

**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)

**COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
ON THE ENERGY DIVISION'S FEBRUARY 10, 2014,
FLEXIBLE CAPACITY FRAMEWORK PROPOSALS**

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Pursuant to the February 18, 2014 e-mail from the assigned administrative law judge (ALJ), Pacific Gas and Electric Company (PG&E) provides these comments on the Energy Division's *Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework* (ED Paper On Flexible Resource Adequacy Proposals) dated February 10, 2014, which sets forth several Energy Division proposals addressing the California Public Utilities Commission's (Commission) ongoing efforts to incorporate "flexibility" capacity procurement requirements into its resource adequacy (RA) program.

I. A PORTION OF THE FLEXIBLE RESOURCE ADEQUACY REQUIREMENT SHOULD BE ALLOCATED TO THE VARIABLE ENERGY RESOURCES THAT CONTRIBUTE TO THE NEED, AND THE ALLOCATION METHODS ADOPTED BY THE COMMISSION AND THE CAISO SHOULD BE ALIGNED

The Energy Division proposes, for 2015, "to use load-ratio share to allocate flexibility among [Commission-jurisdictional load serving entities]."¹ The Energy Division also describes how the California Independent System Operator (CAISO) proposes to allocate the system flexible capacity requirement to each local regulatory authority (LRA), and notes that the Energy Division does not agree with the CAISO approach, believing that it does not reflect cost causation accurately.²

PG&E urges the Commission and the CAISO to adopt a common methodology for allocating flexible RA requirements. PG&E supports a methodology that allocates a portion of

¹ ED Paper On Flexible Resource Adequacy Proposals, p. 5.

² ED Paper On Flexible Resource Adequacy Proposals, p. 5.

the requirement based on the contribution of a load serving entity's (LSE) renewable portfolio to the requirement. A methodology that does not reflect this contribution, such as the load-ratio share, fails to create the proper incentive for LSEs to reduce the intermittency of its renewable portfolio.

In the context of the CAISO's flexible resource adequacy criteria and must offer obligation (FRAC-MOO) stakeholder process, PG&E has put forward a specific allocation proposal that differs from that currently proposed by either the Energy Division or the CAISO. PG&E recommends that a portion of this obligation to provide flexible RA be allocated to the variable energy resources, as they are collectively a part of the reason that flexible RA resources are necessary. Unless the variable energy resources are obligated to bear a portion of the flexible RA obligation, they will not be receiving the proper incentive to take steps to help minimize the need for flexible RA resources.

II. PG&E ADDRESSED THE ENERGY DIVISION'S FLEXIBLE CAPACITY PROPOSALS FOR STORAGE AND SUPPLY-SIDE DEMAND RESPONSE RESOURCES, WHICH THE ENERGY DIVISION PUT FORTH ON JANUARY 16, IN PG&E'S FEBRUARY 18, 2014, COMMENTS IN THIS PROCEEDING

As the Energy Division notes, it presented its proposed flexible RA counting rules to determine the effective flexible capacity (EFC) of energy storage and supply-side demand response in a proposal it circulated on January 16, 2014.³ PG&E provided comments on those proposals on February 18, 2014. As PG&E indicated in those comments, PG&E generally supports the Energy Division's proposals for determining the EFC for storage and supply-side demand response resources.⁴ Among other things, PG&E supports the CAISO's proposal that Pmin for storage can be negative.

In its February 18 comments, PG&E raised six topics (one with two subtopics) with respect to supply-side demand response resources.⁵ PG&E reiterates its request that the Commission address these issues in its decision in this phase of this proceeding.

³ ED Paper On Flexible Resource Adequacy Proposals, p. 7.

⁴ PG&E Comments on Energy Division RA Proposals, p. 5.

⁵ PG&E Comments on Energy Division RA Proposals, pp. 6-10.

In particular, PG&E proposed that, for the reasons set out in its February 18 comments, supply-side demand response resources be given the option to provide flexible RA only, without meeting the requirements for providing generic RA.⁶ PG&E urges the Commission to adopt this option for supply-side demand response resources.

III. ALL LOAD SERVING ENTITIES SHOULD BE TREATED THE SAME; SMALL LOAD SERVING ENTITIES SHOULD NOT BE EXEMPTED FROM ANY OBLIGATION TO COMPLY WITH “CATEGORY LIMITATIONS” ON THE TYPES OF RESOURCES THAT CAN BE USED TO MEET THEIR FLEXIBLE RESOURCE ADEQUACY OBLIGATIONS

The Energy Division proposes that Commission-jurisdictional LSEs with flexible capacity obligations less than 25 MW not have to comply with the flexible RA category limits that it is otherwise proposing.⁷ PG&E opposes this proposal. The RA obligations should be applied equally to all LSEs, as stated in Public Utilities Code section 380(e).

IV. A LOAD SERVING ENTITY’S GENERIC AND FLEXIBLE RESOURCE ADEQUACY OBLIGATIONS SHOULD BE EXAMINED SEPARATELY. IN PARTICULAR, IT SHOULD NOT BE ASSUMED THAT EACH MEGAWATT COUNTED TOWARD A LOAD SERVING ENTITY’S FLEXIBLE RESOURCE ADEQUACY OBLIGATION ALSO COUNTS AS THAT LOAD SERVING ENTITY’S GENERIC RESOURCE ADEQUACY OBLIGATION

Turning to how the generic and flexible attributes of an RA resource can be used to meet an LSE’s generic and flexible RA obligations, PG&E’s basic understanding of the Energy Division’s discussion is that:

1. A flexible resource is not obligated to provide flexible RA, it can choose to provide generic RA only.
2. If a flexible resource chooses, by committing the resource in the LSE’s flexible RA showing, to provide flexible RA, then it must comply with the CAISO’s applicable flexible RA must-offer obligation.
3. For any particular MW of a flexible RA resource, if that MW is committed in the LSE’s RA showing to provide flexible RA, then that MW must also be counted against that LSE’s generic RA obligation.

⁶ PG&E Comments on Energy Division RA Proposals, p. 10.

⁷ ED Paper On Flexible Resource Adequacy Proposals, p. 14.

PG&E agrees with the first two rules set out above. However, PG&E sees potential problems with the third rule. For any particular MW of any flexible resource, it might be the case that it can only provide flexible RA (e.g., the amount between zero and a negative Pmin for a storage resource), it might be the case that it can only provide generic RA, or it might be the case that it can provide both flexible RA and generic RA. The Energy Division's proposal does not accommodate all of these possibilities.

To address this, PG&E proposes that an LSE's generic and flexible RA obligations be examined separately, so that the LSE's obligation to meet each is tested separately. Each generic RA MW committed by an LSE in its RA showing as generic RA counts toward that LSE's generic RA obligation, and each flexible RA MW of a resource committed by an LSE in its RA showing as flexible RA counts toward its flexible RA obligation. In particular, there should be no presumption that every flexible RA MW can or must count against an LSE's generic RA obligation.

V. THE ENERGY DIVISION PROPOSAL TO ELIMINATE MAXIMUM CUMULATIVE CAPACITY BUCKETS IS PREMATURE, AND SO SHOULD NOT BE ADOPTED AT THIS TIME

As part of its overall proposals, the Energy Division proposes to discontinue the Maximum Cumulative Capacity (MCC) buckets requirement in the generic RA program.⁸ The Energy Division proposes to rely instead on the three flexible RA categories it proposes to ensure that LSEs do not overly rely on limited availability resources to meet their RA obligations.⁹

PG&E opposes this proposal at this time. The MCC buckets were originally designed to set limitations on the commitment of limited availability resources for the purposes of system RA to meet peak load. In light of that, it is not apparent that the implementation of flexible RA categories for the purposes of meeting ramping requirements will completely alleviate the need for the MCC buckets. It is premature to rely on the flexible RA categories for this purpose when

⁸ ED Paper On Flexible Resource Adequacy Proposals, pp. 15-16.

⁹ ED Paper On Flexible Resource Adequacy Proposals, p. 16.

there is not even agreement on exactly what the parameters of the three flexible RA categories should be, and there is no operational experience with how the LSEs will comply with those category requirements once established. This Energy Division proposal should be revisited after some experience is gained with the flexible RA program generally, and with the effect of the flexible RA category limitations in particular.

VI. THE ENERGY DIVISION PROPOSAL SHOULD BE CLARIFIED TO INDICATE THAT THERE IS NO PROHIBITION AGAINST A LOAD SERVING ENTITY USING ITS OWN RESOURCES, TO THE EXTENT THEY ARE QUALIFIED TO DO SO, TO MEET ITS FLEXIBLE RESOURCE ADEQUACY OBLIGATIONS

The Energy Division states that an “LSE must contract with resources on the EFC list to satisfy its flexible procurement obligation.”¹⁰ A literal reading of this statement suggests that an LSE cannot use its own resources to meet its flexible RA obligation, as there would be no contract between the LSE and its own resource. PG&E requests that this statement be clarified to indicate that an LSE can only use resources on the EFC list to satisfy its flexible RA obligation. PG&E believes this was the intended meaning of the quoted phrase.

Respectfully submitted,

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¹⁰ ED Paper On Flexible Resource Adequacy Proposals, p. 8.