

**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 CALPINE CORPORATION  
ON PROPOSED DECISION ADOPTING LOCAL PROCUREMENT AND  
FLEXIBLE CAPACITY OBLIGATIONS, AND FURTHER REFINING  
THE RESOURCE ADEQUACY PROGRAM**

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Pursuant to Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, Calpine Corporation (“Calpine”) submits these comments on the proposed *Decision Adopting Local Procurement and Flexible Capacity Obligations for 2015, and Further Refining the Resource Adequacy Program* (“Proposed Decision”).

By implementing flexible resource adequacy (“RA”) procurement requirements and laying the foundation for a new RA counting methodology applicable to renewable resources, the Proposed Decision takes steps towards ensuring that resources needed to maintain reliability are procured and compensated appropriately. However, the Proposed Decision also defers two important issues that Calpine believes must be resolved in the near future:

1. It is critical that the Commission ensure that the effective load carrying capacity (“ELCC”) methodology for calculating the net qualifying capacities (“NQC”) of wind and solar resources is finalized and implemented in time for the 2016 RA year.
2. The Commission should prioritize the development of a causation-based methodology for allocating flexible RA procurement requirements to each Load-Serving Entity (“LSE”) and dispense with the load-ratio share methodology that the Proposed Decision would adopt.

For the reasons discussed below, Calpine urges the Commission to address these issues as soon as possible.

**I. THE ELCC METHODOLOGY SHOULD BE FULLY IMPLEMENTED IN THE 2016 RESOURCE ADEQUACY YEAR**

The ELCC methodology is used to account for the declining contribution to reliability of certain intermittent resources, such as solar photovoltaic resources, as their levels of penetration increase. As the Proposed Decision recognizes, Public Utilities Code section 399.26(d) requires the Commission to “determine the effective load carrying capacity of wind and solar energy resources on the California electrical grid,” and to “use those effective load carrying capacity values in establishing the contribution of wind and solar energy resources toward meeting [...] resource adequacy requirements.”<sup>1</sup>

Besides being required by state law, the prompt implementation of the ELCC is important for at least two additional reasons. First, to the extent that the contribution of intermittent resources to reliability is over-counted using the current exceedance methodology, such intermittent resources have the potential to displace other resources that are needed to maintain reliability. In such circumstances, reliability can be compromised and, as a result, may increase the need to procure expensive and duplicative backstop capacity. More accurate counting of renewables for RA purposes will limit this inefficient displacement.

Second, in the renewable procurement process, the Investor-Owned Utilities (“IOUs”) generally rely on established RA counting rules to estimate the capacity value of renewable resources. To the extent that the current NQC counting rules over-count capacity associated with certain intermittent renewable technologies, these counting rules inappropriately tilt renewables procurement towards those technologies.

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<sup>1</sup> See Proposed Decision at 58.

The Proposed Decision provides for a one-year delay in implementing the ELCC methodology.<sup>2</sup> Although Energy Division Staff has made significant progress in developing the stochastic models needed to conduct the ELCC study, Calpine agreed with other parties that there was insufficient time for the Energy Division to complete the modeling runs, allow for stakeholder input, and finalize the ELCC methodology in time for adoption in a June 2014 Commission decision, as would be necessary to allow sufficient time for procurement for 2015. Therefore, while Calpine does not oppose a one-year delay in implementing the ELCC methodology to ensure the methodology is fully vetted, Calpine reiterates its opposition to any further delay.

Specifically, Calpine reiterates its opposition to Pacific Gas and Electric Company's proposal for an eight year phase-in of the ELCC methodology.<sup>3</sup> Any further or unnecessary delay in implementing the ELCC methodology would simply perpetuate current flaws in RA counting rules that overstate the RA capacity value of intermittent resources. Therefore, while Calpine recognizes that a one-year delay is necessary at this point, it supports the Proposed Decision's direction to prioritize the development and refinement of the ELCC methodology such that an ELCC-based NQC methodology can be considered by the end of 2014, which would allow for implementation in 2016.

## **II. FLEXIBLE RA PROCUREMENT REQUIREMENTS SHOULD BE ALLOCATED BASED ON CAUSATION, NOT LOAD-RATIO SHARE**

The Proposed Decision would allocate flexible RA procurement requirements to LSEs on a load-ratio share basis for 2015, describing the approach as a "practical interim solution while

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<sup>2</sup> See Proposed Decision at 60, 70 (Conclusion of Law 33).

<sup>3</sup> See *Reply Comments of Calpine Corporation on Energy Division Proposals Addressing Resource Adequacy Implementation* (March 3, 2014) at 1-2.

alternatives are considered.”<sup>4</sup> Calpine, like most other parties, supports an allocation based on causation. Given that the California Independent System Operator (“CAISO”) calculates system flexible RA requirements based on the contribution of load and variable resources to the CAISO’s largest three hour net-load ramp change each month, the Commission should use the same factors to allocate flexible RA procurement requirements to its jurisdictional LSEs. In addition to being the most equitable methodology, using causation principles to allocate flexible RA procurement requirements also provides the proper incentives for individual LSEs to procure renewable resources that minimize or reduce system-level flexible RA needs by directly calculating each LSE’s flexible RA procurement obligation using the contribution of its load and renewable procurement to system-level flexible RA needs.

Calpine urges the Commission to continue to forge ahead on the implementation of ELCC and to develop causation-based methodology for allocating flexible RA procurement requirements for the 2016 RA year.

Respectfully submitted,

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<sup>4</sup> See Proposed Decision at 19-20.