisions should be made to the PD:

Finding of Fact 20:

20. There are a number of details remaining to be determined to fully implement the Joint Parties' Proposal, as appropriately modified, for a mandatory flexible capacity framework starting in RA year 2015, including counting of use-limited resources and preferred resources, and how a must-offer obligation may be applied to them, consistent with their tariff rights and operational constraints. Such details will be determined, at least in part, through the ISO's active stakeholder process.

Attachment A, p. 4:

- Once the details of a must-offer obligation (MOO) have been determined, Utilities and LSEs (or their Scheduling Coordinators) shall, to the extent possible, submit economic bids into the day ahead and real time markets for the flexible resources reported in their monthly filings. ~~In accordance with the proposed must-offer obligation (MOO) as outlined in the Joint Proposal for flexible resources in 2015,~~ These resources must be available....

## CONCLUSION

There are significant details that must be resolved to ensure that Qualifying Facilities and other use-limited resources can fully participate in the flexible capacity procurement

process, and that their contribution can be properly counted. Until such details are completed, it is improper to impose a must-offer obligation that either creates conflicting obligations on such resources or that effectively eliminates these resources from the procurement program. The Proposed Decision should be revised to more explicitly recognize these outstanding issues and to provide for their resolution before the MOO for flexible capacity is implemented.

Dated June 24, 2013

Respectfully submitted,

A handwritten signature in black ink that reads "Donald Brookhyser". The signature is written in a cursive style and is positioned above the typed name and contact information.

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