

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

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**COMMENTS OF THE  
CALIFORNIA COMMUNITY CHOICE ASSOCIATION  
ON TRACK 3 WORKSHOP AND PROPOSALS**

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March 22, 2019

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Pursuant to the January 29, 2019 *Amended Scoping Memo and Ruling of Assigned Commissioner*, the California Community Choice Association (CalCCA) submits these Track 3 Comments on the Energy Division’s March 12-13, 2019 Track 3 workshops (Workshops) and the proposals filed by parties on March 4, 2019 (Proposals).

**I. INTRODUCTION**

CalCCA supports many of the proposals offered by Energy Division Staff (Staff), the investor-owned utilities and other stakeholders. These proposals, collectively, will improve Local Resource Adequacy (RA) data transparency and access, increase forecast accuracy and certainty earlier during the year and increase collaboration among LSEs to reduce post-forecast adjustments. While CalCCA addresses a number of Proposals in Section II, one issue merits emphasis. Differentiating RA requirements within a year will reduce unnecessary procurement and, consequently, reduce costs for customers. Proposals advanced by Pacific Gas and Electric Company (PG&E) and CalCCA for seasonal or monthly differentiation of Local RA requirements warrant additional exploration to determine the degree of differentiation the California Independent System Operator (CAISO) can accommodate.

## II. THE COMMISSION SHOULD WORK WITH THE CAISO TO MAXIMIZE THE DEGREE OF INTRA-YEAR DIFFERENTIATION OF LOCAL RA REQUIREMENTS

The Commission should increase the differentiation of Local RA requirements within a year, taking into account CAISO's ability to accommodate further differentiation. CalCCA proposes to modify the allocation of local RA requirements to reflect each load-serving entity's (LSE) actual month-to-month load forecasts.<sup>1</sup> CalCCA explains its proposal:

The inability to tailor RA purchases to actual forecast load (i) increases costs for customers of all LSEs, particularly CCAs launching new services, (ii) inflates demand unnecessarily for local RA by requiring two LSEs to procure capacity for the same customer load within the same compliance year (during years where customers migrate from one LSE to another), and (iii) shifts costs among LSEs.<sup>2</sup>

PG&E offers a similar proposal, which differentiates local RA requirements seasonally. PG&E proposes:

[L]ocal requirements in each month be set based on the ratio of the local requirement to the peak demand during the peak month of the year in each region. Namely, if the local requirement in a region is X and the peak demand in the peak month is Y, the local requirement would be X/Y of the peak in each month. This would provide monthly varying local requirements."<sup>3</sup>

PG&E observes that Net Qualifying Capacity (NQC) values "are generally higher during summer load months..."<sup>4</sup> It argues that seasonal requirements "would allow generators and LSEs to better optimize outages schedules with the procured local RA resources" and would "better integrate preferred resources."<sup>5</sup> PG&E proposes seasonal, rather than monthly, differentiation, recognizing the influence maintenance periods and abnormal system conditions may have on non-summer needs.<sup>6</sup>

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<sup>1</sup> *California Community Choice Association Track 3 Proposals* (CalCCA Proposals), dated March 4, 2019 at 3.

<sup>2</sup> *Id.* at 2-3.

<sup>3</sup> *Track 3 Proposals of Pacific Gas and Electric Company (U 39 E)* (PG&E Proposals), dated March 4, 2019 at 7.

<sup>4</sup> *Id.*

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

CalCCA encourages further exploration of these proposals in Track 3 to determine the level of granularity the CAISO can accommodate in Local RA requirements without threatening local reliability. If PG&E’s approach is the only feasible level of differentiation that will meet this objective, CalCCA would support seasonal differentiation.

### **III. THE COMMISSION SHOULD ADOPT PROPOSALS THAT INCREASE FORECAST ACCURACY AND CERTAINTY**

Staff offers several recommendations to increase the accuracy and certainty of load forecasts, which CalCCA supports. As a foundation, Staff proposes to adopt a narrow definition of “load migration.”<sup>7</sup>

The term “load migration” means load effects that are tied directly to customer counts and that an LSE cannot reasonably predict or control, such as opt-out rates or new service requests. Load migration does not include changes to forecasting assumptions or any effect not tied to customer counts. For instance, load migration does not include changes to implementation plans, updated weather modeling or assumptions, changes to customer class load profiles, or new or updated customer load data..<sup>8</sup>

Second, Staff proposes a binding notice of intent (BNI) process to give greater certainty to the LSEs’ initial forecast in April.<sup>9</sup> It proposes that the BNI “locks in” RA requirements based on load forecast assumptions in April.<sup>10</sup> CEC staff, however, would continue to accept forecast revisions until May 15.

Third, and related, Staff proposes standards for the April load forecast.

[I]nitial year ahead load forecasts should account for all data, assumptions, and criteria that an LSE can reasonably predict or control, including – but not necessarily limited to – implementation plans, weather modeling, customer class load profiles, and customer load data. Because the LSE can reasonably

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<sup>7</sup> Administrative Law Judge’s Ruling on Proposals of Energy Division, March 4, 2019, Attachment 2, *Energy Division Proposals for Proceeding 17-09-020: 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* (Staff Proposals) at 16

<sup>8</sup> *Id.* at 15.

<sup>9</sup> *Id.* at 16.

<sup>10</sup> *Id.*

predict or control these data, assumptions, and criteria, they should not change between an LSE’s initial (April) and final (August) year ahead load forecasts.<sup>11</sup>

In developing this forecast, Staff proposes that the “LSE should make reasonable ‘placeholder’ assumptions for any load effects that it cannot reasonably control in its initial year ahead load forecast, including – but not necessarily limited to – opt out rates and new service requests.”<sup>12</sup>

CalCCA generally supports these proposals with three modifications. First, a redefinition of “load migration” for the purposes of forecast Local RA is reasonable, but it should be referred to as “new service load deviations” or some other term to avoid confusion with the use of the term in other contexts. Second, changes to an LSE’s forecast should also be permitted following a *force majeure* event, such as a wild fire, that has material load impacts. Third, greater flexibility should be provided for newly launching community choice association (CCA) services, enabling post-April changes to ensure that the forecast used in allocating RA requirements is as accurate as possible.

SCE also offers several proposals that CalCCA supports, with clarification. CalCCA fully supports SCE’s call for greater transparency into the CEC’s coincidence factor estimation methodology and calculations.<sup>13</sup> CalCCA also supports, but with limitations, SCE’s proposal for an aggregated CCA and LSE forecast. SCE observes that the “‘CEC evaluates each LSE load forecast individually and performs an adjustment to reflect the LSE’s load contribution to the coincident CAISO’s system peak in that month.’”<sup>14</sup> It proposes that the CEC develop an aggregated CCA and Electric Service Providers (ESP) load forecast to provide a check on the forecasts of each individual LSE.<sup>15</sup> CalCCA supports this recommendation if it provides the CEC another check on its overall forecast, but is concerned about

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<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Southern California Edison Company (U 338-#) Track 3 Proposals* (SCE Proposals), dated March 4, 2019 at 2 (quoting *Resource Adequacy 2016 Load Forecast Adjustment Methodology – Revised*, dated April 2016, by Miguel Cerrutti, Demand Analysis Office – California Energy Commission, and Donald Brooks, Energy Division – California Public Utilities Commission, at 2).

<sup>14</sup> *Id.*

<sup>15</sup> *Id. at 2-3.*

SCE's characterization in the workshop as the "CEC and SCE Reconciliation."<sup>16</sup> Any such process should make clear that the utility's load forecast data should not be deemed an accurate benchmark for the CCAs' combined forecasts. Allowing one competitor to have a strong hand in determining the Local RA requirement of another presents the potential for abuse that the Commission is bound to prevent.

#### **IV. THE COMMISSION SHOULD ADOPT OTHER FORECAST-RELATED IMPROVEMENTS THAT WILL MINIMIZE POST-FORECAST ADJUSTMENTS**

Material adjustments to LSE forecasts by the California Energy Commission (CEC) reflected in the August requirements for the 2019 RA year took LSEs by surprise. Requirements increased beyond the LSEs' forecasts; and, in some instances, the increases resulted in the need for a waiver. While the CEC's efforts to improve load forecasting for determining RA requirements will reduce the risk of these types of adjustments, CalCCA supports greater predictability and transparency in the application of either "pro rata" or plausibility adjustments.

CalCCA recommends improving this process by developing a common system-wide load forecast in an IOU's Forecast Energy Resource Recovery Application (ERRA) and by increasing coordination among LSEs and the CEC regarding the basis and need for any adjustments.<sup>17</sup> CalCCA also proposes establishing a system for penalties to LSEs whose actions grossly and repeatedly increase the costs for other LSEs as a result of pro rata increases in requirements.<sup>18</sup> The Alliance for Retail Energy Markets (AREM) similarly raised concerns about post-forecast adjustments, proposing to "improve the plausibility adjustment process by establishing clearer standards for when existing load is assumed to continue into the following year's RA compliance period."<sup>19</sup> To a large extent, these concerns and proposals align with Staff proposals.

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<sup>16</sup> SCE Resource Adequacy Load Forecast, CPUC Resource Adequacy Track 3 Workshop, March 12-13, 2019 at 3.

<sup>17</sup> CalCCA Proposals at 3-4.

<sup>18</sup> *Id.* at 4.

<sup>19</sup> *Track 3 Proposals of the Alliance for Retail Energy Markets* (AREM Proposals), dated March 4, 2019 at 3.

Staff proposes several measures that will address improved forecasting and address LSE concerns regarding post-forecast adjustments. CalCCA supports the following Staff proposals for “meet and confer process” to encourage greater coordination among LSEs in advance of the April forecasts.<sup>20</sup>

This process includes:

- “[A] requirement that each IOU meet separately with each non-IOU LSE in its service territory during the annual ERRRA process (before December 31) to discuss expected monthly migration from IOUs to non-IOU LSEs during the year following the coming year (i.e. the next year for which LSEs will provide year ahead forecasts).”
- A meeting before December 31 between ESPs and CCAs that expect load migration.
- A meeting of all LSEs by February 15 to discuss expected migration for the following year
- Documentation of the LSEs’ interactions.

CalCCA would note that flexibility in the timing of the meeting “before December 31,” discussed in the second bullet point above may be needed for newly formed CCAs or for CCAs that file amended implementation plans near the end of the year (e.g., a newly-formed CCA filing its implementation plan on December 31, 2019 may need a one-on one meeting with the IOU before the “all-LSE” meeting by February 15, 2020.

CalCCA also supports Staff’s proposal for greater efficiency in the data exchange between the IOUs and other LSEs.<sup>21</sup> Staff proposes the following:

- CCAs and ESPs must request from IOUs any load data they will use in developing their year ahead forecasts by January 15 of a given year (the year prior to the year for which they are developing forecasts),
- IOUs must provide CCAs and ESPs with the requested load data by March 1, and

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<sup>20</sup> Staff Proposal at 17.

<sup>21</sup> *Id.* at 18.

- [T]he load data IOUs provide will include three years of hourly meter data for each individual account in each jurisdiction requested by the given ESP or CCA....

CalCCA also supports Staff's proposed dispute resolution mechanism, which contemplates an informal effort to work out differences in forecasts. If the parties fail to agree within 30 days, the Energy Division will allocate differences "pair wise."<sup>22</sup> CalCCA notes, however, that the meaning of "pair wise" is unclear and proposes allocating the difference to the disputing parties in proportion to their relative loads.

Finally, Staff proposes that the Commission and CEC would add "plausibility review triggers" to the forecast adjustment process. Under certain circumstances, an LSE would be required to modify its forecast. Staff proposes three triggers<sup>23</sup>:

- If an LSE's initial year ahead load forecast for a given month (or the system RA requirement implied by adjusting for coincidence and adding a 15% PRM) deviates from the corresponding forecast (or system RA requirement) in its implementation plan by more than 5% of the latter
- If an LSE's final year ahead load forecast for a given month deviates from its corresponding initial year ahead forecast by more than 5% of the latter, or
- If an LSE's month ahead load forecast for a given month deviates from its corresponding final year ahead forecast by more than 5% of the latter.

If an LSE reaches a trigger threshold, it would be required to submit additional documentation, revise the plan to more closely conform to its implementation plan or to otherwise revise the forecast.<sup>24</sup>

CalCCA does not oppose the trigger proposal, provided adequate coordination occurs between the agencies and the LSE, and greater dialogue is undertaken for newly launching services before automatically triggering the adjustment.

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<sup>22</sup> *Id.*

<sup>23</sup> *Id.* at 16-17.

<sup>24</sup> *Id.*

**V. THE COMMISSION SHOULD MAKE CLEAR WHERE OTHER PROPOSALS NOT ADDRESSED IN TRACK 3 WILL BE ADDRESSED**

Parties, including CalCCA, propose a number of measures that merit consideration but may be difficult to resolve on a timeline that accommodates a June 2019 final decision. Even if these issues are not resolved in Track 3, CalCCA requests that the Commission clearly identify the forum and time for their resolution.

CalCCA proposes the adoption of a framework for short-term sales of Local RA by the IOUs, recognizing that a more holistic approach has been undertaken in Phase 2 of R.17-06-026.<sup>25</sup> The framework would (i) require the IOUs to offer all Local RA to the market in excess of the amount needed to serve bundled load plus a small “buffer”; (ii) establish a schedule for the IOUs’ offers, possibly even employing an Electronic Bulletin Board, to ensure the products are offered sufficiently in advance of compliance dates to enable compliance by other LSEs; and (iii) establish standard terms and conditions for those sales to ensure the greatest participation in any IOU offers. Developing such a framework is critical, in light of the IOUs’ continuing market power and the continuing migration of IOU load to other LSEs. If the Commission does not address this issue in Track 3, CalCCA requests that the proposal be taken up in another near-term track or other proceeding to ensure the efficient operation of the Local RA market.

The Center for Energy Efficiency and Renewable Technologies (CEERT) offers an important proposal to increase resource availability and LSE flexibility by accommodating “Portfolio NQCs” to meet Local RA requirements.<sup>26</sup> CEERT defines Portfolio NQC as “a collection of individual resource components in each sub-area load pocket during a contingency event that creates a real time [Local

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<sup>25</sup> CalCCA Proposal at 4.

<sup>26</sup> *Track 3 Proposals of the Center for Energy Efficiency and Renewable Technologies* (CEERT Proposals) at 4.

Capacity Requirements (LCR)] LCR need.”<sup>27</sup> This approach would permit “any LSE that has a LCR obligation or is subject to Cost Allocation Mechanism (CAM) cost allocation for that LCR need can propose a preferred resource portfolio of resources located within the load pocket plus specific transmission upgrades to reduce that LCR need for showing in the next or subsequent RA cycles.”<sup>28</sup> CEERT explained this potential during the March 13 workshop using a diagram presented in a recent SCE Request for Offers.

CEERT proposes that the “Portfolio NQC” be calculated for the sum of its elements “using the same study protocols used by the CAISO to determine the LCR need.”<sup>29</sup> Mr. Caldwell explained at the workshop that the Portfolio NQC provider would be responsible to make sure that each element is dispatched in a way that meets the IOU’s or CAISO’s defined need. In explaining this approach, CEERT highlights The Oakland Clean Energy Project, a collaboration between PG&E and East Bay Community Energy, “to replace the most inefficient, polluting, and expensive fossil power plant in California with a portfolio of transmission upgrades, battery storage, energy efficiency and local solar.”<sup>30</sup>

CEERT’s proposal recognizes the trending of the Local RA market toward the state’s policy goal of reducing greenhouse gas emissions using distributed energy resources. Rather than relying on a single, large natural-gas fired central station generator, RA needs will increasingly be met by portfolios of smaller preferred resources. The Commission should shine a light on these types of arrangements with the aim of accommodating their increased use in a near-term separate track of this proceeding.

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<sup>27</sup> *Id.*  
<sup>28</sup> *Id.*  
<sup>29</sup> *Id.*  
<sup>30</sup> *Id.* at 2.

Finally, several parties propose to unbundle flexible RA from system and local RA.<sup>31</sup> While further examination may be required, CalCCA does not oppose unbundling these products, provided that LSEs may continue to engage in transactions that bundle these products.

## VI. CONCLUSION

CalCCA thanks the Commission for the opportunity to comment on the Track 3 workshops and proposals and requests consideration of the recommendations offered herein.

March 22, 2019

Respectfully submitted

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<sup>31</sup> SCE Proposals at 14; *Track 3 Proposal of the California Energy Storage Alliance in Response to the Amended Scoping Memo and Ruling of Assigned Commissioner, dated March 4, 2019* at 5; *Western Power Trading Forum Track 3 Proposals, dated March 4, 2019* at 2-3.