

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

REPLY COMMENTS OF MARIN CLEAN ENERGY REGARDING  
ENERGY DIVISION PROPOSALS ON RESOURCE ADEQUACY PROGRAM  
CHANGES

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Pursuant to the August 2013 Scoping Memo and the Administrative Law Judge’s email Ruling of February 4, 2014, Marin Clean Energy (“MCE”) provides these reply comments regarding the Commission’s Energy Division Implementation Workshop Proposals (“Staff Proposals”) from January 27, 2014.

**I. BACKGROUND**

MCE is a Community Choice Aggregator (“CCA”) established pursuant to California law and Commission regulations. MCE at present serves approximately 125,000 customer accounts throughout Marin County and the City of Richmond. While MCE customers receive generation service from the CCA program, they continue to receive wires and other non-commodity services from Pacific Gas and Electric Company (“PG&E”). MCE’s resource adequacy (“RA”) procurement efforts are focused on achieving compliance with the mandatory procurement programs consistent with its low carbon portfolio goals, as well as the potential utilization of technologies to reduce total energy consumption or to shift peak energy consumption timing.

## II. COMMENTS

### A. MCE Agrees With Parties Regarding the Need for Transparency on Effective Load Carrying Capacity Determinations.

MCE agrees with parties that the effective load carrying capacity (“ELCC”) methodology should be transparent for the resource.<sup>1</sup> Transparency is important so that resource developers and potential counterparties can pursue project development with a strong understanding of the likely final RA value that will be attached to that resource, or the likelihood of such value changing over time. This transparency is key to LSEs seeking to optimize longer-term procurement decisions. MCE does not offer comments on the details of the ELCC methodology *per se* or the potential need to delay implementation.

However, MCE does not agree with the PG&E proposal for “transitioning” RA values of existing resources over a significant period of time as opposed to the treatment that new resources would receive under the methodology.<sup>2</sup> If improvements in the methodology are undertaken, it should be because the refinements better reflect the actual capacity value for operational purposes. Applying different methodological approaches for establishing the value of capacity of otherwise similar resources based solely on when procurement occurs does not square with the goal of uniformity in the application of counting rules for similarly situated resources.

### B. Demand Response and Energy Storage Counting Methodology

As a number of parties point out, additional clarity is needed regarding the products that demand response (“DR”) and energy storage (“ES”) should qualify for in terms of generic RA

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<sup>1</sup> See, e.g., CAISO Comments, pages 4-5; SCE Comments, pages 4-5.

<sup>2</sup> See, PG&E Comments, pages 3-5 regarding an eight-year transition period from the Exceedance methodology to ELCC.

capacity as well as flexible capacity.<sup>3</sup> MCE suggests that additional work will be required to best coordinate the NQC and EFC values for these CAISO-participating resources, including the EFC category that could be applicable. Energy storage is developing, and different technology approaches can have very different values in terms of providing very fast incremental as well as decremental ramping capacity that will be important when intermittent resources become available ahead of submitted schedules. Because the capabilities of these resources will be evolving, the CAISO and CPUC should anticipate the need to refine products and counting conventions to best fit the commercially available resources, including the nature of CAISO flexible capacity needs.

**C. The Capacity Value of Resources Secured By IOUs and Subject to CAM Must Be Honored.**

MCE agrees with various commenters calling for the rejection of the Energy Division (“ED”) proposal to deny full RA value for certain resources secured by the IOUs and allocated to other LSEs pursuant to the capacity allocation methodology (“CAM”).<sup>4</sup> Put simply, the RA program is designed to make sure that LSEs provide sufficient resources to the CAISO markets so that the system achieves supply sufficiency over forecast peak conditions. The fact that an IOU may secure a CAM-eligible resource located outside its retail service territory is largely irrelevant. Various LSEs have historically relied upon capacity resources that were located elsewhere, including outside of California, to provide resource sufficiency. Other than needs driven by the local capacity requirements—which require procurement from a sub-set of resources within some geographically defined area—as long as the resource is made available to

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<sup>3</sup> CAISO Comments, pages 10-15; PG&E Comments, pages 5-10; SCE Comments, pages 9-13; CLECA Comments, pages 1-3.

<sup>4</sup> See, e.g., AReM Comments, pages 4-6; PG&E Comments, pages 11-12; SCE Comments, pages 13-15; SDG&E Comments, pages 5-7; ORA Comments page 1-2.

CAISO consistent with tariff requirements, any LSE assigned RA from that resource should be eligible to utilize the resource in the RA showing.

**D. Obligation Aggregation for Small LSEs**

MCE supports providing smaller LSEs with some commercial flexibility in terms of meeting their total RA obligation with commercially available products. To the extent that a small LSE's allocation for a particular RA product type would be an "odd lot size" for securing a particular product, there should be an ability to aggregate the sub-parts of the total RA requirement and provide one or more products of an appropriate volume. Very small quantities of some RA products, particularly those new to the market, will have very high transaction costs.

Some parties have express concerns about this proposal leading to a collective under-procurement in certain local areas if LSEs with small local allocations are permitted to aggregate their procurement obligation to a single local RA area.<sup>5</sup> MCE expects that these concerns with the operation of this rule are likely overstated. First, MCE expects that there are few LSEs that would be able to utilize this proposed rule change. Secondly, the current rules applicable for Local RA procurement regularly result in deficient procurement in certain LRA areas from CAISO's perspective notwithstanding full compliance with the procurement obligations simply because some resources are more effective than others in satisfying a Local RA need. Thirdly, there should be no reliability impact from application of this rule insofar as the aggregate RA procurement obligations' planning reserve margin is intended to result in reserves of approximately eight percent beyond the capacity required to serve load plus operating reserve requirements. Accordingly, for LSEs with procurement obligations small enough to allow application of the proposed aggregation rule, there is no free rider issue in terms of total RA procurement – the collective procurement across all LRAs by all LSEs should be sufficient to satisfy the CAISO requirements.

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<sup>5</sup> See, e.g., ORA Comments, pages 3-4; AReM Comments, pages 7-8; SDG&E Comments, pages 10-11.

