

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

**RESPONSE OF THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION
TO THE ALLIANCE FOR RETAIL ENERGY MARKETS'
PETITION FOR MODIFICATION OF D.19-02-022**

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Pursuant to Rule 16.4(f) of the Commission's Rules of Practice and Procedure, the California Community Choice Association ("CalCCA") submits this response to the Alliance for Retail Energy Markets' ("AReM") Petition for Modification of D.19-02-022 ("AReM Petition"), filed May 24, 2019.

I. INTRODUCTION

AReM requests modification of D.19-02-022, which disaggregates the "PG&E Other" local resource adequacy (RA) capacity area into six separate local capacity areas beginning with the upcoming 2020 compliance year. While AReM does not object to the disaggregation over time, it correctly points out that the immediate disaggregation interferes with existing "PG&E Other" Local RA contracts Pacific Gas and Electric Company (PG&E) executed with third parties, which extend beyond 2020. AReM requests that the modifications "first recognize that RA contracts entered into by LSEs for PG&E Other Local RA capacity should be allowed to count toward any of the newly-disaggregated Local Capacity Areas previously aggregated into PG&E Other for their remaining terms....¹" AReM further requested that "if an LSE's existing PG&E Other Contracts

¹ AReM Petition at 3-4.

do not specify the Local Capacity Area in which the RA resource is located, the LSE should meet and confer with the seller to determine if they can renegotiate the contract so that it specifies resources in one or more of the newly-disaggregated Local Capacity Areas.”²

CalCCA supports AReM’s Petition and urges the Commission to modify D.19-02-022. While PG&E has engaged with LSEs that procured “PG&E Other” capacity, PG&E has not, to CalCCA’s understanding, completed any reconfiguration of these contracts. The lack of clarity will disturb the operation of the Local RA market in PG&E’s service territory and prevent LSEs from having confidence that their procurement efforts will ensure compliance. Indeed, absent modification of D.19-02-022, neither the Commission nor the parties that procured PG&E Other Local RA will be able to determine how the current contracts should be counted against a load serving entity’s (LSE’s) compliance requirement.

For these reasons, the Commission should grant AReM’s Petition and adopt the proposed modifications. Alternatively, the Commission could simply defer disaggregation until the 2023 compliance year.

II. BACKGROUND

Prior to the Commission’s issuance of D.19-02-022 (“the Decision”), Local Resource Adequacy (“RA”) requirements for six local capacity areas in Northern California (Fresno, Humboldt, Kern, North Coast/North Bay, Sierra, Stockton) were aggregated for procurement and compliance purposes to address the inherent market power in these Local Capacity Areas. This aggregation, referred to by the Commission as “PG&E Other,” allowed Load-Serving Entities (“LSEs”) to procure Local RA from resources in any of the six Local Capacity Areas to meet their

² *Id.* at 4.

“PG&E Other” Local RA obligation.³ In D.19-02-022, the Commission ordered that PG&E Other “shall be disaggregated to the local capacity area”⁴ beginning with the 2020 RA procurement cycle. Consequently, LSEs currently have separate RA obligations for each of the six Local Capacity Areas.

AReM asserts that the disaggregation of “PG&E Other” creates complexities and potential economic harm for any LSE with RA purchase contracts for PG&E Other RA that: (i) were executed prior to the effective date of the Decision; and (ii) will be delivered in the 2020 RA compliance year or beyond. First, AReM notes that the resources from which the LSE procured Local RA to meet the requirements for “PG&E Other” may not match the LSE’s newly assigned Local Capacity Requirements in the six discreet Local Capacity Areas. Consequently, an LSE may find that the resources it procured may make it long in certain Local Capacity Areas that formerly comprised “PG&E Other” before disaggregation, and short in others. Second, AReM notes that some RA purchase contracts do not specify the facilities that will provide the RA because they allow the seller to specify the resources at a later date. As such, buyers with these types of “PG&E Other” contracts do not have the right to require the seller to provide Local RA from specific generation facilities that meet the buyer’s Commission-ordered newly-disaggregated Local RA requirements. Thus, the units ultimately provided by the seller may not meet the disaggregated “PG&E Other” Local RA requirements imposed on an LSE.

Consequently, a buyer with “PG&E Other” Local RA contracts in its existing portfolio of RA resources may be faced with costly additional Local RA procurement in order to ensure that it has acquired sufficient Local RA in the appropriate newly-disaggregated Local Capacity Areas. Moreover, the LSE’s existing purchases of Local RA that were intended to meet the previous

³ D.06-06-064, p. 38.

⁴ D.19-02-022, Ordering Paragraph 15.

“PG&E Other” Local RA obligation may become useless for meeting the newly-disaggregated Local RA compliance obligations, and therefore stranded.

AReM requests that the Commission modify the Decision to ensure that Commission-jurisdictional LSEs holding Local RA contracts for resources in “PG&E Other” for years 2020 and beyond executed prior to the effective date of the Decision can fully utilize them for RA compliance for the duration of the original contract term. The requested modifications would first recognize that RA contracts entered into by LSEs for PG&E Other Local RA capacity should be allowed to count toward any of the newly-disaggregated Local Capacity Areas previously aggregated into PG&E Other for their remaining terms, but no longer. After it has applied all its existing PG&E Other purchases to its RA requirement in the newly-disaggregated Local Capacity Areas, the LSE would be required to purchase incremental Local RA in any of the six Local Capacity Areas in which it has a deficiency, if applicable, for full compliance. In addition, AReM requests that, if an LSE’s existing “PG&E Other” Contracts do not specify the Local Capacity Area in which the RA resource is located, the LSE should meet and confer with the seller to determine if they can renegotiate the contract so that it specifies resources in one or more of the newly-disaggregated Local Capacity Areas. Good faith discussions to match as best as possible an LSE’s needs in each disaggregated Local Capacity area with a seller’s supply is desired, recognizing that such renegotiations must be mutually acceptable to the LSE and the seller. Successful negotiations to match resources with an LSE’s new requirements would minimize the amount of assignment for generic PG&E Other to any disaggregated locations.

III. THE COMMISSION SHOULD GRANT AReM’S PETITION

CalCCA supports swift adoption of AReM’s proposed modifications. While reconfiguration of existing contracts by the counterparties, in theory, sounds like the most effective way to solve the issue, reconfiguration has not yet taken place despite a month of discussions.

Absent successful renegotiation, neither the Commission nor the parties that procured PG&E Other Local RA will be able to determine how the current contracts should be counted against a load serving entity's (LSE's) compliance requirement. Swift action is necessary to provide certainty to the market.

PG&E initiated a process to attempt to reconfigure its "PG&E Other" contracts with counterparties, but no action has yet been taken. On May 21, PG&E issued a notice to "PG&E Other" counterparties to begin a discussion regarding reconfiguration of existing contracts. The e-mail notice is attached as Attachment A to this Response. PG&E stated that it was "requesting information from RA purchasers to evaluate potential impacts of this decision on existing RA purchase agreements." It asked each counterparty to complete a template, attached as Attachment B to this Response, seeking counterparties' preferences for sub-areas for 2020, 2021, and 2022. PG&E cautioned, however, that the request was "purely for informational purposes, and is not an offer to buy, sell or modify any of the terms or conditions of our EEI Master or any confirmations...PG&E cannot make any guarantees regarding which disaggregated local area RA capacity will ultimately be provided from."

Conversations between PG&E and LSEs continue. Most recently, PG&E indicated to counterparties that it would specify the PG&E Other sub-areas for each contract prior to issuing its next solicitation.

CalCCA appreciates PG&E's efforts to address the market disruption resulting from D.19-02-022. It is unlikely, however, that PG&E will be able to satisfy all counterparties' needs. If it cannot, and prices in some sub-areas are higher than others, the reconfiguration carries the potential to shift value among existing counterparties. In addition, it is possible that the configuration could result in some counterparties being unable to comply with their 2020, 2021, and/or 2020 requirements. CalCCA thus supports AReM's proposal to permit existing "PG&E

Other” capacity to count toward any sub-area requirements until the contract expires if PG&E is unable to fully satisfy the requests of counterparties for designation of sub-areas.

IV. CONCLUSION

For all of these reasons, CalCCA requests that the Commission grant AReM’s Petition.

June 24, 2019

Respectfully submitted

Evelyn Kahl



Counsel to the
California Community Choice Association

ATTACHMENT A

PG&E May 21 E-Mail to Counterparties

From: "Arjo, Avery" <A4AQ@pge.com>
Date: May 21, 2019 at 12:04:31 PM PDT
To: RA_Solicitations <RASolicitations@pge.com>
Cc: "Pestana, Harold" <HJP5@pge.com>, "Gomez, Robert" <RSGa@pge.com>, "Motley, Beth" <EMMg@pge.com>, "Desai, Gaurang" <GVD2@pge.com>
Subject: PG&E Other - Multi Year Contract
To whom it may concern,

Our records indicate that you are party to a Resource Adequacy (RA) purchase agreement with PG&E that includes the purchase of RA capacity from the PG&E Other local area in the year 2020 or later. In light of the recent CPUC decision 19-02-022 and the disaggregation of the PG&E Other area into six separate local areas, PG&E is requesting information from RA purchasers to evaluate potential impacts of this decision on existing RA purchase agreements.

To help with our analysis, PG&E is requesting that you reply to this email with an indication of the local areas that your organization would prefer to receive capacity from for all "PG&E Other" volumes in your existing agreement for year 2020 and beyond. Please reply by completing and returning the attached template. The template will only accept numbers, not words or ranges, in the yellow highlighted cells. The top tables are for Total RA amounts in each area and should add up to the total RA purchased. The bottom tables are for the flexible portion of the total amount reflected in the top tables.

This request is purely for informational purposes, and is not an offer to buy, sell or modify any of the terms or conditions of our EEI Master or any confirmations. While this information will help in our analysis, **PG&E cannot make any guarantees regarding which disaggregated local area RA capacity will ultimately be provided from.**

Please feel free to contact me with any questions.

Kind regards,

Avery Arjo
Portfolio Management
Pacific Gas & Electric Company
Avery.Arjo@pge.com | 415-973-0117 | ICE Chat: aarjo

ATTACHMENT B

PG&E Local PG&E Other Template

< Enter Entity Name >												
	Total Local RA - PG&E Other Areas (MW)											
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Humboldt												
North Coast/North Bay												
Sierra												
Stockton												
Greater Fresno												
Kern												
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Humboldt												
North Coast/North Bay												
Sierra												
Stockton												
Greater Fresno												
Kern												
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Humboldt												
North Coast/North Bay												
Sierra												
Stockton												
Greater Fresno												
Kern												
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Local RA with Flex - PG&E Other Areas (subsumed in the above tables)											
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20
Humboldt												
North Coast/North Bay												
Sierra												
Stockton												
Greater Fresno												
Kern												
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Humboldt												
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Sierra												
Stockton												
Greater Fresno												
Kern												
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Humboldt												
North Coast/North Bay												
Sierra												
Stockton												
Greater Fresno												
Kern												
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Note: Only decimals are permitted in the cells Please limit quantities to 2 decimal places												