

**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 R-11-10-023

**REPLY COMMENTS OF THE GREEN POWER INSTITUTE ON THE
STAFF PROPOSAL ON FLEXIBLE CAPACITY IMPLEMENTATION**

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REPLY COMMENTS OF THE GREEN POWER INSTITUTE ON THE STAFF PROPOSAL ON FLEXIBLE CAPACITY IMPLEMENTATION

Pursuant to the February 18, 2014, and February 27, 2014, email *Rulings* of ALJ Gamson, in Rulemaking R.11-10-023, the **Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local Procurement Obligations**, the Green Power Institute (GPI), the renewable energy program of the Pacific Institute for Studies in Development, Environment and Security, respectfully submits these *Reply Comments of the Green Power Institute on the Staff Proposal on Flexible Capacity Implementation*. Our *Reply* addresses several issues discussed by various parties in their *Opening Comments*, including allocation of the costs of flexible capacity, developing counting rules for preferred resources, unbundling QC and FC, and the need for workshops on the flexible-capacity framework. On a preliminary note, we state our support for the LSA's call for greater transparency in the process of developing the plan for the implementation of a flexible-capacity requirement.

Allocation of Costs

One area of contention between the Staff Report and the CAISO, as well as among the parties to the proceeding, is how the costs of flexible capacity will be allocated among market participants. The suggestions run the gamut from using a simple proportional allocation to all generators, to allocations that essentially target only intermittent generators, to allocations that go beyond generators to other market participants. PG&E, a proponent of charging the costs to intermittent generators, argues: "Unless the variable energy resources are obligated to bear a portion of the flexible RA obligation, they will not be receiving the proper incentive to take steps to help minimize the need for flexible RA resources (PG&E *Comments*, pg. 2)." The GPI agrees with the parties who argue for cost allocation based on causation.

In fact, with respect to the proportion of the need for flexible capacity that is attributable to intermittent resources, we believe that this is one component of the set of costs that are generally referred to as integration costs. We note that at a recent PHC (Feb. 25) in the LTPP proceeding there was a discussion of whether integration costs should be assessed in the LTPP proceeding, or in the RPS proceeding. This is a complex issue that deserves coordinated consideration among at least the LTPP, RPS, and RA proceedings. Failure to do so could lead to anything from double counting of integration costs, to no counting of integration costs at all, which is the present situation.

Develop Counting Rules for Preferred Resources

In the GPI's *Comments*, we requested that the Commission develop flexible-capacity (FC) counting rules for baseload renewable resources. We note that the Concentrating Solar Association calls for the development of counting rules for all preferred resources, and we endorse that request. Preferred resources will not be able to participate in this market until the appropriate counting rules, protocols, and incentives have been developed and put into place.

Unbundle QC and FC

All of the IOUs argue in favor of unbundling qualifying capacity (QC) (also called generic capacity) and FC, and the GPI agrees that there is no compelling need for QC and FC to be bundled. In fact, assuming that the Commission develops counting rules for baseload renewables along the lines that we proposed in our *Comments*, for these kinds of resources that will continue to operate at full capacity for an extended run following the ramping period, we consider the FC to be a component of the QC. For example, in the example we presented in our *Comments*, a 25 MW biomass plant providing FC lowers its output level to 16 MW prior to the late-afternoon ramp. It then powers back up to 25 MW during the three-hour ramp, and continues to operate at 25 MW through the night and into the next day. In operating under this duty cycle, the facility is providing 25 MW

of QC during the entire peak-demand period, and 9 MW of FC during the three-hour ramp-up.

Need for Workshops

The *Ruling* requesting comments on the Staff Report suggested the possibility of holding one or more workshops on the flexible-capacity procurement framework following the current round of *Comments* and *Replies*. The GPI neglected to endorse the proposal to hold workshops in our own *Comments*, but we note that TURN, CAISO, and a number of other parties support using the workshop process in the development of the FC framework, and we join those parties in endorsing the holding of a workshop or workshops.

Dated March 6, 2014, at Berkeley, California.

Respectfully Submitted,



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