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 UTILITY REFORM NETWORK

ON STAFF PROPOSALS AND JANUARY 27 WORKSHOP

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I. INTRODUCTION AND SUMMARY

Pursuant to the August 2, 2013 Scoping Memo in this Phase of the proceeding, The Utility Reform Network (TURN) files the following Reply to comments other parties filed February 18 regarding the Energy Division (ED) staff proposals that were reviewed at the workshop of January 27, 2014.

In response to other parties' comments, TURN offers reply comments on the two topics of its own initial comments: (1) ED's proposed methodology for computing the Qualifying Capacity (QC) of wind and solar resources using the Electric Load Carrying Capability (ELCC) methodology,[1] and (2) ED's proposal to reduce to zero the Resource Adequacy (RA) capacity benefits that are allocated by the Cost Allocation Mechanism (CAM) of resources outside the Transmission Access Charge (TAC) area of the purchasing Investor-Owned Utility (IOU).[2]

TURN also continues to be concerned about the divergence between some proposals by ED and the California Independent System Operator (CAISO) and recommends ED organize a workshop to explore these matters further.

II. ED'S PROPOSED ELECTRIC LOAD CARRYING CAPABILITY METHODOLOGY

In its initial comments, TURN said it felt the ED's proposal for computing wind and solar QCs using an ELCC methodology was "well-reasoned, balanced and practical" but had an "overarching concern" about TURN's and other parties' ability to review the data, methodology

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[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*).

and results adequately.[3] The passage of two weeks with no further communications on this proposal has only increased TURN's disquiet. Other parties expressed similar concerns, including the CAISO, SCE, PG&E and NRG Energy.[4] In fact, PG&E even advocated delaying implementation of ELCC QCs until 2016 to allow adequate time for ED modeling and parties' review.[5]

TURN is not quite ready to advocate a delay in implementation until 2016. However, TURN proposes that implementation should be delayed if particular milestones are not met, specifically:

1) ED provides draft ELCC results and supporting workpapers and begin substantive workshops *this month,* and

2) ED provides "draft final" results and supporting workpapers by mid-April.

The production of these materials by the above deadlines is necessary to provide parties adequate time for review before they prepare comments to inform the Proposed Decision expected in May.[6]

As expected, parties raised many substantive issues with ED's proposed ELCC modeling. All these suggestions will be worthy of discussion, some day. For the immediate future, it is important to recall that current wind and solar QC values are recomputed annually based on historic data in a simple spreadsheet model and thus lack the sophistication that some parties desire.[7] Regardless of their merit, proposals to change ELCC computations to something much more complex than ED's approach – which is already orders of magnitude more complex than

[3] TURN's Post-Workshop Comments, pp. 1-2.
[4] CAISO Comments, pp. 4-5, PG&E's Comments, p. 3, SCE's Post-Workshop Comments, pp. 4-5 and NRG Energy Comments, p. 4.
[5] *Id.*
[6] *Phase 3 Scoping Memo and Ruling*, August 2, 2013, p. 6.
[7] This "exceedance" method was adopted in CPUC Decision 09-06-028. See Appendix C.

the current method – are not necessary for a reasonable implementation in 2015 or 2016.[8] Instead, near-term ELCC modeling should focus on those methods and assumptions most needed to produce reasonable QC values for 2015 or 2016. TURN believes the list of these priority issues – such as whether to apply the "perfect generator" convention – is daunting enough for ED and the parties to consider.

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

In its initial comments, TURN opposed ED's proposal 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.[9]

TURN notes that numerous affected parties opposed this proposal, including the three IOUs, ORA, and CAC and CCC, two trade groups representing Combined Heat and Power (CHP) interests.[10] Other opponents included NRG Energy, Calpine and the Alliance for Retail Energy Markets (AReM).[11] TURN does not believe any party found merit in the proposal. TURN again urges the Commission to reject this proposal.

In it comments, TURN also suggested that any issues with the management of RA capacity from CAM resources might be addressed by the ED proposal that the IOUs manage replacing capacity from such resources that are on outage.[12] Many parties endorsed this ED

[8] One such potentially valuable, but complex, enhancement to ELCC modeling would be to compute resources' "marginal" QCs rather than their "average" QCs.
[9] TURN Post-Workshop Comments, pp. 2-4.
[10] Along with TURN, all these parties were signatories to the "CHP Settlement" adopted in Decision 10-12-035. See PG&E Comments, pp. 11-12, SCE Post-Workshop Comments, pp. 13-15, SDG&E Opening Comments, pp. 5-7, ORA Comments, pp. 1-2, CAC Comments, pp. 2-4 and CCC Comments, pp. 2-7.
[11] NRG Energy Comments, pp. 5-6, Calpine Comments, pp. 1-2 and AReM Comments, pp. 4-6.
[12] TURN's Post-Workshop Comments, p. 4 (footnote 7).

proposal, though usually with modifications,[13] but the comments of two of the IOUs – PG&E and SDG&E – suggest to TURN that this proposal at a minimum needs further clarification to deal with challenging implementation issues, such as the computation and allocation of an IOU's replacement costs and responsibility for managing outages when an IOU is not the scheduling coordinator for a CAM or CHP resource.[14]

IV. ED SHOULD HOLD A WORKSHOP TO REVIEW KEY DIFFERENCES BETWEEN THE ED AND CAISO FLEXIBLE CAPACITY PROPOSALS

The CAISO offered comments on ED's proposed QC and Effective Flexible Capacity (EFC) counting methodologies for Demand Response and energy storage.[15] Aspects of these comments concern TURN. In particular, the following CAISO statement suggests an intent to supersede the Commission's traditional role in setting reliability standards:[16]

> "The ISO will set minimum criteria for determining EFC capacity. To address the CPUC's process concerns, the ISO could clarify that local regulatory authorities can set FC values and then the ISO will validate those values against the minimum criteria established by the ISO. If the values meet or exceed the minimum criteria, then the local regulatory authority's FC becomes the EFC, [sic] If the values do not meet the ISO's minimum criteria as established through the FRAC-MOO proposal, then the ISO will reduce the FC to meet the minimum criteria and that will become the EFC used in the ISO's determination whether backstop is needed."

Consistent with its February 24 comments in this docket regarding ED's flexible capacity implementation proposal, TURN believes the two entities should operate from the same rulebook on such issues.[17] TURN thus again recommends that ED organize a workshop to clarify and

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[13] SCE Post-Workshop Comments, pp. 15-17, ORA Comments, pp. 2-3, CCC Comments, p. 7, NRG Energy Comments, pp. 6-7 and AReM Comments, p. 6.
[14] PG&E Comments, pp. 12-14 and SDG&E Comments, pp. 7-9.
[15] CAISO Comments, pp. 10-15.
[16] *Id.*, p. 12
[17] Comments of The Utility Reform Network on the Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework, p. 3.

discuss these specific ED and CAISO proposals, their similarities and differences, and their relationship to one another.

V. CONCLUSION

TURN appreciates the opportunity to provide these reply comments regarding the proposals and materials reviewed at the January 27th workshop.

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Respectfully submitted,

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