

**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)

**COMMENTS OF THE UTILITY REFORM NETWORK
ON RESOURCE ADEQUACY PROPOSALS**



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I. INTRODUCTION

Pursuant to the April 9, 2014 Ruling of ALJ Gamson, The Utility Reform Network (TURN) submits these comments on several aspects of the Resource Adequacy (RA) proposals presented at the April 9 workshop by Energy Division (ED or Staff) and other parties.

II. THE COMMISSION SHOULD POSTPONE IMPLEMENTATION OF WIND AND SOLAR RESOURCE QUALIFYING CAPACITIES BASED ON EFFECTIVE LOAD CARRYING CAPABILITY METHODOLOGY

ED has been working for several months to develop estimates of the Qualifying Capacities (QCs) of wind and solar resources using the Effective Load Carrying Capability (ELCC) methodology. However, as of April 18, 2014, ED has not provided draft modeling results from these efforts.

In its March 3, 2014 Reply Comments, TURN suggested that the Commission delay implementation of ELCC QCs for wind and solar resources for another year unless the following two milestones were met:

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

“2) ED provides ‘draft final’ results and supporting workpapers by mid-April.”¹

These milestones have not been met. TURN thus recommends that the Commission delay implementation. It will be impossible for parties to review and validate ELCC modeling and provide the Commission written comments in the five-plus weeks before a Proposed Decision (PD) is issued.²

However, TURN believes ED’s efforts should continue so that ELCC QCs for wind and solar resources could be adopted in mid-2015 for application to the 2016 RA compliance year.

¹ See page 2. Emphasis original.

² A PD would need to be issued by May 27 to be considered at the Commission’s June 26 meeting.

III. THE REVISED ED PROPOSAL REGARDING THE RA VALUE OF IOU PURCHASES OF CHP CAPACITY OUTSIDE THEIR TRANSMISSION ACCESS CHARGE AREAS IS GENERALLY REASONABLE

ED presented a revised proposal regarding Investor-Owned Utilities' (IOUs') ability to count as RA capacity Combined Heat and Power (CHP) capacity purchased outside their respective Transmission Access Charge (TAC) areas.³ ED's revised proposal appears generally reasonable. The revised proposal addresses directly concerns about the impact of limits on Path 26 transfer capacity on the reliability benefits of CHP capacity and also does not constrain the CHP market as much as the original proposal. TURN appreciates ED's efforts to prepare a proposal that better reflects the context of the CHP program. TURN thus recommends the Commission adopt this proposal. However, TURN anticipates that both buyers and sellers of CHP capacity will have suggestions about the details of ED's proposal; TURN may provide additional comments in reply to such suggestions.

IV. THE REVISED ED PROPOSAL REGARDING TREATMENT OF THE SCHEDULED OUTAGE REPLACEMENT RULE FOR CHP AND CAM RESOURCES IS REASONABLE IN PRINCIPLE, BUT NEEDS FURTHER DEVELOPMENT

ED also presented a revised proposal to make the IOUs' responsible for managing the procurement of capacity needed to comply with the CAISO's scheduled outage replacement rule for CHP and Cost Allocation Mechanism (CAM) resources.⁴ This revised proposal also appears generally reasonable, though may face more implementation challenges than the proposal in Section II above. In particular, the revised proposal's method for setting the cost of an IOU's

³ See both the Word document dated April 3, 2014 and titled *Revised RA Implementation Staff Proposals*, pages 3-5, and the PowerPoint slides presented at the April 9 workshop titled *Revised RA Implementation Staff Proposals*, slides 2-5. TURN understands that these documents and the others cited below are part of the formal record of this docket.

⁴ See both the Word document dated April 3, 2014 and titled *Revised RA Implementation Staff Proposals*, pages 5-7, and the PowerPoint slides presented at the April 9 workshop titled *Revised RA Implementation Staff Proposals*, slides 6-8.

purchases of replacement capacity needs further development.⁵ But TURN recommends the Commission adopt this proposal now in principle and decide these implementation issues later this year. TURN again anticipates that other parties with interests in CHP and CAM capacity will have suggestions about the details of ED's proposal; TURN may provide additional comments in reply to such suggestions.

TURN also observes that revisions to the scheduled outage replacement rule itself may be a better means for addressing some or all of the challenges posed by the current need to replace CHP and CAM capacity that goes on scheduled outages. The CAISO should explore this possibility at the next reasonable opportunity.⁶

V. SDG&E'S PROPOSAL TO ALLOW UNBUNDLING OF 'FLEXIBLE' AND 'INFLEXIBLE' RA APPEARS REASONABLE

ED's proposal would mandate that a MW of RA capacity could be sold only once, as either flexible or inflexible.⁷ San Diego Gas & Electric (SDG&E) argued that market participants should be able to buy and sell the generic and flexible attributes from the same MW of RA MW separately.⁸ TURN believes SDG&E's proposal has merit and would likely reduce customer costs. Accordingly, TURN recommends that the Commission adopt this proposal, though it may also require additional work to resolve implementation details.

⁵ For example, the suggestion at page 6 of the April 3 Word document that "the cost of capacity from the IOUs portfolio will be determined using the average capacity price from the most recent RA report" would apply a dated price to the process, particularly since the most recent RA report now posted on the Commission's website is for the 2011 compliance year. (See prior reports posted at <http://www.cpuc.ca.gov/PUC/energy/Procurement/RA/>.)

⁶ The CAISO's current Reliability Services Initiative may provide this opportunity.

⁷ See both the Word document dated April 9, 2014 and titled *Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework*, page 9.

⁸ See the Acrobat slides SDG&E presented at the April 9 workshop titled *Unbundling Flexible and Generic Attributes for Procurement Purposes*, particularly slide 11.

VI. THE CAISO’S PROPOSAL FOR COMPUTING EFFECTIVE FLEXIBLE CAPACITY FOR STORAGE RESOURCES IS A REASONABLE INTERIM PROPOSAL, BUT ADDITIONAL WORK IS NEEDED TO DEVELOP MORE DURABLE COUNTING METHODS

In developing its flexibility tariff, the CAISO has developed two options for counting the flexible capacity of storage resources on an explicitly “initial” basis.⁹ ED offered a perhaps more complete proposal for counting capacity for variously types of storage and Demand Response (DR) resources at the April 9 workshop.¹⁰ For 2015, TURN would prefer that the Commission adopt the CAISO’s proposal – simply because it appears easier to implement – and then revisit storage EFC issues again in next year’s review of RA programs. TURN believes ED’s more detailed analysis has promise, but needs additional consideration before adoption.

VII. TO AVOID EXCESS CUSTOMER COSTS, THE CAISO AND COMMISSION RA PROCUREMENT REQUIRMENTS MUST BE AS CONGRUENT AS POSSIBLE

In addition to estimating the EFC for storage and DR resources, there are other key differences between the ED and CAISO proposals for the implementation of flexible capacity procurement requirements.¹¹ In previous comments, TURN has stated a preference that, when possible, such requirements should be adopted as Commission policies that the CAISO tariff incorporates by reference.¹² But here TURN wishes to highlight the risks to customers that would result from differences between the Commission and CAISO policies regarding RA

⁹ See CAISO *Flexible Resource Adequacy Criteria and Must-Offer Obligation, Revised Draft Final Proposal*, March 7, 2014, pp. 38-39, available at <http://www.aiso.com/Documents/RevisedDraftFinalProposal-FlexibleRACriteriaMustOfferObligation-Clean.pdf>.

¹⁰ See Word file titled dated April 9, 2014 and titled *Qualifying Capacity and Effective Flexible Capacity Calculation Methodologies for Energy Storage and Supply-Side Demand Response Resources*, pp. 6-15, and PowerPoint slides dated April 9 and titled *Revisions: Qualifying Capacity and Effective Flexible Capacity for Storage & Supply-Side DR*, slides 4-23.

¹¹ See *Comments of The Utility Reform Network on the Staff Proposal on the Implementation of the Flexible Capacity Procurement Framework*, February 24, 2014, p. 3, *Reply Comments of The Utility Reform Network on Staff Proposals and January 27 Workshop*, March 3, 2014, pp. 4-5, and *Reply Comments of The Utility Reform Network on the Staff Proposal regarding Implementation of the Flexible Capacity Procurement Framework*, March 6, 2014, pp. 1-2.

¹² See *Reply Comments of The Utility Reform Network on the Staff Proposal regarding Implementation of the Flexible Capacity Procurement Framework*, March 6, 2014, p. 2.

requirements. Such differences would create risks that customers would bear higher costs than necessary, either due to: (a) over-procurement by Load-Serving Entities (LSEs) for initial RA filings (when Commission requirements are more stringent than CAISO requirements), or (b) additional CAISO backstop procurement (when Commission requirements are less stringent than CAISO requirements). TURN believes there is value in both entities attempting, if reasonably possible, to accommodate each other's perspectives, in order to provide LSEs a set of RA procurement requirements that are consistent and pose less risk of unnecessary costs.

One difference between the Commission and CAISO proposals concerns the computation of the three "categories" of flexible capacity need. To the extent the Commission and CAISO cannot resolve their differences over this issue, TURN believes implementation of this aspect of the flexible procurement requirements could safely be deferred until 2016.¹³

VIII. THE CAISO EFFECTIVE FLEXIBLE CAPACITY CALCULATIONS APPEAR REASONABLE, BUT FINAL JUDGMENT CANNOT BE MADE AT THIS TIME

The CAISO presented its preliminary estimates of flexible capacity needs and procurement obligations for CPUC-jurisdictional LSEs at the April 9, 2014 workshop.¹⁴ Based on TURN's review to date, the CAISO appears to have implemented the CPUC-adopted needs computations reasonably. However, as TURN has not reviewed the CAISO's forthcoming response to its data request on these computations and as the CAISO may still change its computations and proposal, TURN is withholding judgment until it reviews the CAISO's final

¹³ See *Reply Comments of The Utility Reform Network on the Staff Proposal regarding Implementation of the Flexible Capacity Procurement Framework*, March 6, 2014, pp. 2-4. See also RT, 84:17-18; the word "referring" should be "deferring".

¹⁴ See both the report titled *Preliminary 2014 Flexible Capacity Needs Assessment*, which was served April 4, particularly pages 11 and 13, and the Acrobat slides the CAISO presented at the April 9 workshop titled *2014 ISO Flexible Capacity Needs Assessment: Study Methodology, Assumptions, and Preliminary Results*, particularly slides 21 and 23.

recommendation due on or around May 1, 2014. TURN anticipates providing comments on that proposal at the appropriate time in May.¹⁵

IX. CONCLUSION

TURN requests that the Commission take the actions regarding the various RA issues described above.

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Respectfully submitted,

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¹⁵ RT, 82:25-83:11.