

**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 UTILITY REFORM NETWORK
ON RESOURCE ADEQUACY PROPOSALS**



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I. INTRODUCTION

Pursuant to ALJ Gamson's oral direction at the April 9, 2014 workshop, The Utility Reform Network (TURN) submits these reply comments in response to several parties' comments on 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 THE EFFECTIVE LOAD CARRYING CAPABILITY METHODOLOGY

PG&E, SCE and the Office of Ratepayer Advocates (ORA) expressed concern about the lack of opportunity to review ED's Effective Load Carrying Capability (ELCC) modeling, and – like TURN – PG&E and ORA specifically argued for postponement of the implementation of ELCC-based Qualifying Capacities (QCs) for wind and solar resources from the 2015 to the 2016 RA compliance year.¹ It does not appear that any parties have argued *for* implementation of ELCC QCs in the 2015 RA compliance year. TURN again asks the Commission to defer this implementation until the 2016 RA compliance year.²

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

The parties that will have to transact under ED's proposal regarding the counting for RA purposes Combined Heat and Power (CHP) capacity a utility procures outside its Transmission Access Charge (TAC) area – the three utilities and CHP trade groups – generally endorsed ED's revised proposal.³ TURN agrees with these parties on this issue.⁴ The Alliance for Retail

¹ PG&E's Comments, pp. 16-17, SCE's Post-Workshop Comments, pp. 4-5, and ORA's Comments, p. 5.

² TURN's Comments, pp. 1-2.

³ PG&E's Comments, pp. 14-15, SCE's Post-Workshop Comments, p. 9, SDG&E's Post-Workshop Opening Comments, p. 4, and Comments on Staff Proposals by the Energy Producers and Users Coalition (EPUC) and the Cogeneration Association of California (CAC) and the California Cogeneration Council (CCC), p. 2. The proposal would also apply to other resources the utilities procure whose costs are allocated pursuant to the Cost Allocation

Energy Markets (AReM) did not object to the proposal.⁵ The Commission should approve ED's revised proposal.

Some of the above parties suggested modifications or clarifications be made to the ED proposal.⁶ TURN is not at this time taking a position on these more detailed issues.

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

The utilities also generally endorsed – or at least did not object to – ED's revised, related proposal to make the utilities 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.⁷ However, each utility also suggested modifications or clarifications to ED's proposal regarding the quantification of the utilities' costs of obtaining such replacement capacity.⁸ AReM was apparently not opposed to the proposal, although it was also concerned about the counting and allocation of the costs the IOUs would incur.⁹ TURN shares these parties' concerns about the computation and apportioning of the IOUs' costs. TURN believes ED's proposal merits the Commission's approval, but that additional effort to quantify and allocate the utilities' costs is necessary before the proposal is implemented in 2015.

Mechanism (CAM). However, TURN anticipates that the great bulk, and likely all, of utilities' CAM procurement will be within their own TAC areas and would thus not be affected by ED's proposal.

⁴ TURN Comments, p. 2.

⁵ AReM Comments, pp. 7-8.

⁶ PG&E's Comments, p. 15, SDG&E's Post-Workshop Opening Comments, p. 4, Comments on Staff Proposals by the EPUC, the CAC and the CCC, pp. 2-3, and AReM Comments, pp. 7-8.

⁷ PG&E's Comments, pp. 15-16, SCE's Post-Workshop Comments, pp. 9-12, and SDG&E's Post-Workshop Opening Comments, pp. 5-6.

⁸ *Id.*

⁹ AReM Comments, pp. 8-9.

V. NO NEED HAS BEEN SHOWN FOR THE COMMISSION TO IMPLEMENT SEPARATE CATEGORIES OF FLEXIBLE CAPACITY THIS YEAR

Representatives of the non-utility Load-Serving Entities (LSEs) – AReM, Shell Energy North America (US), L.P. (Shell), and Marin Clean Energy (MCE) – argued that the Commission should delay implementation of flexible capacity procurement requirements beyond the 2015 RA compliance year.¹⁰ Shell further argued that the Commission has not gathered the information needed to reach the conclusion that such a requirement will be needed in 2015 as specified in Decision 13-06-024, the Commission decision adopting the flexible capacity procurement policy.¹¹ As an alternative, MCE also endorsed the suggestion of ORA and TURN that the Commission at least consider delaying the implementation of the three subsidiary “categories” of flexible capacity beyond the 2015 compliance year.¹²

TURN is sympathetic to these LSEs’ concerns about the lack of a showing that mandatory flexible capacity procurement is needed in 2015. TURN expressed skepticism last year in this docket that a need existed¹³ and endorsed the Commission’s eventual policy of implementing flexible capacity procurement in 2014 on a “report only” basis.¹⁴ But TURN still generally supports continued implementation of flexible capacity requirements because the processes required to implement the necessary changes to Commission policies, CAISO tariffs and buyers’ and sellers’ procurement will continue to be contentious and time-consuming and

¹⁰ AReM Comments, p. 10, Shell Comments, pp. 1-4, and MCE Comments, pp. 3-4.

¹¹ Shell Comments, pp. 1-4.

¹² MCE Comments, p. 4. TURN endorsed this suggestion, first raised by ORA, at pages 3-4 of its March 6, 2014, Reply Comments...on the Staff Proposal Regarding Implementation of the Flexible Capacity Procurement Framework in this docket.

¹³ TURN’s April 5, 2013, Post-Workshop Comments, pp. 5-8 and TURN’s April 15, 2013, Post-Workshop Reply Comments, pp. 2-4

¹⁴ TURN’s April 5, 2013, Post-Workshop Comments, pp. 2-3 and 9-10 and TURN’s April 15, 2013, Post-Workshop Reply Comments, pp. 1-2

should be completed as soon as reasonably possible.¹⁵ But TURN believes implementation of the subsidiary “categories” of flexible capacity can be deferred for at least another year – until the 2016 RA compliance year – especially given the divergence between the CAISO and ED’s proposals on the topic.

Though TURN supports implementation of mandatory flexible capacity requirements for the 2015 RA compliance year – albeit possibly without the subsidiary “categories” – the CAISO’s claims about need for a flexible requirement merit a response. Briefly, in its Comments, the CAISO argued for implementation of “mandatory flexible capacity requirements” in 2015,¹⁶ claiming that “[p]ictures of a new net load curve that make up the now famous ‘Duck Chart’ are demonstrated daily” (p. 2) and “[t]he ISO is already experiencing operational challenges in balancing generation and load during both the morning and evening ramps. These challenges will only increase in the upcoming years” (p. 3).

TURN does not dispute that CAISO operations are changing and will continue to change in the years ahead. However, the Commission should give little weight to these CAISO statements as evidence of “need” for any particular flexible procurement policies in 2015. As Shell noted, little information as to such need was introduced in this docket this year, so the CAISO is largely citing “facts not in evidence”. Further, references to the “Duck Chart” and other assertions about growing need do not, in and of themselves, show if or when a flexible capacity procurement requirement – or any other particular policy – is needed. Such conclusions can only be drawn after the availability of resources to meet forecasted ramps is reviewed. Such analysis has been lacking this year in this docket.

¹⁵ TURN’s March 6, 2014, Reply Comments, p. 3.

¹⁶ Though the CAISO did not clearly argue that implementation of the three categories was necessary in 2015. See CAISO Comments, pp. 2-3.

VI. TURN WILL COMMENT FURTHER ON THE CAISO EFFECTIVE FLEXIBLE CAPACITY CALCULATIONS AFTER THEY ARE FINALIZED

PG&E, AReM and the Sierra Club/Natural Resources Defense Council expressed concerns about the CAISO's computation of Effective Flexible Capacity (EFC) need.¹⁷ TURN may respond to these comments and other issues related to the estimated EFC requirement after the CAISO publishes its final study in the near future.¹⁸

VII. CONCLUSION

TURN requests that the Commission take the actions regarding the various RA issues described above and in TURN's Opening Comments.

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Respectfully submitted,

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¹⁷ PG&E Comments, pp. 2-6, AReM Comments, pp. 3-6, and Sierra Club and Natural Resources Defense Council Opening Comments, pp. 1-3.

¹⁸ TURN's Comments, pp. 5-6.