

**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

R.11-10-023
(Filed October 20, 2011)

**REPLY COMMENTS OF
PACIFIC GAS AND ELECTRIC COMPANY (U 39 E)
ON THE APRIL 9, 2014, WORKSHOP ON RESOURCE ADEQUACY ISSUES
AND REVISED ENERGY DIVISION RESOURCE ADEQUACY PROPOSALS**

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Pursuant to the schedule established by the assigned administrative law judge (ALJ) at the April 9, 2014, workshop on resource adequacy (RA) issues,¹ Pacific Gas and Electric Company (PG&E) provides these reply comments in response to parties' opening comments on the materials presented at the workshop, including the revised proposals circulated by the California Public Utilities Commission's (Commission) Energy Division. Generally speaking, these reply comments do not reiterate points PG&E made in its opening comments or prior comments in Phase 3 of this RA proceeding. The focus of PG&E's reply comments is on new points raised by others in their opening comments.

I. THE OFFICE OF RATEPAYER ADVOCATES' OBSERVATION THAT THE VALUE OF MANDATORY FLEXIBLE RESOURCE ADEQUACY REQUIREMENTS IS GREATLY REDUCED IF THE ASSOCIATED MUST OFFER OBLIGATION HAS NOT BEEN APPROVED BY THE FEDERAL ENERGY REGULATORY COMMISSION MAKES SENSE

PG&E has supported, and continues to support, the Commission's implementation of a mandatory flexible RA framework as a component of the RA program for the 2015 RA compliance year. PG&E supports the points raised by the California Independent System Operator (CAISO) in its comments, urging the Commission to adopt mandatory flexible RA requirements for the 2015 RA compliance year.²

¹ Tr. p. 81.

² CAISO Comments, pp. 2-3.

The Office of Ratepayer Advocates (ORA) raises a good point in its comments, though. There is less value in the Commission's adoption of mandatory requirements if the associated flexible RA must offer obligation (MOO) is not in place in the CAISO tariff.³ Further, in light of the fact that the CAISO has not yet circulated draft tariff language for review and comment, it is not clear that the CAISO will have obtained permission from the Federal Energy Regulatory Commission (FERC) to include the flexible RA MOO provisions in the CAISO tariff by late June, when the Commission is expected to issue its RA decision for the 2015 RA compliance year.

Therefore, PG&E recommends that the Commission take the status of the CAISO's flexible RA MOO implementation into account as it makes its determination to implement mandatory flexible RA requirements for the 2015 RA compliance year.

II. PG&E CONTINUES TO URGE THE CAISO TO USE THE FLEXIBLE CAPACITY COUNTING RULES TO BE ADOPTED BY THE COMMISSION

In its comments, PG&E recommends that with respect to effective flexible capacity (EFC) counting rules, the Commission and the CAISO follow the same approach adopted for the generic RA framework. Just as it does for generic RA, the Commission should set the flexible RA counting rules for Commission-jurisdictional load serving entities (LSEs). The CAISO should adopt default counting rules to be applicable to the LSEs of a local regulatory authority (LRA) if the LRA does not adopt flexible RA counting rules.⁴

In its comments the CAISO references "the flexible capacity amount the ISO will calculate for each flexible capacity resource and will apply for purposes of determining whether

³ ORA Comments, p. 4.

⁴ PG&E agrees with the Energy Division that a resource's qualifying capacity (QC) values, which figure into the Energy Division's recommended approach for calculating the resource's EFC values, should continue to be subject to the CAISO's net qualifying capacity (NQC) process. (ED Revised QC and EFC Proposals for Storage and Supply-Side Demand Response, p. 6.)

there is a collective deficiency in the annual or monthly flexible capacity plans as part of the ISO's assessment of the need for flexible capacity backstop procurement."⁵ It is unclear to PG&E whether the CAISO is suggesting that it intends to adopt different counting rules for flexible RA resources, distinct from those adopted by the Commission, to be applicable to Commission-jurisdictional LSEs. If so, PG&E recommends against such a disjuncture. As discussed by several parties in opening comments, such a misalignment between the Commission and the CAISO with respect to the flexible RA framework can only add confusion and costs to the program, and cannot be expected to provide additional benefits to electric customers connected to the CAISO grid.

III. PG&E URGES THE COMMISSION TO ADOPT THE FLEXIBLE RESOURCE ADEQUACY COUNTING RULES FOR STORAGE RESOURCES PROPOSED BY THE ENERGY DIVISION

As PG&E indicates in its opening comments, PG&E supports the Energy Division's proposed flexible RA counting rules for storage resources. The Energy Division indicates that there are five differences between the rules it is proposing, and those that the CAISO is proposing in the CAISO's Flexible Resource Adequacy Criteria and Must Offer Obligation (FRAC-MOO) stakeholder process.⁶

In its comments, the CAISO suggests that only two of the items on the Energy Division list represent real differences: 1) the CAISO would only allow storage resources that meet the definition of non-generation resources in the CAISO tariff to have a negative Pmin; and 2) the CAISO would not allow for any transition time between charge and discharge states, while the Energy Divisions proposes to allow a 45 minute transition period. The CAISO notes that additionally, although not listed by the Energy Division, the CAISO's proposal differs from the

⁵ CAISO Comments, p. 15.

⁶ ED Revised QC and EFC Proposals for Storage and Supply-Side Demand Response, p. 7.

Energy Division's in that the CAISO recommends special counting rules for regulation energy management (REM) storage resources.⁷

PG&E agrees with the CAISO that these are the critical differences between the flexible RA counting rules that the Energy Division is proposing for storage and those that the CAISO is proposing in its FRAC-MOO process. PG&E continues to support the Energy Division's proposal for respect to storage counting rules. The CAISO acknowledges in its comments that some of the limitations it is proposing have more to do with the limitations currently in the CAISO software that determines the dispatch for resources. It is not that the resources that the Energy Division proposes to count as providing flexibility do not provide that flexibility, but rather that the current CAISO market software is not fully able to capture that flexibility unless the resource is registered as a non-generation resource.⁸

The resources that the Energy Division would count as flexible are, in fact, flexible. PG&E supports refinements to the CAISO software that will enable it to more fully capture and take advantage of the flexibility offered by these storage resources. The counting rules should reflect the capabilities of the resources, not the limitations of the CAISO market software.

With respect to REM resources, given the substantial difference between the three hour maximum ramp requirements that drive the flexible RA requirements, and the type of flexibility that REM resources provide to the system, it does not make sense at this time to adopt special counting rules, completely unrelated to the maximum ramp requirements, for REM resources.

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⁷ CAISO Comments, pp. 20-22.

⁸ CAISO Comments, p. 21.

IV. WITH RESPECT TO THE USE OF THE LOAD IMPACT PROTOCOLS TO CALCULATE THE RESOURCE ADEQUACY VALUES OF SUPPLY-SIDE DEMAND RESPONSE RESOURCES, PG&E GENERALLY SUPPORTS SCE'S COMMENTS, WHICH PG&E READS AS CONSISTENT WITH THE COMMENTS SUBMITTED BY PG&E

In its comments, Southern California Edison Company (SCE) discusses the Energy Division's proposals for the calculation of qualifying capacity (QC) and EFC values for supply-side demand response resources.² PG&E generally agrees with SCE's comments. Like PG&E, SCE raises concern with the lack of clarity over the specifics of how the load impact protocols will be used to determine the QC and EFC of supply-side demand response resources,¹⁰ and proposes several modifications, which PG&E supports, to the Energy Division's proposal to make it more precise.

PG&E also echoes SCE's offer to work with the Energy Division in developing protocols to be incorporated into the adoption of a final proposal.

V. A FLEXIBLE RESOURCE SHOULD NOT BE LIMITED TO INCLUSION IN ONLY A DESIGNATED FLEXIBLE RESOURCE ADEQUACY MUST OFFER OBLIGATION CATEGORY

The Alliance for Retail Energy Markets (AReM) suggests in opening comments that the CAISO determine, a priori, the flexible RA MOO category in which a flexible RA resource must be included.¹¹ The CAISO should not place such a priori limitations on a resource. An LSE should be able to decide which flexible RA MOO category to commit a specific flexible RA resource to, subject to the condition that the resource must be willing and able to comply with the flexible MOO for that category. It is quite possible, for example, that a resource could be committed in one category in one month, and another category in another month.

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² SCE Comments, pp. 5-6.

¹⁰ SCE Comments, pp. 5-6.

¹¹ AReM Comments, pp. 6-7.

EnerNOC makes a similar recommendation in opening comments, suggesting that resources that can meet the “category 1” MOO should not be able to be counted toward an LSE’s category 2 or category 3 obligations.¹² The Commission should reject this proposal, as well. Category 2 and 3 flexible RA obligations should not be turned into de facto “set asides” for some subset of flexible RA resources.

VI. NO SPECIAL METHODOLOGY SHOULD BE USED TO CALCULATE THE EFFECTIVE FLEXIBLE CAPACITY VALUE FOR COMBINED HEAT AND POWER RESOURCES, BUT LIKE ALL RESOURCES, THESE RESOURCES SHOULD HAVE THE OPTION TO COMMIT A LESSER AMOUNT TO PROVIDE FLEXIBLE RESOURCE ADEQUACY CAPACITY

PG&E agrees with other parties that there should be no special counting rules to determine the EFC for combined heat and power (CHP) resources.¹³ PG&E recommends that the same formulas used to determine the EFC value for other resources should be used to determine the EFC value for CHP resources.

PG&E recognizes that a CHP resource may face operational restrictions in order to serve its steam host, and that these restrictions might prevent it from meeting flexible RA MOO requirements for all or a portion of its EFC value. This is not in conflict with the way the EFC should be calculated for CHP resources. Just as is the case with other resources, a CHP resource should be able to choose to commit to providing a lesser amount of flexible RA than its theoretical maximum EFC value under the adopted flexible RA counting rules. One reason it might choose to do so is to ensure that it can meet the operational restrictions in order to serve its steam host.

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¹² EnerNOC Comments, pp. 8-9.

¹³ See, e.g., SDG&E Comments, p. 3.

VII. PG&E AGREES WITH SCE THAT ADJUSTMENTS TO A LOAD SERVING ENTITY'S RESOURCE ADEQUACY OBLIGATIONS ASSOCIATED WITH COST ALLOCATION MECHANISM AND COMBINED HEAT AND POWER RESOURCES SHOULD BE TO THE ENTITY'S TOTAL OBLIGATIONS

As does PG&E, in opening comments SCE supports the Energy Division's revised proposal for dealing with scheduled outages associated with cost allocation mechanism (CAM) and CHP resources. SCE notes that the adjustments to the RA obligation that the Energy Division recommends should be adjustments to the total RA obligation of the LSE, which is 115 percent of the LSE's load.¹⁴ PG&E agrees with SCE.

VIII. FOR 2015, LOAD IMPACTS FOR PG&E'S CRITICAL PEAK PRICING PROGRAMS SHOULD CONTINUE TO BE CALCULATED USING THE 2:00 – 6:00 P.M. TIME PERIOD UNLESS A DECISION IS ISSUED IN THE 2012 RATE DESIGN WINDOW PROCEEDING

In its February 18, 2014, comments on the Energy Division's resource adequacy proposals, PG&E requests that for 2014, load impacts for PG&E's critical peak pricing programs should continue to be calculated using the 2:00 – 6:00 p.m. time period.¹⁵

In reviewing its previous comments in this phase of the proceeding, PG&E has realized that this request should be for 2015. At this time, the Commission has not issued a decision on PG&E's 2012 rate design window (RDW). PG&E is requesting that, if no decision is issued in

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¹⁴ SCE Comments, pp. 10-11.

¹⁵ PG&E February 18, 2014, Comments, pp. 15-16.

PG&E's 2012 RDW, then PG&E be authorized to continue to determine the load impacts for PG&E's critical peak pricing programs for 2015 using the 2:00 – 6:00 p.m. time period.

Respectfully submitted,

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