

**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)

**REPLY COMMENTS OF THE
CALIFORNIA WIND ENERGY ASSOCIATION
ON STAFF DRAFT PROPOSED FLEXIBLE CAPACITY FRAMEWORK**

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On behalf of
California Wind Energy Association

March 6, 2014

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I. INTRODUCTION

The California Wind Energy Association (“CalWEA”) respectfully submits these reply comments in response to parties’ February 24, 2014, opening comments on the Staff Proposal regarding Implementation of the Flexible Capacity Procurement Framework. We file these comments in accordance with the February 27, 2014, Ruling of Administrative Law Judge Gamson in this proceeding that set March 6, 2014, as the date for parties to file reply comments.

In summary, these comments argue that the California Public Utilities Commission (“CPUC”) should use the California Independent System Operator Corporation’s (“CAISO”) flexible capacity allocation methodology, and should not require flexible capacity resources to qualify as resource adequacy (“RA”) resources.

II. DISCUSSION

A. The CPUC Should Use the CAISO’s Flexible Capacity Allocation Methodology

CalWEA appreciates the clarification made by the CAISO in its opening comments regarding its draft final allocation methodology and assessment for backstop procurement.

CAISO at 2-3. While the Staff Proposal states that the CAISO's allocation methodology "does not reflect causation accurately" (Staff Proposal at 5), staff reference an early version of the CAISO's proposed methodology that has since evolved considerably.

CalWEA has been fully engaged in the development of the allocation methodology as part of the CAISO's Flexible Resource Adequacy Criteria and Must-Offer Obligation initiative. We generally support the allocation methodology developed by the CAISO, as reflected in the draft final version, because it reflects cost-causation by identifying the contribution of each load-serving entity ("LSE") to the maximum ramp event each month. We agree with staff (as we have advocated at the CAISO) that the allocation formula would offer more accurate cost-causation-based results if it included variations associated with baseload units (as well as distributed resources), not just variations associated with load and central wind and solar generation. However, the CAISO's draft final methodology is certainly more accurate than staff's proposal to allocate the flexible capacity requirement to CPUC-jurisdictional LSEs based on a load-ratio share of the California Energy Commission's forecasted CAISO coincident peak, which would forego the causation approach entirely.

As the CAISO states, its draft final proposal commits to provide to the CPUC the contribution of each of their jurisdictional LSEs. If the CPUC uses this allocation to allocate the flexible capacity requirement among its LSEs, there should be less risk that the CAISO will need backstop procurement of flexible capacity.

In addition to reducing that risk, however, there are other important reasons that the CPUC should use the CAISO's allocation methodology. First, as noted above, the methodology more accurately reflects cost causation as compared to a load-ratio approach. Second, only by allocating to LSEs the system costs incurred as a result of their procurement decisions will they

have the appropriate cost-signals to incorporate into their procurement decisions.

B. Flexible Resources Should Not Be Required to Qualify as RA Resources

Several parties encouraged the Commission to take care to ensure that the widest range of preferred resources can participate in meeting the flexibility requirements. Large-scale Solar Association at 6; Green Power Institute at 3. Given the Commission's interest in promoting storage resources, the Commission should also take care that flexible capacity rules do not unduly hinder storage resources which, due to their flexible and scalable characteristics and ease of siting (in the case of distributed storage resources), can readily offer flexible capacity that is equivalent or, in many cases, superior to the flexible capacity that can come from all other sources of flexible capacity, including conventional resources.

However, one element of the Staff Proposal would seriously hinder both preferred and storage resources: the proposed requirement that all flexible resources must qualify as RA resources. Staff Proposal at 6. Obtaining RA status requires obtaining Full Capacity Deliverability Status from the CAISO, which frequently involves transmission upgrade bills for interconnecting generators in the tens of millions of dollars due to an unduly conservative CAISO methodology. Moreover, the CPUC's RA program and CAISO deliverability test are designed to ensure adequate system resources to meet a peak demand forecast, when the transmission system is heavily loaded but the need for flexible capacity is expected to be minimal, whereas the critical concern with flexible capacity resources is during certain spring and fall periods not associated with peak demand times, when the transmission system is expected to be much less congested. Thus, there is no reason why obtaining RA status should be necessary for flexible capacity resources, and obtaining such status is likely to be extremely

burdensome for preferred and storage resources (indeed, any resource that does not already have RA status).

III. CONCLUSION

For the foregoing reasons, the CPUC should use the CAISO's allocation methodology, and should not require flexible capacity resources to qualify as RA resources.

Respectfully submitted,

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