

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
STAFF PROPOSAL ON THE IMPLEMENTATION OF THE FLEXIBLE
CAPACITY PROCUREMENT FRAMEWORK**

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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). The following comments respond to parties’ comments filed on February 24, 2014, addressing the “Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework” (Flexible Capacity Proposal).

II. DISCUSSION

A. The Commission should not impose flexible capacity category procurement requirements for 2015.

Many parties expressed concern regarding poor coordination between the California Independent System Operator’s (CAISO) Flexible Resource Adequacy Criteria and Must Offer Obligations (FRAC-MOO) proposal and the Energy Division (ED) Flexible Capacity Proposal on flexible capacity.¹ Several parties requested an additional workshop to continue stakeholder input to further refine the ED Flexible Capacity Proposal.² These comments add weight to ORA’s recommendation that the Commission should not adopt categories for flexible capacity resources for the 2015 resource adequacy (RA) year, but should allow load-serving entities (LSEs) to comply with this requirement using flexible capacity of their choice.³ As noted in ORA’s opening comments, the data from 2015, especially if it is unrestricted by categories, will provide useful information on which resources LSE’s will utilize to meet flexible requirements.⁴

¹ See CAISO Opening Comments (CAISO Comments), p. 3; NRG Energy, Inc. Opening Comments (NRG Comments), p. 2; Independent Energy Producers Association Opening Comments (IEP Comments), p. 3; EnerNOC, Inc. Opening Comments (EnerNOC Comments), p. 5; Pacific Gas and Electric Company Opening Comments (PG&E Comments), p. 1; Alliance for Retail Energy Markets Opening Comments (AREM Comments), p. 2; San Diego Gas and Electric Company Opening Comments (SDG&E Comments), p. 11; Southern California Edison Company Opening Comments (SCE Comments), p. 3; and The Utility Reform Network Opening Comments (TURN Comments), p. 3.

² CAISO Comments, p. 3; NRG Comments, p. 6; IEP Comments, p. 1; and TURN, p. 4.

³ ORA Comments, p. 3.

⁴ ORA Comments, p. 4.

The need for specific category requirements has not been established for 2015. Thus, it is unnecessary to create categories restricting use-limited flexible resources prior to next year's RA proceeding. Shell Energy North America (US), L.P. (Shell Energy)'s comments referenced data indicating an abundance of flexible capacity available for 2015, and recommended that no flexible requirements are necessary for 2015.⁵ A case has not been made for an actual need for flexible requirements in 2015 above the supply currently provided. ORA appreciates the need to make progress in implementing the shift toward insuring reliability based on acquiring projected needs for flexible capacity. Beginning in 2014, LSEs' RA compliance templates include flexible resources and associated capacity amounts in their current portfolios. The CAISO and ED have not provided results of this data collection to the stakeholders, other than ED indicating that the most flexible capacity reported is in category 1, the category without the use limitations of categories 2 and 3.⁶

ORA supports additional stakeholder input in the design of flexible categories, if in fact categories prove to be necessary. For example, the categories should be further developed to allow maximum contributions from preferred resources, including demand response. The ED Flexible Capacity Proposal caps the use-limited Categories 2 and 3 at 20%⁷ of the total RA obligation while EnerNOC states that "Categories 2 and 3 could satisfy up to 50% of the flexible requirement."⁸ PG&E proposed a two category structure for flexible capacity procurement which it still supports as an alternative to the three categories proposed by the CAISO and ED.⁹ These issues can and should be considered at a later time. The prudent action for the Commission at this time is to delay the imposing of specific procurement categories for flexible capacity until next year's RA proceedings.

⁵ Shell Energy Comments, p. 3

⁶ ED Staff Proposal, p. 14.

⁷ ED Staff Proposal, p. 14.

⁸ EnerNOC Comments, p. 5.

⁹ PG&E Comments, p. 2.

B. The Commission should adopt the staff's interim approach to allocating flexible capacity requirements based on load ratio share of the coincident peak while additional information is evaluated.

Several stakeholders,¹⁰ including ORA,¹¹ supported the ED Flexible Capacity Proposal to allocate flexible capacity requirements for 2015 based on load ratio of the coincident peak. This proposal is an imperfect solution and parties rightfully point out that the allocation methodology will differ from that of the CAISO¹² and may introduce inequitable allocations.¹³ ORA maintains that it is best to continue with the current allocation methodology while ED pursues a modified methodology which best accounts for the allocation of flexible requirements. This methodology should have a basis in causation of the need for flexible capacity and formulated to be fair and reflect the rapidly changing procurement environment in California. The ED staff and other stakeholders should be allotted more time over the next year to devise the methodology that best fits our uniquely evolving capacity market.

C. The Commission should not abolish the Maximum Cumulative Capacity (MCC) Buckets.

It is premature to abolish the MCC buckets, as proposed by ED Staff,¹⁴ without further analysis. The MCC buckets set limits for LSE procurement of use-limited resources of by creating resource bucket categories to prevent an over reliance on resources with use limitations. Many parties seek more stakeholder involvement prior to

¹⁰ Large-scale Solar Association Opening Comments (LSA Comments), p. 1; TURN Comments, p. 2; and SCE Comments, p. 2.

¹¹ ORA Comments, p. 2.

¹² The CAISO's allocation methodology will calculate each LSE's contribution to the net-load change using historic changes in load and forecasted changes in wind output and solar output and distributed generation.

¹³ PG&E Comments, p. 1; SDG&E, p. 2; AREM Comments, p. 2; CAISO Comments, p. 3; and NRG Comments, p. 3.

¹⁴ ED Staff Proposal, p. 15.

adopting this proposed change¹⁵ while only AREM expresses support for the proposal.¹⁶ As flexible capacity procurement expands in future years and with full implementation and experience with flexible capacity procurement, the need for MCC buckets may no longer exist; however, we are not there yet.

D. The Commission should reject an exemption to category procurement requirements for LSEs with less than 25 MW of flexible capacity requirements.

Other parties¹⁷ expressed concerns¹⁸ regarding the proposal to exempt LSEs with flexible requirements of less than 25 megawatts (MW) from flexible procurement category requirements. Exempting LSEs with smaller flexible capacity requirements will shift the cost of addressing reliability to other LSEs. Furthermore, the ED Flexible Capacity Proposal delegates any backstop procurement associated with the exemption to the non-exempted LSEs. Thus, backstop procurement costs stemming from the exemption would create a further shifting of costs.

The Commission should reject the proposed exemption. ORA points out that the exemption would be moot if the Commission accepts ORA recommendation to delay imposing categories for flexible capacity procurement in 2015.

III. CONCLUSION

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

- The Commission should not impose flexible capacity category procurement requirements for 2015.

¹⁵ CAISO Comments, p. 9; EnerNOC Comments, p. 9; PG&E Comments, p. 4; California Energy Storage Alliance Opening Comments (CESA Comments), p. 1; and SCE Comments, p. 7.

¹⁶ AREM Comments, p. 7.

¹⁷ AREM Comments, p. 5; SDG&E Comments, p. 11; SCE Comments, p. 4; PG&E Comments, p. 3; and CAISO Comments, p. 8.

¹⁸ ORA Comments, p. 5.

- The Commission should adopt the staff's interim approach to allocating flexible capacity requirements based on load ratio share of the coincident peak while additional information is evaluated.
- The Commission should keep the MCC Buckets.
- The Commission should reject an exemption to category procurement requirements for LSEs with less than 25 MW of flexible capacity requirements.

Respectfully submitted,

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