

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 OFFICE OF RATEPAYER ADVOCATES
ON WORKSHOPS AND ENERGY DIVISION PROPOSALS**

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I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) submits the following reply comments pursuant to the August 2, 2013 “Phase 3 Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge” (Phase 3 Scoping Memo for R.11-10-023). ORA addresses other party comments filed on February 18, 2014, related to three January 16, 2014 Energy Division (ED) staff proposals: “[Resource Adequacy] RA Implementation Staff Proposals,” which discusses RA issues related to the Cost Allocation Mechanism and local RA (RA CAM/local proposals); “Effective Load Carrying Capacity [ELCC] and Qualifying Capacity [QC] Methodology for Wind and Solar Resources” (Proposed ELCC and QC Methodology for Wind and Solar); and “Qualifying Capacity and Effective Flexible Capacity Calculation [EFCC] Methodologies for Energy Storage [ES]and Supply-Side Demand Response Resources [DR]” (Proposed QC and EFCC Methodology for ES and DR).

Review of the opening comments filed by a large number of parties reveals many common concerns. As discussed below, many of these concerns echo those raised by ORA in its opening comments.

II. DISCUSSION

A. Issues Related to RA CAM Proposals

1. RA Benefits for CAM and Combined Heat and Power (CHP) Resources Procured Outside of the Investor-Owned Utility’s Transmission Access Charge (TAC) Areas

Many stakeholders,¹ including ORA,² objected to the ED Staff proposal to eliminate load serving entity (LSE) RA allocations for CHP and CAM resources located

¹ See San Diego Gas and Electric Company Opening Comments (SDG&E Comments), p. 5; Southern California Edison Company Opening Comments (SCE Comments), p. 4; Pacific Gas and Electric Company Opening Comments (PG&E Comments) p. 2; Cogeneration Association of California Opening Comments (CAC Comments), p. 2; The Utility Reform Network Opening Comments (TURN Comments), p. 2; Alliance for Retail Energy Markets Opening Comments (AREM Comments), p. 4; Calpine Corporation Opening Comments (Calpine Comments), p. 1; and NRG Energy, Inc. Opening Comments (NRG Comments), p. 4.

² ORA Comments, p. 1.

outside of the LSE's TAC areas. Adoption of the proposal would result in increased ratepayer costs since the loss of RA capacity would require additional LSE RA purchases to meet RA requirements. To address the overriding concerns with Path-26 congestion ORA recommended linking Path-26 allowances with CHP and CAM resources,³ while SCE similarly recommended that "the [California Public Utilities Commission] simply net [megawatts] associated with CHP CAM procurement in the south by PG&E with MWs associated with CHP CAM procurement in the north by either SCE or SDG&E."⁴ PG&E pointed out that "preventing any RA value from being assigned to a CAM or CHP resource based on location undercuts the development of market mechanisms that help IOUs maximize reliability to customers at the lowest cost."⁵ SDG&E claimed that the ED "staff proposal to limit the recognition of CHP resource-adequacy benefits is contrary to the Commission's general policies promoting the addition of CHP resources and the specific provisions of *Decision 10-12-035*."⁶ TURN, Calpine, and AREM questioned whether the proposal violates the Qualifying Facility (QF) Settlement.⁷

The Commission should reject the ED staff proposal to eliminate some RA credits for CAM and CHP resources given the absence of demonstrated need for this proposal and its potential to increase ratepayer costs. In addition, questions raised by parties regarding conflicts with the QF settlement raise legitimate concerns about the feasibility of the ED staff proposal. As an alternative, relatively simple solutions to any potential Path-26 issues can be implemented without reducing the availability of RA capacity.

³ ORA Comments, p. 2.

⁴ SCE Comments, p. 14.

⁵ PG&E Comments, p. 12.

⁶ SDG&E Comments, p. 5-7.

⁷ TURN Comments, p. 4; Calpine Comments, p. 1; and AREM Comments, p. 4.

2. **Proposal 4.1 Aggregation of Local Areas by IOU Service Area**

The ED staff proposal, section 4.1 for aggregation of local areas by IOU service area drew wide party opposition.⁸ The proposal would grant an exemption allowing small LSEs to meet local RA capacity obligations in separate RA local areas by aggregating capacity amounts within an IOU service area. SDG&E stated that the “proposal is at odds with the fundamental concept of local capacity requirements.”⁹ AREM opposes the exemption for small LSEs as unnecessary to alleviate market power issues, which have been previously addressed by the waiver trigger price, prior aggregation of some local areas, and exemptions for LSEs with less than 1 MW requirements.¹⁰

ORA agrees that the proposed aggregation of local areas by IOU service area is unnecessary and may negatively impact reliability. The ED staff proposal would allow small LSEs to purchase the least expensive local capacity regardless of where the California Independent System Operator (CAISO) local capacity studies determine the capacity is in fact needed. As noted in ORA’s opening comments, this proposal attempts to lower costs for small LSEs while creating a “possible increase in reliability risk.”¹¹ Any proposal that has the potential to increase the risk to maintaining reliability should address how potential backstop procurement by the CAISO would be apportioned in the event of a shortfall related to LSE aggregation of local capacity.¹²

⁸ AREM Comments, p. 7; SDG&E Comments, p. 10; PG&E Comments, p. 15; and SCE Comments, p. 18.

⁹ SDG&E Comments, pp. 10-11.

¹⁰ AREM Comments, p. 7.

¹¹ RA CAM/Local Proposals, p. 10.

¹² ORA Comments, p. 4.

B. ELCC and QC Calculation Methodology for Wind and Solar Resources

The ED staff proposal to implement ELCC and QC methodology for wind and solar for the 2015 RA calendar year elicited wide-spread party opposition.¹³ A lack of transparency created a common concern among parties, who fault the lack of adequate data to enable adequate stakeholder analysis. The CAISO expressed these concerns by stating that “several aspects of the proposed model, modeling assumptions and input data have still not been adequately explained or detailed in the proposal or at the workshops.”¹⁴ ORA recommends the Commission provide stakeholders the opportunity to vet the data involved in the proposed methodology prior to adoption. SCE noted that the proposal lacks adequate granularity and recommends a modified ELCC calculation.¹⁵ The comments express misgivings about reducing the number of climate regions and limiting technology types provoke legitimate concerns over the proposal’s simplified approach for 2015.¹⁶ NRG questions the feasibility of adopting a probabilistic model, and notes that similar modeling failed in attempts to apply the modeling to planning reserve margins.¹⁷

In opening comments, ORA expressed some concerns about the simplified initial approach for application of the ELCC in 2015 while supporting the staff proposal as a reasonable compromise. Based on the valid points by various stakeholders noted above, ORA now agrees with many parties that the ELCC is not ready for adoption in 2015. Important issues, such as the lack of transparency, need further development and

¹³ CAISO Comments, p. 2; SCE Comments p. 4; PG&E Comments, p. 2; NRG Comments, p. 4; Concentrating Solar Power Alliance Opening Comments (CSPA Comments), p. 4; TURN Comments, p. 1; Large-scale Solar Association and the Solar Energy Industries Association Opening Comments (LSA & SEIA Comments), p. 2; and Environmental Defense Fund Opening Comments (EDF Comments), p. 6.

¹⁴ CAISO Comments, p. 4.

¹⁵ SCE Comments, pp. 5-8.

¹⁶ *Id.*

¹⁷ NRG Comments, p. 4.

stakeholders should be given more opportunities to vet important data from the modelling process.

III. CONCLUSION

ORA respectfully requests that the Commission consider ORA's comments in adopting modifications to the RA program for requirements for RA in 2015:

1. Reject the ED staff proposal eliminating LSE RA allocations for CHP and CAM resources outside of TAC areas and instead explore alternatives to Path-26 issues which do not deny RA capacity availability;
2. Reject the ED staff proposal creating an exemption for small LSEs to meet local RA capacity obligations in separate RA local areas by aggregating capacity amounts within an IOU service area; and
3. Reject the ED staff proposal to implement ELCC and QC methodology for wind and solar for the 2015 RA calendar year.

Respectfully submitted,

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