

**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 and Flexible Procurement  
Obligations for the 2019 and 2020  
Compliance Years.**

**R.17-09-020  
(Filed September 28, 2017)**

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**REPLY COMMENTS OF THE CALIFORNIA COMMUNITY CHOICE  
ASSOCIATION IN RESPONSE TO OCTOBER 5, 2018,  
RULING OF ADMINISTRATIVE LAW JUDGE ALLEN**

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Evelyn Kahl  
Gwenneth O'Hara  
Buchalter, A Professional Corporation  
55 Second Street  
Suite 1700  
San Francisco, CA 94105  
415.227.0900 office  
[ekahl@buchalter.com](mailto:ekahl@buchalter.com)  
[gohara@buchalter.com](mailto:gohara@buchalter.com)

Counsel to the  
California Community Choice  
Association

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Pursuant to the email ruling of Assigned Commissioner Randolph and Administrative Law Judge (ALJ) Allen dated October 5, 2018 (Ruling), the California Community Choice Association (CalCCA) submits these Reply Comments on the Local Resource Adequacy (RA) central buyer framework proposed by Southern California Edison Company (SCE).

**I. SCE’S RESIDUAL CENTRAL BUYER FRAMEWORK, WITH CRITICAL MODIFICATIONS, COULD PROVIDE A FOUNDATION FOR A MULTI-YEAR LOCAL RA PROGRAM**

CalCCA continues to support its Transition Proposal, which maintains the California Independent System Operator as the residual central buyer (CB), as the simplest and most effective approach to designing a multi-year Local RA framework. If this approach is rejected, SCE’s proposal could be used as a starting point for a multi-year framework. The framework requires further development and modification, however, as proposed in CalCCA’s October 17 comments<sup>1</sup> and the comments that follow. Most critically, SCE’s proposal should be modified as follows:

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<sup>1</sup> Comments of the California Community Choice Association in Response to October 5, 2018, Ruling of Administrative Law Judge Allen (CalCCA Comments) at 13.

- ✓ LSEs should have an opportunity not only to monetize the Local RA capacity resources they procure, but to retain those resources in their portfolios; the proposal of the Environmental Advocates,<sup>2</sup> with limited modifications, could achieve this objective.
- ✓ If the Commission places the IOUs in the role of CB, numerous restrictions must be placed on their performance to mitigate the risk associated with their structural conflicts of interest.<sup>3</sup>

In addition, PG&E's proposal to apply the Cost Allocation Mechanism (CAM) to all utility-owned generation and non-Renewable Portfolio Standard (RPS) contracts, reiterated in its October 17 comments, must be rejected as imbalanced and beyond the scope of this Track.

SCE's proposed framework, even with the modifications proposed by CalCCA and other parties, requires further development, as demonstrated by the complexity and range of parties' comments. CalCCA requests one or more workshops to further develop these proposals.

## **II. SCE'S RESIDUAL FRAMEWORK MUST BE MODIFIED TO PROVIDE INCENTIVES FOR LSES TO PROCURE AND RETAIN LOCAL RA**

SCE's proposed framework fails to provide a sufficient incentive for LSEs to self-provide Local RA. PG&E concluded that the SCE proposal:

provides a disincentive for LSEs to self-supply local capacity. SCE's approach is to reduce the total local requirements to be procured by the CB by the amount of capacity procured by LSEs. Thus, the only benefit

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<sup>2</sup> See Sierra Club, California Environmental Justice Alliance and Union of Concerned Scientists Comments on Proposal of Southern California Edison (Environmental Advocates Comments).

<sup>3</sup> CalCCA Comments at 10-11.

an LSE receives by procuring the local resources is its load-share reduction of the total local procurement done by the CB.<sup>4</sup>

Opening comments reveal a general consensus on the need to provide a meaningful opportunity for LSEs to self-provide.<sup>5</sup> As TURN observed: “many LSEs have the potential to further the state’s environmental goals and meet various other customer needs by procuring Local RA themselves.”<sup>6</sup> CalCCA agrees with TURN’s conclusion that any adopted framework should allow “LSEs to procure voluntarily for local area resources and optimize the use of such resources in their portfolios based upon their own portfolio management criteria.”<sup>7</sup> Incentives to support achievement of these goals, however, can be created only through a residual approach that provides direct credit to the LSE who procures compliant Local RA resources.<sup>8</sup>

The Environmental Advocates propose a refinement to an LSE’s ability to self-provide that merits consideration. They recommend that:

1) LSEs be permitted to count only preferred (non-fossil) resources and gas-fired generation that is already under an existing long-term capacity contract toward their local RA obligations; and 2) central buyer

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<sup>4</sup> Comments of Pacific Gas and Electric Company on the Proposal of Southern California Edison (PG&E Comments) at 5; *see also* CalCCA Comments at 7.

<sup>5</sup> *See, e.g.*, Sierra Club, California Environmental Justice Alliance and Union of Concerned Scientists Comments on Proposal of Southern California Edison (Environmental Advocates Comments) at 3; *see also* Comments of the California Large Energy Consumers Association in Response to Administrative Law Judge Ruling on October 5, 2018 (CLECA Comments) at 5; *see generally* Opening Comments of the Public Advocates Office to the Administrative Law Judge’s Ruling Requesting Comments on the Proposal of Southern California Edison.

<sup>6</sup> Comments of the Utility Reform Network Regarding Southern California Edison’s Central Buyer Proposal (TURN Comments) at 1.

<sup>7</sup> *Id.* (quoting Comments of Southern California Edison on the Process, Scope and Scheduling for Track 2..., August 8, p. 6.)

<sup>8</sup> CalCCA proposed providing a credit to a self-providing LSE against the CB charges based on the average cost of resources procured by the CB in the Local Capacity Area or sub-area in which the LSE has self-provided. CalCCA Comments at 8. *See also* San Diego Gas & Electric Company Comments on Proposal of Southern California Edison Company (SDG&E Comments) at 2.

procurement of local RA occur prior to procurement of system and flexible RA by LSEs.<sup>9</sup>

CalCCA supports this proposal in the context of the general framework outlined in its October 17, 2018, comments, subject to a reasonable expansion of the scope of resources that may be counted by an LSE. LSEs should be permitted to “count” (obtain credit for)<sup>10</sup> existing gas-fired generation currently under contract – *regardless of contract term* – if it meets Local RA needs. In addition, LSEs in the midst of negotiations with existing gas-fired Local RA resources should be permitted to conclude these negotiations and count their Local RA value toward their requirements. CalCCA recommends that any contract for an existing gas-fired resource currently executed by a specific grandfathering date determined through workshops should fall within the scope of resources for which an LSE may receive credit.

LSE self-provision would also be limited by requiring the CB to procure 100 percent for the full three years. Doing so will lock in existing resources with no opportunity to phase in replacement with newer ones built or procured by an LSE. We only need to look at how storage has become an economically viable option since 2015 to see how even three years can be a “blink of the eye” for technology innovation. Limiting the forward procurement should be an explicit Commission policy to accelerate the transition away from fossil-fueled generation. For this reason, CalCCA recommends the CB under SCE’s proposal

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<sup>9</sup> Environmental Advocates Comments at 1.

<sup>10</sup> CalCCA supports SCE’s proposal for “voluntary” LSE procurement with no LSE requirement or resource “counting.” “Counting” under the Environmental Advocates’ proposal is thus better characterized under SCE’s voluntary procurement proposal as “obtaining credit for” a resource.

be directed to procure 100 percent of Local RA requirement for Year 1, and 95 percent and 80 percent for Years 2 and 3, respectively. This would allow for some margin in which LSEs can self-provide additional preferred resources without resulting in an overall excessive procurement of Local RA past the first year of the CB-based Local RA procurement.

### **III. PG&E’S PROPOSAL TO APPLY THE COST ALLOCATION MECHANISM REACHES BEYOND THE SCOPE OF TRACK 2**

PG&E contends that “expanding CAM treatment for existing non-RPS UOG resources will facilitate the adoption of this framework by helping to address the issues presented by IOUs serving in multiple roles.”<sup>11</sup> PG&E’s proposal echoes its August 8 comments where it proposed, with little detail, “to expand CAM to apply to all local non-Renewables Portfolio Standard (RPS) Utility-Owned Generation, utility-owned storage, and non-RPS IOU-contracted resources.”<sup>12</sup> While the general approach to cost allocation through the CAM could be considered if the IOUs were placed in the CB role, CalCCA strongly opposes applying the “CAM” holistically to this broad category of resources.

As an initial matter, PG&E proposes to apply the CAM to *all* non-RPS UOG and non-RPS contracted resources regardless of whether they are actually needed for local reliability. Second PG&E's recommendation would require material changes to the Power Charge Indifference Adjustment (PCIA) where the costs of those resources now reside and where those costs should be addressed rather than in a proceeding focused on RA. Third, PG&E’s recommendation implies – as seems to be the case with CAM

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<sup>11</sup> PG&E Comments at 8.

<sup>12</sup> Comments on Track 2 Procedural Schedule and July 1, 2018 Opening Testimony at Proposals (PG&E August Comments) at 1-5.

resources – that the resources would obtain CAM treatment without any limitation on term. Allowing PG&E to gain life-long protection of UOG costs and shareholder return — for many fossil-fueled resources that the state is explicitly trying to retire — would reduce the incentive to relieve local area constraints or decommission resources that are no longer needed or cost effective. Finally, allowing an IOU to receive CAM treatment for its resources, while other LSEs remain fully responsible for the costs of their Local RA resources, adds to the imbalance of the proposal.

PG&E’s proposal must be rejected. It falls outside of the scope of this Track, lacks detail and creates an unfair imbalance between IOUs and LSEs.

#### **IV. WORKSHOPS SHOULD BE CONVENED TO FURTHER DEVELOP THE SCE PROPOSAL**

One point is clear in all parties’ comments: the development of a multi-year Local RA framework with a CB other than the CAISO is a complex undertaking. And despite the thoughtful comments provided in parties’ October 17 comments, the record is not sufficient to inform a complete and implementable Local RA program.

Consequently, as parties appear to agree, workshops are required.

SDG&E identifies several areas ripe for a workshop:<sup>13</sup>

- “Ensuring an accurate understanding of the aspects of the existing RA framework that would require modification, and confirmation that the Commission and the California Independent System Operator (“CAISO”) have the capabilities to support such change.”
- “Further definition of the process by which LSEs could offer to sell capacity to the central buyer.”
- “Consideration of how to allocate the costs of System and Flexible capacity bundled with Local capacity and procured by the central buyer, and how such

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<sup>13</sup> SDG&E Comments at 6.

capacity operates to reduce the need for individual LSEs to procure System/Flexible capacity.”

- “How outage replacement for Local capacity would be managed under a central buyer construct.”

SDG&E also identifies the lack of detail considered in structuring a mechanism to credit LSEs for their self-provision.<sup>14</sup> PG&E highlights the need to consider how the timing of all of the elements of these proposals fit together,<sup>15</sup> how to address load migration,<sup>16</sup> and treatment of dispatch rights associated with the Local RA resources procured by the CB.<sup>17</sup>

CalCCA agrees that all of these issues require further discussion and development by the parties to provide a fully integrated proposal. In addition, if the Commission elects to place the IOUs in the role as CB, critical questions regarding mitigating the structural conflicts between the IOUs’ roles as a transmission provider, central buyer and procurement competitor, must be extensively considered. CalCCA requests that Assigned Commissioner Randolph and ALJ Allen set workshops to include consideration of each of these issues.

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<sup>14</sup> *Id.* at 5.  
<sup>15</sup> *See, e.g.*, PG&E Comments at 10.  
<sup>16</sup> *Id.* at 10-11.  
<sup>17</sup> *Id.* at 8-9.

**V. CONCLUSION**

If Assigned Commissioner Randolph and ALJ Allen continue to advance the SCE multi-year Local RA framework, CalCCA requests additional workshops on the issues identified in Section IV.

Respectfully submitted,



EVELYN KAHL  
Counsel to  
the California Community Choice Association

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