

**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)

**COMMENTS OF THE UTILITY REFORM NETWORK
ON THE STAFF PROPOSAL ON THE IMPLEMENTATION
OF THE FLEXIBLE CAPACITY PROCUREMENT FRAMEWORK**



Thomas J. Long, Legal Director
THE UTILITY REFORM NETWORK
785 Market Street, Suite 1400
San Francisco, CA 94103
(415) 929-8876 x303 (office)
(415) 929-1132 (fax)
TLong@turn.org

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

Consultant to TURN

February 24, 2014

I. INTRODUCTION AND SUMMARY

Pursuant to the February 18, 2014 e-mail ruling of Administrative Law Judge Gamson, The Utility Reform Network (TURN) submits these comments on the *Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework* issued February 10, 2014 (Staff Proposal).

TURN generally views the Staff Proposal as a reasonable attempt to implement already-adopted Commission policy regarding the procurement of flexible capacity and to integrate such policies with the future California Independent System Operator (CAISO) Flexible Resource Adequacy Criteria and Must Offer Obligation (FRAC-MOO) tariff.¹ TURN offers comments primarily on two aspects of the Staff Proposal: (a) its proposal to allocate flexible procurement requirements among CPUC-jurisdictional Load-Serving Entities (LSEs) on a load-ratio share of coincident peak,² and (b) its proposal to adopt three categories of must-offer obligations on an interim and simplified basis.³

In addition, TURN has other concerns about the apparent divergence between the Staff Proposal and the CAISO's latest FRAC-MOO tariff. At the invitation of the Staff Proposal, TURN thus recommends Energy Division organize a workshop to discuss its proposal further.⁴

II. THE STAFF PROPOSAL TO ALLOCATE FLEXIBILITY REQUIREMENTS BASED ON LOAD-RATIO SHARE IS REASONABLE FOR 2015 AND POSSIBLY FUTURE YEARS

TURN supports the Staff Proposal to allocate flexibility requirements among CPUC-jurisdictional LSEs in 2015. TURN's support of this relatively simplified approach is based on a

¹ Though it is possible that TURN may endorse concerns that other parties may raise with the Staff Proposal.

² Staff Proposal, p. 5.

³ *Id.*, pp. 12-15.

⁴ *Id.*, p. 18.

lack of confidence that either Energy Division (ED) (or the CAISO) can gather sufficient data to perform a more detailed and “accurate” computation by 2015.⁵ Should ED prove able to gather data from which a more detailed allocation could be computed, and reasonably expect to be able to gather such data consistently in future years, TURN agrees it would be appropriate to consider a more detailed allocation method at that time.

III. TURN SUPPORTS THE STAFF PROPOSAL TO IMPLEMENT DIFFERENT CATEGORIES OF MUST-OFFER OBLIGATIONS ON AN INTERIM AND SIMPLIFIED BASIS

TURN also appreciates aspects of the Staff Proposal’s approach to categorization of use-limited resources. In particular, TURN supports ED when it says “we hesitate to recommend incorporating complex restrictions on the use-limited resources on a long term basis due to other parallel proceedings at the CPUC and the ISO to implement the Joint Reliability Framework” TURN also supports ED’s proposal to end its interim proposal on December 31, 2017.⁶

TURN also endorses ED’s proposed limitations on the use of the three proposed categories based on “fixed monthly percentage limits” rather than the varying monthly percentages the CAISO proposes to re-compute each year.⁷ TURN believes such simplified rules will be easier for LSEs to manage, and that such limitations can also be easily changed by the CPUC as needed.

⁵ TURN has expressed this concern in its comments in the CAISO FRAC-MOO stakeholder process. See TURN’s comments on the Revised Straw Proposal, Fifth Revised Straw Proposal and Draft Final Proposal, available at <http://www.caiso.com/Documents/Current%20stakeholder%20processes/Flexible%20resource%20adequacy%20criteria%20and%20must%20offer%20obligations/Flexible%20resource%20adequacy%20criteria%20and%20must%20offer%20obligations%20-%20papers%20and%20proposals/Stakeholder%20comments>.

⁶ Staff Proposal, pp. 12-13.

⁷ *Id.*, pp. 13-14 and CAISO’s Draft Final Proposal, pp. 25-31.

IV. THE STAFF PROPOSAL AND THE CAISO FRAC-MOO TARIFF PROPOSAL SHOULD NOT CONFLICT

Though it appears to TURN that much of the Staff Proposal's treatment of use-limited flexible resources is similar to the CAISO's Draft Final Proposal on FRAC-MOO, there are some differences (such as the use of different percentage limits for MOO categories).⁸ More significantly, the CAISO appears intent on setting some of these procurement rules in its tariff, rather than adopt the Commission's determination of procurement rules by reference when it implements its tariff. The CAISO's approach sets up the possibility of a divergence between CPUC rules and the FERC tariff whenever the CPUC finds it necessary to revise its RA flexible capacity rules.

Such divergence over RA rules development would be unfortunate. TURN is greatly concerned by these developments and urges the CAISO and ED to work together to implement consistent requirements that are established by Commission decision and incorporated by reference in the CAISO tariff.

V. ED SHOULD HOLD A WORKSHOP TO REVIEW ITS FLEXIBLE CAPACITY PROPOSAL AND ITS RELATIONSHIP TO THE FRAC-MOO TARIFF

The Staff Proposal asks whether staff should organize a workshop to discuss the proposal. TURN believes staff should hold such a workshop. A workshop would be a good opportunity for parties to clarify the staff proposal and also its relationship to the CAISO's proposed FRAC-MOO tariff.

VI. CONCLUSION

TURN endorses certain aspects of the Staff proposal but encourages ED and the CAISO to propose consistent procurement requirements for adoption by the CPUC.

⁸ *Id.*

Dated: February 24, 2014

Respectfully submitted,

By: _____/s/_____
Thomas J. Long

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
Email: TLong@turn.org