

**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
Load Procurement Obligations

Rulemaking 11-10-023
(Filed October 20, 2011)

**COMMENTS OF
THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION ON
STAFF PROPOSAL ON FLEXIBLE CAPACITY**

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ASSOCIATION ON STAFF PROPOSAL ON FLEXIBLE CAPACITY**

Pursuant to the email ruling of Administrative Law Judge David Gamson of February 18, 2014, the California Large Energy Consumers Association (CLECA) provides brief comments on the February 10, 2014, Staff Proposal on the Implementation of the Flexible Capacity Procurement Mechanism (Staff Proposal)

I. ESTABLISHMENT OF FLEXIBLE CAPACITY CATEGORIES SHOULD NOT RESULT IN ELIMINATION OF MAXIMUM CUMULATIVE CAPACITY BUCKETS AS THAT COULD HARM DEMAND RESPONSE

In general, CLECA does not oppose staff's proposal for three flexible capacity categories, based on varying must-offer obligations and energy limitations. However, staff's proposal to abolish the current Maximum Cumulative Capacity Buckets for system and local resource adequacy (RA) and replace them with the flexible capacity categories could impede the ability of demand response to qualify for system or local RA. This aspect of the Staff Proposal is troubling and warrants changing.

A. The Proposed Abolition of MCC Buckets Is Not Supported

Maximum Cumulative Capacity categories ("MCC buckets") were designed

to limit LSE reliance on resources to meet system and local RA requirements that are contractually limited in their hours of availability. There are four generic resource categories, known as the Maximum Cumulative Capacity (MCC) buckets, and a separate category for demand response (DR) that is available at least 24 hours per month. In its February 10, 2014 proposal, staff proposes to abolish the MCC buckets and rely instead on its proposed three flexible RA categories.

Staff has not provided any explanation as to why the flexible capacity categories are appropriate for system or local RA. Use-limited RA can provide system RA. It can also provide local RA. The current buckets do not limit DR to any particular percentage of total system or local RA and staff has not provided support for such a limitation.

The flexible capacity categories proposed by staff would allow DR to be procured as a Category 3 resource, along with other resources meeting the Category 3 requirements, up to five percent of the total flexible capacity requirement. Applying these categories to *system and local* RA thus would limit the ability of DR to provide system or local RA to a *maximum* of five percent. Yet, according to R. 13-09-011, it is the state's intention to promote, expand and prioritize DR. For flexibility purposes, staff, like the CAISO, is moving toward the direction of a "technology-neutral" set of requirements. In that flexibility context, this may make sense. Eliminating the buckets for system or local RA, however, could disadvantage DR as an RA resource; this does not make sense and would contravene established Commission policy.

