

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
CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES
ON PROPOSED DECISION ADOPTING 2015 LOCAL PROCUREMENT AND
FLEXIBLE CAPACITY OBLIGATIONS AND RA PROGRAM REFINEMENTS**

June 16, 2014

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these Comments on the Proposed Decision of Administrative Law Judge (ALJ) Gamson Adopting Local Procurement and Flexible Capacity Obligations for 2015 and Further Refining the Resource Adequacy (RA) Program (“Proposed Decision”) issued in R.11-10-023 (RA) on May 27, 2014. These Comments are timely filed and served pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure.

**I.
IF THE COMMISSION’S FINAL DECISION AUTHORIZES FLEXIBLE
CAPACITY PROCUREMENT BY THE UTILITIES, ORDERING
PARAGRAPHS MUST BE ADDED TO REQUIRE REPORTING OF THE
RESULTS OF THAT PROCUREMENT, INCLUDING ITS DISPATCH BY CAISO.**

CEERT’s comments are focused exclusively on the sections of the Proposed Decision that relate to the addition of Flexible Capacity to the traditional metrics of local and system capacity as related to annual capacity planning and procurement. Although “flexibility” and dispatch of resources to match varying load have been a hallmark of grid management since the turn of the last century, it has only been in the last two years that there has been serious discussion about explicit forward procurement of flexible resources to ensure grid reliability in the context of Resource Adequacy.

CEERT does not dispute the need to revise the RA process to explicitly consider flexibility. Further, CEERT believes that the current Proposed Decision represents an outcome that is probably close to the best that can be expected and is unlikely to be improved without some feedback from actual experience in both procurement and dispatch. In that regard, however, it is worth noting that, while the lexicon of, e.g., Flexible Resource Adequacy Criteria and Must Offer Obligation (FRACMOO) and Effective Flexible Capacity (EFC), has been discussed in numerous Commission proceedings and in stakeholder forums before the California Independent System Operator (CAISO), there is zero real world experience with these concepts anywhere on the globe. Thus, there is a very good reason that all of the related Commission decisions on this topic to date, including this one, are labeled “interim” and meant to sunset at the end of 2016.

Nevertheless, given that the Proposed Decision does in fact add flexible capacity procurement obligations for the Investor Owned Utilities (IOUs), CEERT believes that Ordering Paragraphs should be added by the Commission in issuing its Final Decision that require the IOUs and the CAISO to report results of the flexible capacity procurement and the utilization of the procured resources in the CAISO dispatch. This approach is necessary to facilitate program analysis and adjustment post-2016. These added Ordering Paragraphs should also direct the Energy Division to compile a histogram by month showing daily load ramp, net load ramp, daily 3-hour maximum load ramp and maximum net load ramp plus contribution (positive or negative) to meeting that ramp from CAISO real time dispatch, imports/exports, and self scheduled resources based on data obtained from the CAISO.

To that end, CEERT proposes modifications to the Proposed Decision’s Findings of Fact and Ordering Paragraphs in Appendix A hereto and requests that these modifications are made in

the Final Decision. Such changes are required to ensure timely review and reporting of the results of the flexible capacity procurement and their utilization in the CAISO dispatch, especially as a basis to adjust this “interim” program, as necessary, post-2016.

II. CONCLUSION

CEERT appreciates this opportunity to comment on the Proposed Decision. However, consistent with the comments made above, CEERT asks that the Final Decision issued by the Commission include the CEERT’s proposed modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs contained in Appendix A hereto.

Respectfully submitted,

June 16, 2014

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APPENDIX A

PROPOSED FINDINGS OF FACT, PROPOSED CONCLUSIONS OF LAW, AND PROPOSED ORDERING PARAGRAPHS

CEERT recommends that the following modifications be made to the Findings of Fact, Conclusions of Laws, and Ordering Paragraphs of the Proposed Decision Administrative Law Judge (ALJ) Gamson Adopting Local Procurement and Flexible Capacity Obligations for 2015 and Further Refining the Resource Adequacy (RA) Program (“Proposed Decision”). Please note the following:

- A page citation to that Proposed Decision is provided in brackets for each Finding of Fact, Conclusion of Law, and Ordering Paragraph in the Proposed Decision for which a modification is proposed.
- Any proposed additional Ordering Paragraph is not numbered, but is identified as an **“ADDED ORDERING PARAGRAPH.”**
- Added language is indicated by **bold type**; removed language is indicated by **bold strikethrough**.

PROPOSED FINDINGS OF FACT:

5. [61] The adoption of a flexible capacity requirement as part of the resource adequacy program will help ensure that flexible capacity is operationally available to the CAISO to maintain grid reliability, **but that requirement requires monitoring and reporting of the initial procurement to permit adjustments in the program, as needed, for post-2016 procurement.**

10. [62] The use of flexible capacity seasonal categories as proposed by the CAISO **seeks to** strikes a balance between reliability, administrative ease, and accurate levels of procurement.

12. [62] **While** ~~filling~~ the need for flexible capacity in order to ensure reliability **may** provides an important benefit to ratepayers, **the unknown cost impact makes timely reporting of results of this procurement prior to 2016 reasonable.**

PROPOSED CONCLUSIONS OF LAW:

3. [66] The revised Staff Flexible Capacity Proposal, as modified herein in light of comments, is reasonable to adopt for a detailed flexible capacity program as part of the RA program for RA years 2015 through 2017, **but is subject to timely review and reporting requirements to permit adjustments, as needed, for procurement post-2016.**

4. [66] It is reasonable to impose flexible obligations to ensure that LSEs contract for flexible resources and bid them into the CAISO market, **as long as the IOUs and CAISO report on the results of that procurement and its dispatch by the CAISO.**

PROPOSED ORDERING PARAGRAPHS:

ADDED ORDERING PARAGRAPH: Southern California Edison, Pacific Gas and Electric Company, and San Diego Gas and Electric Company shall each submit a report providing results from their 2014 RA procurement detailing the aggregate amount and marginal amount paid for Effective Flexible Capacity and a qualitative assessment of the depth of the supply curve and any suggestions for changes to FRACMOO tariff terms that would result in lower procurement costs.

ADDED ORDERING PARAGRAPH: The Energy Division shall compile a histogram by month showing daily load ramp, net load ramp, daily 3 hour maximum load ramp and maximum net load ramp plus contribution (positive or negative) to meeting that ramp from CAISO real time dispatch, imports/exports, and self scheduled resources based on data obtained from the CAISO.