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)

REPLY COMMENTS OF THE
CALIFORNIA COMMUNITY CHOICE ASSOCIATION
ON TRACK 2 PROPOSED DECISION

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Pursuant to the Rule 14.3(d) of the Commission's Rules of Practice and Procedure, the California Community Choice Association (CalCCA) submits these Reply Comments on the November 21, 2018, Proposed Decision of Administrative Law Judges Allen and Chiv (PD) regarding local Resource Adequacy (RA).

I. INTRODUCTION

Nearly all of the 30 parties submitting comments on the PD agree on one thing: the proposed full procurement, central buyer, multi-year local RA program is not ready for prime time. Criticisms of the PD are wide-ranging and extensive and come from a variety of market perspectives, including Community Choice Aggregators (CCAs), distributed energy resource (DER) developers and associations, Energy Service Providers (ESPs), ratepayer advocates, investor-owned utilities (IOUs), conventional generators and other public interest groups. While the many concerns may not point to a common solution, they highlight the overwhelming inadequacy of the PD's approach. In light of these circumstances, the prudent approach is to adopt a bridge program for 2020 that gives the Commission time to explore and address the many important concerns raised in comments. CalCCA accordingly proposes to modify the existing RA program for 2020 by incorporating a multi-year requirement for local RA resources. Commencing in early 2019, the Commission should organize workshops to begin identify and analyzing local reliability problems and resolving the issues identified in Section II.

II. PARTIES HAVE EXPRESSED EXTENSIVE AND WIDE-RANGING CONCERNS REGARDING THE PD'S APPROACH

As the Center for Energy Efficiency and Renewable Technologies (CEERT) most aptly stated, most parties are "profoundly disappointed with the PD."[1] Comments raise numerous substantive areas of concern. These concerns fall roughly into the following categories:

1. Need to obtain local RA need studies and understand any local reliability problem.
2. Program limitations (*e.g.,* program duration, amount and term of procurement).
3. Impact on non-IOU LSE procurement autonomy.
4. Fair and equitable cost allocation.
5. Overprocurement risks.
6. Customer rate impacts.
7. Impact on incentives for DER procurement by CCAs and ESPs.
8. Barriers to load modification services.
9. Inadequate time in schedule for central buyers and LSEs to meet requirements.
10. Lack of transparency in central procurement process.
11. Solicitation, evaluation, and selection criteria, including reconsideration of the least-cost, best-fit criteria, and subjectivity in the central buyer's selection process.
12. Acceptable bidding behavior.
13. IOU bidding protocols, including the meaning of "levelized fixed costs."
14. IOU creditworthiness and financial condition.
15. Compensation to the central buyer for the costs of performing its role.
16. Impact on competitive product offerings.
17. Efficient management of dispatch rights.
18. Commission review and approval of resources procured by the central buyer.
19. Effect on LSE hedging and risk management.
20. The need for more granular locational information and sub-area requirements.
21. Operational characteristics of preferred resources.
22. Self-dealing by the IOU as central buyer.
23. Competitive and market power abuses, including "large buyer market power."
24. Interference with wholesale capacity markets under the Federal Power Act.
25. Compliance with state law regarding resource adequacy.
26. Impact on California retail market structure, including undermining the CCA program mandated by the Legislature.
27. Impact on publicly owned utilities.
28. Abrogation or reduction in the value of existing local RA contracts.
29. Treatment of procurement under the Power Content Label
30. Interaction with the Power Charge Indifference Adjustment mechanism.
31. CCA representation in the Cost Allocation Mechanism Procurement Review Group.

The Commission must address these concerns to ensure that any solution it adopts is durable, supports continued development of DER solutions, fairly allocates costs, minimizes burdens on the IOUs and

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[1] CEERT Opening Comments at 1.

minimizes the impact on the wholesale market. The necessary work cannot be reasonably undertaken and completed in time to implement a new program for 2020, and a new program should be deferred.

III. THE COMMISSION SHOULD REJECT THE PD AND ADD A MULTI-YEAR REQUIREMENT TO THE EXISTING LOCAL RA PROGRAM FOR 2020

CalCCA requests that the Commission reject the PD and, instead, add a multi-year requirement to the existing local RA program for 2020. [2] As discussed above, the PD presents too many unresolved issues and threats to have any confidence in its implementation. Moreover, it is not clear that there is an urgent problem that must be addressed. The Commission's mere suggestion of a multi-year local RA program in Track 1, along with the combined efforts of market participants to begin solving local area constraints, has softened immediate concerns regarding collective local RA sufficiency for 2020.

The CAISO's review of 2019 RA sufficiency concludes that even without a formal multi-year RA program, there are no local RA collective deficiencies in the Southern California Edison Company (SCE) and San Diego Gas & Electric Company (SDG&E) service territories.[3] While there is a collective deficiency in the Pacific Gas and Electric Company (PG&E) service territory, it is limited to 219.73 MW -- *only 2 percent* of the total required local RA.[4] In contrast, last year at this time the CAISO found a 1072 MW collective deficiency for PG&E, 317 MW for SCE and 560 MW for SDG&E.[5] In addition, the CAISO has released Calpine's Metcalf Energy Center from Regulatory Must Run (RMR) status effective January 1, 2019, reducing total RMR contracts from 853.36 MW in 2018 to 260.2 MW for 2019.[6]

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2 Many parties expressly support complete rejection or deferral of a full procurement central buyer multi-year framework in 2020, including Alliance for Retail Energy Markets, California Community Choice Association, California Energy Storage Alliance, Middle River Power, Shell Energy North America, Sonoma Clean Power, Sunrun and Western Power Trading Forum.

3 *Evaluation Report of Load Serving Entities' Compliance with 2019 Local and System Resource Adequacy Requirements*, Nov. 13, 2018 (2019 Evaluation Report) at 1. http://www.caiso.com/Documents/EvaluationReport_LoadServingEntitiesCompliance_2019Local_SystemResourceAdequacyRequirements.pdf

4 *Id.* at 2.

5 *Evaluation Report of Load Serving Entities' Compliance with 2018 Local and System Resource Adequacy Requirements*, Nov. 13, 2017, at 1-3. http://www.caiso.com/Documents/EvaluationReport_LoadServingEntitiesCompliance_2018Local_SystemResourceAdequacyRequirements.pdf

6 *Update on results of reliability must-run contract extensions for 2019,* letter from Keith Case, Vice President of Market & Infrastructure Development, to ISO Board of Governors, November 7, 2018, Attachment 1. http://www.caiso.com/Documents/Update-Results-RMRContractExtensions-2019-Nov2018.pdf

The likelihood of significant collective deficiencies for 2020 requiring CAISO intervention is very limited in light of these positive market shifts.[7] In light of the reduced risk and the extensive concerns raised over the PD's proposed framework, the Commission should adopt a Bridge Program for 2020. Under this program, LSEs should be required by the end of 2019 to make a showing of resources to meet 100 percent of their local RA requirements for 2020, 95 percent for 2021 and 90 percent for 2022. To encourage LSEs to meet this requirement, however, the Commission must make clear that any procurement contracted to meet Bridge Program requirements will be given direct credit in determining the LSE's requirements or cost allocation under any longer term program.

IV. CONCLUSION

Implementing the PD, with all of the attendant concerns raised by market participants, cannot be justified in light of the limited likelihood of collective local RA deficiencies for 2020. Even if a collective deficiency arises, the CAISO remains positioned to contract any necessary resources for 2019 under its Capacity Procurement Mechanism. CalCCA thus requests that the Commission adopt the Bridge Program for 2020, along with a framework for resolving the issues identified in Section II during 2019.

Respectfully submitted,

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[7] While there may be individual RA insufficiency in one or more LSE showings, the risk to local reliability arises from collective deficiency, as identified by the CAISO.