

**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)

POST-WORKSHOP COMMENTS OF THE UTILITY REFORM NETWORK

Thomas J. Long
Legal Director

The Utility Reform Network
785 Market Street, Suite 1400
San Francisco, CA 94103
Phone: (415) 929-8876 x303
Fax: (415) 929-1132
E-mail: tlong@turn.org

Kevin Woodruff
Woodruff Expert Services
1100 K Street, Suite 204
Sacramento, CA 95814
Phone: (916) 442-4877

Consultant to TURN

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I. INTRODUCTION AND SUMMARY

Pursuant to the August 2, 2013 Phase 3 Scoping Memo, The Utility Reform Network (TURN) files the following comments on matters discussed at the workshop of January 27, 2013.

TURN offers comments on two specific topics:

- Energy Division’s (ED’s) proposed methodology for computing the Qualifying Capacity (QC) of wind and solar resources using the Electric Load Carrying Capability (ELCC) methodology.¹
- ED’s proposal to reduce to zero the Resource Adequacy (RA) capacity benefits that are allocated by the Cost Allocation Mechanism (CAM) for resources outside the Transmission Access Charge (TAC) area of the purchasing Investor-Owned Utility (IOU).²

II. ED’S PROPOSED ELECTRIC LOAD CARRYING CAPABILITY METHODOLOGY

ED’s proposed approach to computing wind and solar QCs appears well-reasoned, balanced and practical. Several of the staff’s proposed methods and assumptions merit discussion³ and TURN expects that other parties’ comments will frame those issues likely to be most important to establishing reasonable wind and solar QCs.

However, there are no unambiguously “right” approaches to many of these modeling

¹ *Effective Load Carrying Capacity and Qualifying Capacity Calculation Methodology for Wind and Solar Resources*, Staff Proposal, Resource Adequacy Proceeding R.11-10-023, California Public Utilities Commission – Energy Division, January 16, 2014 (*Staff ELCC Proposal*).

² See “RA Benefits for Cost Allocation Mechanism (CAM) and Combined Heat and Power (CHP) resources procured Outside of the IOUs’ TAC Areas” at pp. 3-4 of *RA Implementation Staff Proposals*, CPUC Energy Division Staff, 1/16/2014 (*Staff CAM RA Allocation Proposal*).

³ Such ELCC modeling issues include the level of aggregation of wind and solar resources, the use of the “perfect generator” convention, the number of hours in a year to include in the modeling, and the use of monthly or annual Loss of Load Expectation targets.

issues. TURN will instead focus its comments on one overarching concern: its (and other parties’) inability to comment fully on the ED’s proposal until preliminary simulations are completed and the results and workpapers are made available for parties’ review. Ultimately, ELCC modeling should become a task that ED performs with limited controversy at regular intervals, such as biannually. But ED’s first and likely precedential ELCC modeling effort merits a high level of scrutiny to ensure that the model’s inputs and outputs and the application of such outputs are technically reasonable. TURN understands that ED welcomes such review.⁴

III. ED’S PROPOSED ELIMINATION OF RA CREDITS FOR CERTAIN CHP RESOURCES’

ED proposes to limit RA capacity benefits that are allocated by the CAM to only those resources that are located in the same TAC area as the purchasing IOU. That is, Load-Serving Entities (LSEs) within an IOU’s service territory would receive RA capacity benefits from the IOU’s purchase of CAM-eligible capacity in the IOU’s own TAC area, but would not receive *any* RA capacity benefits from the IOU’s purchase of CAM-eligible capacity outside its TAC area.⁵ At present, TURN believes this restriction would apply exclusively to Combined Heat and Power (CHP) resources the IOUs procure pursuant to the “CHP settlement” adopted by Decision (D.) 10-12-035.

TURN opposes this proposal as written, but believes that another ED proposal may address some of ED’s concerns.

TURN believes the ED proposal as written could harm ratepayers. The proposal could serve to increase customers’ costs by limiting the already-shrinking pool of CHP resources

⁴ For example, the *Staff ELCC Proposal* said staff would publish preliminary results “in the coming month” in the interest of transparency (p. 2).

⁵ TURN understands the IOUs’ TAC areas generally correspond with their retail service territories.

available to each IOU. Further, this constraint might even make it impossible for SDG&E to meet its CHP targets, given the area's lack of the large industrial and oil-field thermal loads needed as steam hosts for large CHP projects.

The *Staff CAM RA Allocation Proposal* cites three reasons to change current policy:

1. The current policy does not consider the Path-26 system constraint,
2. Local costs are not equitably allocated, in that customers in one TAC area (that of the IOU conducting the RFP) are paying for reliability benefits in another area (the TAC area in which the CHP is located), and
3. The current policy creates another level of complexity in procurement planning that is not transparent to LSEs that service DA and CCA load.⁶

TURN does not believe the overall concerns expressed in 1) and 2) above are that significant or beyond the IOUs' management skills. As a starting principle, regardless of its location within the CAISO grid, CHP capacity provides RA benefits to the entire CAISO system *unless* the Path 26 constraint is binding. TURN is not aware of any evidence that this constraint is a significant impediment to procurement of adequate RA or reliable system operation in general. To the extent the Path 26 constraint does bind, TURN anticipates the IOUs will manage their portfolios to minimize its impact on their RA purchases and expense. The issues raised by 1) and 2) thus appear modest at worst.

As to 3) above, TURN recognizes that the other LSEs – Energy Service Providers (ESPs) and Community Choice Aggregators (CCAs) – may not have the flexibility the IOUs have to manage their portfolios in such a manner. However, TURN suggests that another proposal that

⁶ *Staff CAM RA Allocation Proposal*.

ED offered might address this concern.⁷

Finally, the CHP procurement at issue was initiated by a settlement the Commission adopted in D.10-12-035 to resolve many CHP and Qualifying Facility (QF) issues that had been litigated for over 20 years. In fact, the Commission itself played a major role in bringing the IOUs and QFs together to reach this settlement. Any policies the Commission adopts to address issues related to CHP procurement must not impede the implementation of that settlement.

In sum, TURN believes the potential harms of this staff proposal outweigh its potential benefits and that the Commission should seek other means of addressing any related problems it believes exist, such as the alternative ED proposal noted above.

V. CONCLUSION

TURN appreciates the opportunity to provide these comments on the proposals and materials review at the January 27th workshop.

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Respectfully submitted,

By: _____/s/_____
Thomas J. Long
Legal Director

The Utility Reform Network
785 Market Street, Suite 1400
San Francisco, CA 94103
Phone: (415) 929-8876
Fax: (415) 929-1132
Email: tlong@turn.org

⁷ See “Schedule Outage Replacement Rule and Standard Capacity Product (SCP) Mechanisms for Cost Allocation Mechanism (CAM) Resources and Combined Heat and Power (CHP)” at pp. 4-6 of *RA Implementation Staff Proposals*, CPUC Energy Division Staff, 1/16/2014, pp. 4-6. TURN is not offering any additional comments on this proposal at this time.