BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements.	R.16-02-007

OPENING COMMENTS OF CALIFORNIA COMMUNITY CHOICE ASSOCIATION ON ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE RULING INITIATING PROCUREMENT TRACK AND SEEKING COMMENT ON POTENTIAL RELIABILITY ISSUES

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California Community Choice Association (CalCCA) submits these opening comments in response to the *Assigned Commissioner and Administrative Law Judge's Ruling Initiating Procurement Track and Seeking Comment on Potential Reliability Issues,* issued on June 20, 2019 (June 20 Ruling), and *Administrative Law Judge Fitch's Ruling Denying, in part, and Granting, in part, Motion of California Community Choice Association for Amended Ruling and Extension of Time*, issued by e-mail on July 3, 2019, and adopted in a July 11, 2019, ruling (July 11 Ruling).[1]

I. INTRODUCTION AND SUMMARY

The Commission, the California Independent System Operator (CAISO) and all jurisdictional load-serving entities (LSEs) share an interest in ensuring the reliability of the CAISO-controlled grid. CalCCA appreciates the efforts of the Assigned Commissioner and Energy Division staff (Staff) to share market observations, begin an examination of the sufficiency of system resource adequacy (RA) capacity, and advance potential solutions. If a material possibility of a system RA deficiency is on the horizon, the Commission should use this

[1] The E-mail was incorporated on July 11, 2019, in the *Administrative Law Judge Fitch's Ruling Denying, in part, and Granting, in part, Motion of California Community Choice Association for Amended Ruling and Extension of Time*, July 11, 2019.

proceeding as a forum to examine more thoroughly the likely magnitude and timing of the deficiency.

Taking time to perform a more rigorous analysis, however, could require short-term mitigation of any perceived deficiency risk. If Staff's stack analysis accurately represents future resource conditions, and the Commission believes that import RA procurement will not increase, the deficiency could arise as early as 2021. Under these circumstances, it may be prudent for the Commission, CAISO and LSEs to take near-term action to mitigate risk, as the June 20 Ruling suggests. An emergency procurement directive unsupported by a rigorous analysis, however, is unnecessarily reactive and is not a prudent risk mitigation strategy.

CalCCA recommends approaching the problem on two parallel paths designed to insure against a near-term system RA deficiency, while facilitating more deliberate and targeted analysis and procurement.

1. **Path 1: Assessment.** Perform further analysis, as discussed in these comments, to more confidently understand the magnitude and timing of any system RA deficiency risk; based on the findings, consider directing expedited procurement to address those findings.
2. **Path 2: Action.** Consider new contracts with other existing resources whose contracts terminate before the end of 2021 and create an opportunity for jurisdictional LSEs with rights to statutory self-provision to contract with these resources rather than immediately defaulting to investor-owned utility procurement; pursue the path advocated by the CAISO and contemplated by the June 20 Ruling for short-term extensions in OTC deadlines for certain resources through contracts structured to minimize energy production and emissions; and account for other new resources provided by the market that may partially mitigate the risk of reliability deficiency.

CalCCA's comments address each of the elements of the recommended approach.

The community choice aggregation (CCA) community stands ready to work collaboratively with the Commission to ensure these concerns are addressed. CCAs have contracted 69 projects totaling 2,692 MW of capacity, contributing approximately 487 MW of Net Qualifying Capacity (NQC).[2] Of these, 2,027 MW of capacity, contributing approximately 328 MW of NQC, will be online by the 2021 peak,[3] with an additional 665 MW of capacity and 159 MW of NQC by the 2023 peak. Of the 2,027 MW of CCA projects online by September 2021, CalCCA believes 1,597 MW representing 259 MW of NQC are not reflected in the staff analysis. With additional outstanding requests for offers and activities by CCAs and other LSEs already underway, LSEs collectively should be able to build on this beginning to ensure greater reliability in the future. We look forward to working with the Commission in defining more precisely the contours of a solution.

II. PATH 1: PERFORM A MORE COMPLETE AND ACCURATE ASSESSMENT OF SYSTEM RA NEEDS

Staff's supply stack analysis is a useful starting point for addressing the potential for a system RA deficiency in the near- or medium-term. CalCCA has roughly validated Staff's conclusion -- that increased import RA will be required to bridge the potential gap between supply and need – through a similar stack analysis. CalCCA has modified the analysis in several ways, including the addition of approximately 259 MW of effective load carrying capability (ELCC) associated with new resources contracted by community choice aggregators (CCAs) that will be online by August of 2021 that is not included in the 2019 NQC list. The uncertainty level of using this overly simplified approach, however, is very high. The magnitude and timing of

[2] *See* Appendix D.

[3] This amount is the difference between Appendix D and Appendix C.

the potential deficiency requires a more rigorous analysis examining three pivotal sensitivities: (1) the pace and magnitude of resource retirement and (2) the availability of import supply to support increased import RA procurement, and 3) the contribution of already contracted new resources committed to come online on the 2021 to 2025 time frame. CalCCA recommends that, along with implementation of the actions identified in Path 2, the Commission, CAISO and LSEs should undertake a more rigorous analysis that assesses the potential for a system RA deficiency with much greater certainty.

A. CalCCA Roughly Agrees with Staff's Analysis But Not the Ruling's Proposed Use of the Analysis

Staff identified a need to analyze the system resource adequacy (RA) supply stack in the near- to medium-term "to better understand the liquidity in the bilateral resource adequacy market and consider whether there are sufficient resources to meet peak system reliability needs."[4] Staff's determination was driven by informal observations on market activity, a "decline in the robustness of competitive solicitations," and the fact that some load-serving entities were unable to comply with the 2019 system RA requirements.[5] To explore these trends, Staff conducted an assessment of system resource adequacy needs based on the 2018 Integrated Energy Policy Report (2018 IEPR) California Independent System Operator's (CAISO) coincident forecast.[6] The analysis compared these needs to the CAISO NQC list for the 2019 compliance year, which it adjusted to account for anticipated unit retirements and certain generation and storage expected to be online by 2024.[7] It further adjusted all solar and wind

4 Ruling at 6.
5 *Id.*
6 *Id.* at 7.
7 *Id.* at 7-10.

Effective Load Carrying Capability (ELCC) values to reflect the changes adopted in D.19-06-026. Staff concluded that in 2021, "[t]he bilateral resource adequacy market could be relying on approximately 8,800 MW of MIC [Maximum Import Capability] to meet the system peak."[8]

Staff's analysis suggests that a system RA *deficiency* will not arise before 2025, assuming robust reliance on import RA and before accounting for new resource development. Staff's concern appears to be whether an increased reliance on these resources can be supported – a question that has not been answered. Moreover, the stack analysis, by its very nature, is insufficiently detailed to provide a reasonable degree of confidence in the results. It thus cannot be relied upon in isolation from a more complete analysis. CalCCA discusses these concerns in Section II.B below.

Despite these shortcomings, CalCCA generally agrees with Staff's conclusions, *as far as they go*. CalCCA performed a similar stack analysis, subject to the several modifications, which:

- ✓ Increase available supply by the end of 2021 and beyond to reflect the ELCC of additional new resources contracted by CCAs that are not included in the Staff analysis. While CalCCA does not have the information necessary to add resources contracted by other LSEs, Staff should conduct a broader, voluntary inventory to ensure any further analysis relies on a more complete picture of the supply stack.

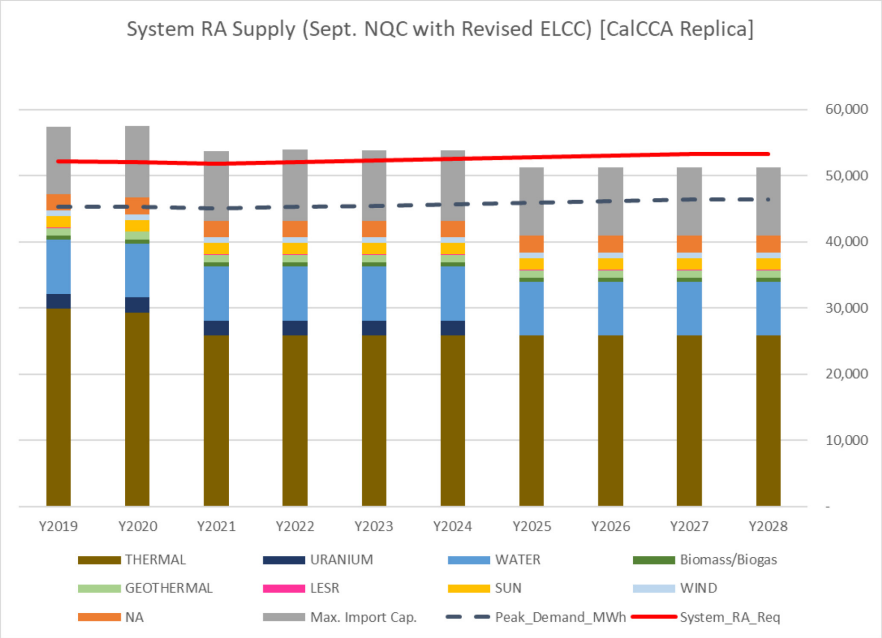
- ✓ Increase supply to reflect Commission-approved IOU projects, *e.g.* Alamitos, which the June 20 Ruling indicates was not included; and

- ✓ Rely on actual 2019 and 2020 Maximum Import Capability (MIC) amounts available for allocation to LSEs within the CAISO balancing authority and forecasted MIC amounts for 2021 and beyond from the CAISO.

CalCCA is not able to determine whether there are other differences between CalCCA's analysis and the Staff Analysis due to the unavailability of assumption and methodology documentation of the Staff analysis.

[8] *Id.* at 12.

The results of the CalCCA analysis are presented below in Table 1.



The analysis demonstrates that the risk of an actual system RA deficiency, based on this simplified supply stack analysis, does not arise until 2025 assuming reliance on higher levels of import RA up to the MIC amount.

Given the importance of the issues at stake, more than this back-of-the-envelope analysis is warranted before taking action. The June 20 Ruling pushes the use of Staff's analysis beyond what appears to have been intended. Seemingly based on the presumption that increased reliance on import RA cannot be supported, the June 20 Ruling proposes to direct LSEs to procure 2,000 MW of new peak capacity that can be online by 2021 and to direct Southern California Edison Company (SCE) to procure an additional 500 MW of existing resources without contracts past 2021. The July 11 Ruling acknowledges that there is not a direct relationship between the Staff analysis, which itself carries a high degree of uncertainty, and its proposed procurement

directive.[9] The June 20 Ruling's reach is thus highly attenuated and does not support urgent new procurement directives.

B. Recent CAISO Analyses Add Greater Dimension to the Issues

These general conclusions are also supported by several additional analyses that suggest a reliability deficiency could arise by 2021 if unfavorable trends coincide, even if current baseline expectations do not indicate a deficiency until 2025 or later. Unforeseen natural gas retirements could occur, additional RA imports could be limited, OTC compliance deadlines may not be extended, and any resulting shortfalls may not be addressed by additional procurement. However, these analyses also suggest favorable trends in one or more of these factors may also offset potential shortfalls in others.

The CAISO's Sensitivity Study from the 2019 Summer Loads and Resources Assessment[10] (2019 Summer Study) suggests that a confluence of adverse conditions could drive an elevated risk of a Stage 3 emergency.[11] The baseline analysis does not indicate emerging reliability deficiencies, concluding that a stage 2 emergency would occur only once every 76 years. One sensitivity case with correlated stresses, however, increases the risk of a stage 2 emergency to 26 percent and a 6 percent probability of loss of load (0.06 LOLE). This Monte Carlo sensitivity case includes several correlated unfavorable trends:

1. ISO hydro conditions from 2018 where snow water content was 51 percent of normal;
2. Hydro for Bonneville Power Administration and BC Hydro at 93 percent of normal (actual 2019 hydro conditions);
3. Peak demand of 1-in-10 in Arizona Public Service and Salt River Project, versus the 1-in-2 normally assumed (to simulate a Southwest heat wave); and,

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[9] July 11 Ruling at 3-4.

[10] http://www.caiso.com/Documents/2019SummerLoadsandResourcesAssessment.pdf

[11] http://www.caiso.com/Documents/Briefing-2019-SummerLoads-Resources-Assessment-Report-May2019.pdf, p. 10.

4. ISO net imports capped at 9,309 MW – the maximum imports experienced during 2018 when ISO demand was within 10 percent of the summer peak.

Table 1 shows the estimated probabilities of reliability events in the CAISO's Base Case and Sensitivity Case from the 2019 Summer Study.

Table 1

	Base Case	Sensitivity Case
Stage 2 Emergency	1.3%	26%
Stage 3 Emergency	0.4%	12%
Unserved Energy	0.1%	6%

Thus, overall, this study indicates that if baseline trends hold over the next three years, the CAISO balancing area is unlikely to face a substantial reliability deficiency event. The potential clearly exists, however, for confluence of several exceptional circumstances to place substantial stress on the system if there are no other favorable counterbalancing actions (*e.g.,* increased supply procurement).

CAISO's *2020 Local Capacity Technical Report* (2020 LCTR) used engineering judgement to conclude that additional resources would be needed for at least one year to cover 2021 local capacity requirements.[12] It determined that 725-935 MW of LA Basin OTC resources will need to have their retirement extended at least one year to cover 2021 local capacity requirements, noting that it would perform a more detailed analysis for the State Water Resources Control Board (SWRCB). Planned transmission projects make the need temporary, so the CAISO's proposal, without any further action, would buttress supply for 2021.

The CAISO hones its analysis in the July 11 *2021 Limited Local Capacity Technical*

[12] *2020 Local Capacity Technical Report*, May 2019, at 167. http://www.caiso.com/Documents/Final2020LocalCapacityTechnicalReport.pdf

Study (2021 Study), a special report to the SWRCB. The 2021 Study analyzes the need to retain the Alamitos Generating Station beyond its December 31, 2020, OTC compliance date. The CAISO concludes that study results "do not trigger the need for Alamitos OTC implementation schedule extension."[13] It conducted sensitivity studies: the first increased load by 800 MW across the SCE service territory resulting in a need for 476 MW of Alamitos OTC generation; the second augmented the first scenario by removing 360 MW of Potential non-OTC resources at risk of retirement resulting in a 816 MW need for Alamitos.[14] In light of the forecast risk in its sensitivity analyses and a potential need for an extension for system capacity, the CAISO stated that it "considers it prudent to commence activities seeking an extension of the OTC compliance date for Alamitos at this time."[15] Although the CAISO did not specific the MW of extension required, it noted that up to 1,020 MW of Alamitos capacity would be available for extension.

In each of these analyses, baseline cases suggest that a near-term RA deficiency may be unlikely despite tightening supplies, but that uncertain potential natural gas facility retirements beyond known planned retirements, uncertain supply of RA capacity for import, weather conditions and potential disruptions of supply of RA capacity could combine to create reliability shortfalls.

C. A More Rigorous Analysis Is Required

The Commission should reduce the level of uncertainty associated with the Staff analysis through a more robust understanding of both the magnitude and timing of any need for new resources. The analysis should consider factors beyond system reliability, including locational

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[13] *2021 Limited Local Capacity Technical Study Report*, July 11, 2019, at 1. http://www.caiso.com/Documents/2021LimitedLocalCapacityTechnicalStudyReport.pdf

[14] *Id.* at 2.

[15] *Id.*

needs, renewable integration needs and decarbonization goals. Absent a robust model with this granularity, investment may not be targeted toward its highest use and will drive up procurement costs in large increments.

CalCCA thus supports a more rigorous analysis based in the work already done in this IRP proceeding, specifically to evaluate when and how a deficiency might occur, with a focus on evaluating sensitivities over the next five years accounting for trends in both facility retirements and import availability. This additional technical analysis is required to understand and address potential shortfalls before the Commission can meaningfully determine based on substantial evidence what actions, if any, beyond current procurement activities would be necessary. The analysis should examine the extent of planned or contracted resources not already included in the Staff's supply stack and on three pivotal sensitivities: (1) the rate of deployment of new resources by LSEs in California, (2) the availability of import RA, and the amount of retirements of OTC and other non-OTC generation. It further should address any distortions that may result from the current ELCC calculations, as discussed below.

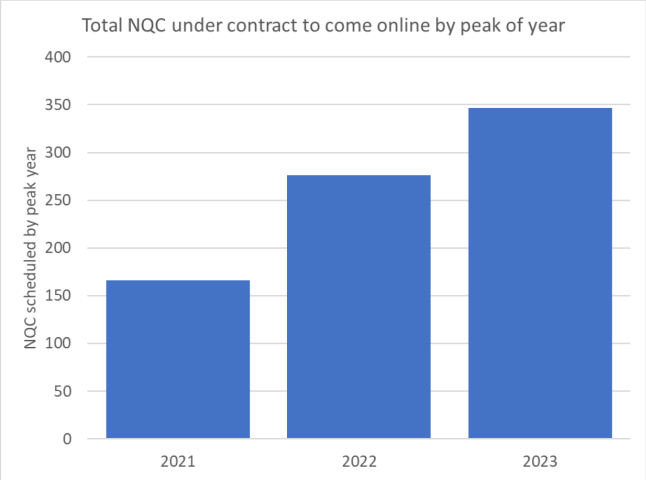
1. Planned or Contracted Procurement of New Resources

The risk of system RA deficiency in the near- or medium-term turns, in part, on the extent of new procurement over that term. To the extent this actual LSE-driven procurement and procurement driven by this IRP proceeding provides additional capacity, natural gas retirements could prudently increase above expected levels or address a lack of economically attractive RA import capacity.

CalCCA conducted an informal survey of *contracted* capacity known to be coming online from a subset of CCAs. The results, attached as Appendices B and C, indicate that additional capacity not captured in Staff's analysis will be coming online for the 2021 peak, with more

coming online on the 2022-2023 timeline. These resources represent a subset of all CCA procurement and represent a smaller subset of all LSE procurement under contract to come online supporting load within the CAISO area.

Beyond resources included in the 2019 NQC dataset, CCAs collectively have contracted for 1,597 MW of nameplate capacity equivalent to 259 MW of NQC (September Adopted), currently under contract that will come online before August 2021.[16] These resources include 1,047 MW of solar, 505 MW of wind and 45 MW of battery storage capacity. CalCCA expects several hundred additional megawatts of capacity to be under contract with CCAs by the end of 2019, much of which will be online before August 2021. In addition, contracted resources with later online dates would bring the total beyond the 2019 NQC data set to over 2,200 MW by the 2023 peak, with an NQC of 419 MW.



[16] These values include, as a subset, the resources identified in Appendix B. Contracted CCA projects (existing and under development) represent over 2,511 megawatts of nameplate capacity. D.19-06-026 materially devalued existing CCA resources, reducing their collective ELCC by 53 percent. *See* Appendix C. ELCC value for all CCA projects under the prior valuation totaled 1,030MW (August) and 895 MW (Sept). ELCC value for all CCA projects under the recently adopted ELCC valuation total 749 MW (August) and 484 MW (Sept).

Finally, since the Staff's and CalCCA's stack analyses are based on in front-of-the-meter resource lists, accelerating trends in behind-the-meter storage should also be accounted for in order to accurately assess how much the market in contributing to addressing potential reliability deficits.

2. Import RA Availability

The price elasticity of import RA supply is a critical variable in an assessment of the potential for a system RA deficiency, since increased import RA could resolve any concerns about reliability deficiencies in the near- to medium-term. The Staff analysis suggests that different assumptions around reliable import RA can materially alter the quantity and timing of a potential shortfall. For instance, in CalCCA's analysis, at one extreme, relying fully on the Maximum Import Capacity (MIC) of over 9,300 MW, system RA does not experience a shortfall until 2025; by that time, new procurement by LSEs from current plans and/or from additional need identified in this procurement track of the current proceeding is likely to address system capacity needs. In contrast, limiting presumed import capacity availability to recent averages – 3,600 MW – would demonstrate a shortfall on the order of 4,000-5,000 MW in 2021. These represent the extreme range of estimates and actual available import capacity likely falls between the two. However, without an evaluation of the market and potential supply, exactly how much increased RA imports could be relied upon is difficult to assess.

While CalCCA understands the Commission's concerns about the role of imports in California's energy mix, import RA availability is a crucial factor in determining the severity of any potential reliability deficiency. As a short-term solution, increased RA imports may be a viable approach. Given the high level of sensitivity in the potential system RA deficiency

assessment, CalCCA strongly urges the Commission to pursue further analysis regarding import availability prior to ordering LSE procurement.

a. Historical Reliance on Import RA Does Not Predict the Future Response of Out-of-State Generators to Increased Demand

Historical imports do not reflect the maximum supply, but instead reflect the historical level of demand for import RA. Those historical levels, which have varied between approximately 3,000 to 6,000 MW,[17] are determined by the amount of import RA that was price competitive with in-state alternatives at the time LSEs were procuring RA. Thus, historical showings of import RA resources do not represent the full realistic availability of import capacity. While there are some drivers that may limit potential increased RA imports, such as coal retirements, other factors such as differences in the timing of California's peaks and other states' and possible low participation rates by existing generators may suggest excess supply of RA capacity.

As in-state capacity tightens going forward, LSEs and suppliers should be expected to develop increased bilateral arrangements that today are uneconomical given availability of in-state resources. Fundamentally, the key question is how much increased supply can be reasonably expected to be available as prices and demand increase. A reasoned evaluation of the risk of reliability deficiencies cannot be reasonably done without at least some understanding of the price elasticity of supply of import RA.

b. Maximum Import Capability Suggests Significant Additional RA Import Potential

[17] http://www.caiso.com/Documents/Presentation-ResourceAdequacyEnhancements-July8-9_2019.pdf

CAISO's Maximum Import Capability (MIC) calculations suggest that there is potential for increased imports, albeit an unproven potential. Given the methodology the CAISO uses to calculate the MIC, the MIC likely exceeds what the CAISO actually sees as imports at peak. For example in the CAISO's 2019 Summer Study[18], the CAISO indicates that in 2018 the maximum imports experienced when CAISO demand was within 10 percent of the summer peak was 9,309 MW. The 2019 Summer Study also notes that the base case assumption used 11,701 MW of imports, which was the highest level seen during 2017. These values for total actual realized imports are substantially higher than actual average experience and higher than even the 8,800 MW included in the Staff analysis. This suggests that even though averages may be lower, higher amounts of imports have been available when needed.

Further analysis of import RA availability should examine recent peak reliance. For example, a July 8-9 CAISO presentation to the Resource Adequacy Enhancements Stakeholder Work Group[19] likewise suggests a supply greater than the average level of reliance. The following CAISO slide shows the average hourly import RA resources shown for July 2017 – June 2018. Showings for summer months were highest, with monthly numbers ranging up to 6,000 MW. This suggests that even though RA import averages may be lower, a higher amount of imported energy has been available when needed, which suggests that further WECC-wide analysis of import RA supply is needed.

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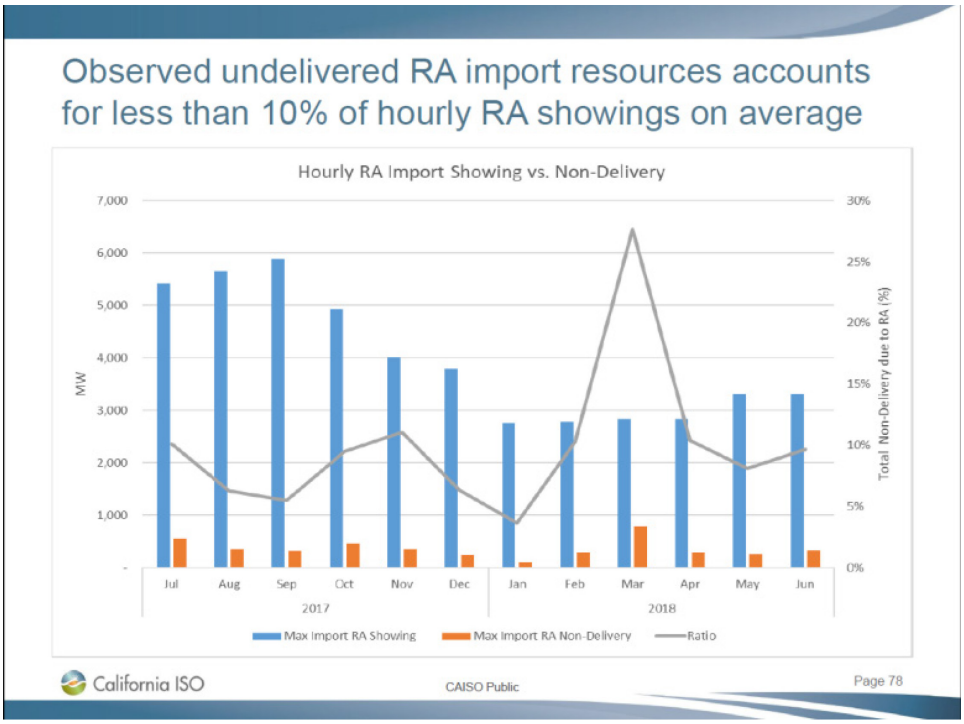
[18] http://www.caiso.com/Documents/2019SummerLoadsandResourcesAssessment.pdf#search=2019%20Summer%20Loads, at 33.

[19] http://www.caiso.com/Documents/Presentation-ResourceAdequacyEnhancements-July8-9_2019.pdf



While these data are useful in beginning an import RA assessment, a deeper dive is necessary to fully understand the issue. Either CAISO or the Commission should conduct a market analysis to establish how much out-of-state capacity would participate in California's RA market but either have not secured contracts or have not become certified to participate. For example, anecdotal suggestions are that many out-of-state wind generators have simply not yet looked to engage in California's RA market as a revenue stream, but may be interested in doing so. Only a market analysis, such as generator surveys, price analyses of elasticity, and other analyses of the potential for increased RA supply, will be able to indicate how much additional RA capacity may be available, when, and at what price. Without this basic information about what level of import RA is or is not available, assessment of how much additional capacity is needed will be difficult.

c. Unnecessary Restrictions on Import RA Should Be Avoided

The Commission is currently re-examining requirements for import RA in the RA proceeding, R. 17-09-020.[20] The Assigned Commissioner is seeking comments on whether additional requirements, such as firm transmission rights and actual delivery of imports, should be required to ensure that import RA is reliable.[21] As CalCCA explained in its response to the ruling, both of these requirements are unnecessary and would limit import RA availability, exacerbating any potential shortage, and increase costs.[22] In other words, the Commission should be aware that issues it is considering in other dockets could well cause the reduction in import RA availability it fears. CalCCA recommends integrating the discourse on import RA in the RA proceeding with the examination in this proceeding.

3. Thermal Resource Retirement

The third major driver of concerns about unfavorable trends driving a reliability deficit is the degree to which out of contract natural gas plants seek to retire. While some retirements have been announced as appear in the baseline resources lists, uncertainties about the status of the remaining fleet persist. Again, some effort to determine intentions over the next three years or analyses of market conditions would seem to be a necessary effort to establish the magnitude of any actual issue. Rather than assuming that all out of contract generators will retire *en masse* because of a lack of information regarding the likely levels of retirements, the Commission and parties should collaborate to pool information to develop at least some reasonable expectation for

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[20] *See* Assigned Commissioner's Ruling Seeking Comment on Clarification to Resource Adequacy Import Rules, July 3, 2019.

[21] *Id.* at 5, Question 1.

[22] *Comments of the California Community Choice Association on Assigned Commissioner's Ruling Seeking Comment on Clarification to Resource Adequacy Import Rules,* July 19, 2019 (CalCCA Import RA Comments).

the timing and magnitude of retirements to improve planning processes. Otherwise, the market will likely over procure, placing additional strain on already high customer costs.

Fundamentally, a wave of unplanned for retirements is highly unlikely to actually drive a serious reliability deficit, because CAISO retains backstop authority through the Capacity Procurement Mechanism to delay retirements until substitute resources can be brought online by the market over the 2021-2025 timeframe. Although such a solution may be less favorable than other approaches, no analysis of the risk of an actual reliability deficit caused by generator retirements can be accurate without recognizing that a backstop mechanism already exists in California precisely designed to prevent just the kind of reliability deficit of concern here.

4. ELCC Calculations

The Staff's system RA stack analysis appears to be inherently conservative and may tend to overstate the deficiency risk and thus drive over-procurement. In particular, the apparent reliability deficiency is partly driven by de-rating of ELCCs for existing and future capacity. While using current ELCCs is a reasonable approximation, it is likely a conservative one. First, ELCCs are not calculated based on the reliability impacts on the existing as-built grid, but rather based on a hypothetical grid stripped of many resources to bring the reliability down to a lower level for the purposes of analysis in the standalone ELCC studies. However, evaluating how well the as-built grid will maintain reliability requires an analysis of both retirements and deployment of new resources on the as-built grid. This may depart sharply from the ELCC stacking approximation, which may fail to capture higher geographic and technological diversity value, especially as hybrid resources become more common, which the recent RA ruling suggests the standalone studies do not capture.[23] CalCCA notes that we did not expressly

[23] D.19-06-026, at 46-49.

incorporate any diversity benefit in our own capacity stack analysis but still came close to Staff's numbers, suggesting that these diversity values may be missing from Energy Division's analysis.

To bring greater confidence and precision in any conclusions reached regarding a potential system RA deficiency, the Commission should employ an explicit model of the as-built grid with retirements and additions, such as the IRP SERVM model. Staff can assess the probability of outages and the Loss of Load Expectations (LOLE) for each year from 2020-2026 to more accurately identify how much reliability risk actually exists under baseline and less favorable scenarios (*e.g.*, low hydro years). If the LOLE in those studies remains acceptably low by industry standards, the Commission will be in a position to evaluate both the timing and magnitude of any need based on substantial evidence.

III. PATH 2: TAKE NEAR-TERM ACTION TO ALLOW TIME FOR A MORE RIGOROUS ANALYSIS

In response to the possibility of a potential RA program failure and the potential for dire consequences that could result, the Assigned Commissioner and the Energy Division have sounded an alarm proposing urgent action. The level of concern may or may not be warranted, which only a deeper analysis will reveal. In any case, the Commission should not meet a potential risk of a reliability deficiency by failing to act. CalCCA supports prudent steps that will provide the needed insurance for 2021, but submits that mandating significant, immediate new resource procurement is not the right approach.

The first step must be to determine the extent to which contracted or planned procurement already in the pipeline will address the issue. Existing CCA contracts, alone, reduce this amount by 229 MW in 2021 and increase over time. Staff should work with LSEs to

ensure it has a complete and accurate baseline from which to assess the deficiency risk. Even if a need remains, a material portion of the need may be addressed by mitigation measures already contemplated by the Commission and the CAISO. Deferring the retirement of 1,020 MW at the Alamitos facility, and potentially other Once-Through-Cooling (OTC) plants would go a long way toward reducing any deficiency risk and could provide time needed for the additional analysis CalCCA is suggesting and more considered procurement decisions. Finally, CalCCA is not opposed to considering short-term re-contracting of existing resources whose contracts will expire before the end of 2021. All LSEs should be provided an opportunity to procure these resources, however, before directing an IOU to step in as a central buyer.

A. CAISO's Recommendation to Seek a Short-Term Extension of OTC Compliance Deadlines for Certain Resources Should Mitigate a Material Portion of Any Deficiency Risk

CalCCA and its members strongly support clean energy and are procuring new renewable energy and battery storage projects expected to come on line in the near-term, as discussed in Section III.A. Even with additional contracted procurement, however, Staff's limited analysis raises the possibility that a system RA deficiency could arise as early as 2021. As discussed above, more time is needed to develop a complete and accurate picture of system RA gaps and focus procurement on those gaps.

The Ruling's suggestion that the retirement of the OTC plants could be delayed may provide the necessary time for better decision making. While the risk of deficiency should not be ignored, CalCCA cautions against moving forward quickly without additional analysis and with an extreme sense of urgency. The CAISO's recommendation in its 2021 Study to extend the OTC compliance deadline for Alamitos could materially address the concern triggered by the Staff's analysis. To the extent Alamitos or other OTC unit retirements are delayed, CalCCA

supports adopting contracting structures to achieve the twin objectives of ensuring sufficient capacity to maintain CAISO and NERC reliability standards (post-contingency protection) while seeking to limit electricity production from such units in order to minimize the emissions and air quality impacts during the retirement extension period. Further, the extension could be time-limited to address the 2021-2022 compliance years, while accelerated development of additional new resources is pursued. This approach should ensure that the plants are available for reliability purposes when needed, but would limit any impacts on the environment to periods when they were needed for reliability purposes.

B. The Commission Should Provide All LSEs the Opportunity to Contract with Existing Resources Without a Contract In 2021.

The Ruling proposes "to require SCE to solicit 500 MW of capacity from existing resources that are without a contract past 2021, to be procured as part of a medium-term contract (2-5 years)."[24] While this action may provide another possible source of insurance against a 2021 deficiency, the Commission should not assume that only SCE is in the position to procure these resources. The procurement opportunity should be available to all LSEs before simply defaulting to SCE re-contracting.

The intent and purpose of the June 20 Ruling's proposal regarding additional SCE procurement is unclear. As an initial matter, it fails to illuminate whether the directive is aimed at re-contracting particular resources currently in SCE's portfolio, or whether the solicitation would be for system RA from any resource without a current medium- to long-term contract. If the June 20 Ruling has particular resources in mind, parties would benefit from disclosure of the details, e.g., whether the resources have other attributes such as local RA value, to better assess

[24] June 20 Ruling at 16.

the proposal. Moreover, if there are specific resources that must be procured for unique reasons, beyond simply procurement of system RA, greater illumination will lead to better informed recommendations.

Without further explanation, the June 20 Ruling appears internally inconsistent. The Ruling appropriately recognizes that all LSEs should have the opportunity to procure *new* resources needed for reliability. It departs from this approach, however, by suggesting that SCE alone should procure 500 MW of *existing* resources, without any explanation of why SCE is uniquely situated to this task. Assuming these resources are currently under contract to SCE, there is no reason why they could not contract with other LSEs at the end of the SCE term. Likewise, if these resources are currently in the market without a contract, there is no reason why other LSEs could not procure system RA from these resources.

In addition, by mandating procurement by SCE, rather than allowing other parties to contract with these resources, the June 20 Ruling's proposal would violate Public Utilities Code §380. The Legislature conferred authority on the Commission to "establish resource adequacy requirements for all load-serving entities."[25] In fulfilling this role, the statute requires the Commission to "[f]acilitate development of new generating capacity and retention of existing generating capacity that is economic and needed."[26] The Commission may not exercise this authority, however, without addressing other Legislative directives. Section 380 emphasizes, not once but *twice*, the importance of allowing CCAs to "determine the generation resources used to serve their customers."[27] CalCCA submits that this provision requires the Commission to

[25] CAL. PUB. UTIL. CODE §380(a).
[26] *Id.* §380(b)(1).
[27] *Id.* §380(b)(5); *see also* §380(h)(5).

provide an opportunity to CCAs to procure existing resources, as it proposes for new resources, before resorting to utility procurement.

If the Commission is persuaded that a 2021 need for system RA exists, and the gap is not bridged with new procurement and deferral of the Alamitos OTC compliance deadline, CalCCA does not oppose short-term transition contracts with resources whose contracts will soon terminate. CalCCA opposes the proposal, however, to default to procurement of existing system RA resources by SCE absent a compelling reason unique to the resources. The Commission should identify the resources in these circumstances, giving all LSEs the same information and understanding of the directive. It should further provide a window of time – an additional four months -- for procurement by all LSEs. If a transaction is not completed within that window, it should permit SCE to re-contract for no more than two to three years.

IV. THE COMMISSION CANNOT RELY ON THE STAFF ANALYSIS AS THE FOUNDATION FOR A PROCUREMENT DIRECTIVE

Directives to encumber customer funds cannot and should not be made based on a back-of-envelope, unsupported and untested analysis. The Ruling bases its proposal on a Staff analysis that was not attached to the ruling. CalCCA requested amendment of the June 20 Ruling to attach Staff's analysis to better inform parties responding to the June 20 Ruling, and the request was denied.[28] The July 11 Ruling made clear that the relationship of the procurement proposal to Staff's analysis was not direct, but "directional and indicative, not exact."[29] It further clarifies that the purpose of these comments is "not to focus on the details of any particular staff analysis."[30] Accordingly, the July 11 Ruling requests that parties do their own analysis and

[28] July 11 Ruling at 3.
[29] *Id.*
[30] July 11 Ruling at 3.

present their views and proposals. While CalCCA appreciates the interest of the Assigned Commissioner in the views of LSEs and other parties, providing Staff's workpapers would have reduced the time required by other parties to analyze and develop their own views and advanced the discourse more quickly.

More importantly, however, the July 11 Ruling makes clear that the Commission cannot direct procurement based on Staff's analysis because such a conclusion would be arbitrary and not based on "substantial evidence"[31] for several reasons.

- Staff's analysis is not in evidence, only indications of its conjecture and conclusions are presented in the June 20 Ruling.
- Staff's analysis fails to explore critical sensitivities – import RA, new procurement and resource retirements -- that drive the potential for a reliability deficiency.
- As the July 11 Ruling acknowledges, there is no direct relationship between the June 20 Ruling's procurement proposal and the Staff analysis.
- Staff made a number of assumptions in developing its analysis that are not transparent to other parties.
- The relationship of the analysis to the extensive record developed in this proceeding for 2017-18 procurement cycle is unclear.

Under these circumstances, reliance on the Staff analysis to direct procurement would run contrary to the statutory standard for Commission decision-making obligations under Public Utilities Code §1705 and §1757.

V. ANY PROCUREMENT MUST BE COORDINATED WITH EXISTING PLANNING AND RELIABILITY PROCUREMENT FRAMEWORKS

The IRP process was established to assess procurement needs in the investor owned utility service territories and aim procurement toward meeting identified reliability and

[31] CAL. PUB. UTIL. CODE §1757(a)(4)

decarbonization goals, as called for in § 454.51 and §451.52. The iterative IRP process and the extensive modeling provides an excellent framework for needs assessment and updated procurement planning.

Long-term procurement, for more than one cycle out (e.g., 3 or more years out), should be addressed in the IRP. The IRP process would give LSEs every opportunity to adjust their procurement planning to ensure that the collective needs are met. Given good coordination between the LSEs and the Commission about ongoing contracting and procurement, the Commission should be in a position to notify the LSEs whether their collective efforts were on track to meet needs to ensure that all short-term needs are already met through medium and long-term planning. The state's LSEs must have an opportunity through a commitment process to collectively address any shortfalls left by existing plans, especially short-term needs, to allow LSEs to self-procure to put the state on a glidepath to achieve its goals.

Short term reliability planning needs (e.g., under three years) should fall within the scope of the RA process, allowing LSEs to maximize their procurement of existing resources and, in some circumstances, add solar or battery storage facilities. Short-term planning is not the time to be identifying deficiencies that must be filled by new resources, but a time to ensure that existing resources are optimized.

If the IRP and RA planning processes work as intended, the need for emergency procurement should decline. Emergency needs triggered by exceptional circumstances are today addressed through the CAISO's Capacity Procurement Mechanism ("CPM"). This process is designed precisely to address short-term needs that cannot be quickly addressed with new resources and focuses on the timing of planned retirements. As noted above, the CAISO plans ahead to consider retirement and take actions that are required to extend the availability of

resources headed toward retirement.

VI. CONCLUSION

For all of the foregoing reasons, CalCCA requests that the Commission undertake a more rigorous analysis of the magnitude and timing of system RA needs before urgently directing new resource development. To mitigate the risk of any system RA deficiency in 2021, the Commission should, in coordination with the CAISO, continue to pursue an extension of the OTC compliance deadline for Alamitos and support procurement of the resource for the 2021 and 2022 compliance years. Finally, to the extent necessary, the Commission should direct the procurement of certain resources whose contracts will expire by the end of 2021, providing an opportunity to all LSEs to procure these resources and defaulting to procurement by SCE only as a last resort.

July 22, 2019

Respectfully submitted,

Evelyn Kahl

Counsel to
the California Community Choice Association

APPENDIX A

Additional Responses to Questions

1. *Do you believe that there could be reliability challenges as soon as 2021? Why or why not? Include comments on any concerns you have about the staff analysis presented in Section 2.1 of this ruling, and cite to publicly-available data to support your analysis*.

Please refer to Section II of CalCCA's Opening Comments. CalCCA agrees with CPUC staff's assessment that 2021 will see significant tightening of the capacity market as a result of the retirements of OTC facilities, and further, recognizes that contingent circumstances, such as additional retirements or drought events, could result in reliability challenges.

However, CalCCA does not believe that the staff analysis is sufficiently robust to form a basis for mandating procurement or providing a full understanding of the state of the market. Specifically, CalCCA believes that the staff analysis of reliable import capacity should be expanded to include a more complete understanding of resource availability throughout other western states rather than assuming limitations based on historic performance. As in any market, it is likely that additional reliable supply could become available at a higher price, which could result from a tightening of in-state capacity resources. CalCCA supports continued staff analysis to better understand market trends and resource availability outside of California which would inform any potential deficiency.

2. *Are you concerned about increasing reliance on imported capacity for meeting resource adequacy requirements? Why or why not?*

Please refer to Section II.B of CalCCA's Opening Comments. Imports have historically formed a significant share of California's resource supply for both energy and capacity, and CalCCA is not concerned about their continued use for reliability planning and compliance purposes. To evaluate the extent of reliability, however, the Commission and the CAISO should undertake an analysis to determine the resources available to provide import RA. In addition, CalCCA agrees that clarification of existing import capacity rules, under deliberation in R.17-09-020, could support improved availability of energy from RA imports when needed.[32]

3. *Should the Commission be concerned about specific local and/or flexible resource adequacy needs, or only the system needs identified herein? Explain.*

The Commission, the CAISO and jurisdictional LSEs should all be concerned about the sufficiency of system, local and flexible RA resources. A failure of the state's RA policy would have devastating consequences for all stakeholders. If by "concerned" the ruling questions whether the Commission should take action, CalCCA recommends an approach coordinated with the CAISO. The Commission should maintain primary responsibility to assess system RA sufficiency beyond one year and implement requirements to address the CAISO's assessments for flexible RA and local RA.

[32] *See* R.17-09-020, CalCCA RA Import Comments.

The CAISO currently oversees local RA sufficiency. The CAISO annually assesses sufficiency in its Local Capacity Technical Study on a one year and five year forward basis.[19] CAISO's active oversight is also evident in its recently initiated stakeholder process to update its local capacity technical criteria.[20] A central role for the CAISO in this area makes sense; local RA requirements are a function of transmission constraints, and the CAISO bears the responsibility for addressing these constraints. Moreover, the CAISO, unlike the Commission, has a broader view of local area requirements given its interface with non-CPUC-jurisdictional LSEs. For these reasons, primary responsibility for *assessing* local RA sufficiency should remain with the CAISO.

Likewise, the CAISO is in the best position to assess flexible capacity needs. The CAISO conducts an annual study to determine flexible capacity needs for up to three years into the future and examines available resources.[21]

The Commission is in a reasonable position to address system RA sufficiency beyond one year, as the June 20 Ruling contemplates. Determining whether there are adequate system RA resources for the jurisdictional LSEs does not require the Commission to venture into transmission issues, nor does it require any examination of sufficiency beyond its jurisdictional LSEs.

4. *If a need for system reliability resources in the near-term is identified within this proceeding, will there be sufficient time to bring new resources online to meet the need? If not, should the Commission pursue delays to the OTC retirement schedules to bridge this short-term gap? Why or why not? If the Commission pursues OTC retirement date delays, or which plants and for how long should we request the delays*?

Please refer to Section III.A of CalCCA's Opening Comments. CalCCA supports continued analysis to determine the level and timing of reliability risk. CalCCA supports filling any deficiency in a manner consistent with the state's loading order, with a strong preference for demand-side resources and other preferred resources. To the extent resources are needed by August 2021, CalCCA notes that the ability of LSEs to develop sufficient preferred resources will be limited by the availability of projects which are sufficiently advanced in the CAISO interconnection queue.

CalCCA supports the recommendation, advanced by the CAISO in the 2021 Study and considered in the June 20 Ruling, to extend the OTC compliance deadline for Alamitos to insure against a 2021 resource deficiency. While CalCCA believes that delays to OTC and non-OTC resource retirements should be considered a last resort, steps should be taken to assure their availability if needed. Doing so would afford the Commission sufficient time to better evaluate system RA requirements. CalCCA urges consideration of the environmental and economic tradeoffs between these two options. Further, CalCCA would urge consideration of contractual structures which would limit the utilization and cycling of these resources, particularly OTC facilities, to mitigate local environmental impacts.

5. *Comment on the proposed requirements in Section 2.2 of this ruling for 2,000 MW of new resource adequacy capacity procured and online by August 1, 2021, procured on a proportional and all-source basis by all jurisdictional LSEs. Parties may also propose an alternative requirement.*

CalCCA supports continued analysis to further refine the magnitude and timing of any system RA concerns. However, to the extent a resource deficiency is clearly identified through rigorous analysis, CalCCA supports the use of a proportional, all-source procurement obligation assigned to all LSEs to reflect ratemaking cost-causation principles. The specific mechanics of assignment should be determined through additional analysis and workshops.

CalCCA supports all-source procurement in that LSEs are best positioned to determine which resources most effectively complement other resources in their portfolios and support their resource and compliance needs. However, CalCCA encourages the Commission to consider the role of the state's energy loading order to ensure LSEs first consider preferred resources before giving consideration to fossil alternatives.

6. *Is the requirement for commercial online date of August 1, 2021 sufficiently clear or are other requirements needed? Explain.*

If the question is whether this directive gives LSEs enough information about when the resource is expected to be online, yes, it is sufficiently clear.

7. *Comment on how demand-side resources included in this new resource procurement should be counted (e.g., as a part of a reduction in the system resource adequacy requirement as a part of the IEPR, etc.).*

Consistent with the state's energy loading order, CalCCA supports the use of demand-side resources to address peak capacity needs. From an engineering perspective, the ongoing deployment of demand-side resources, especially storage, contributes to addressing the state's overall reliability needs. Thus, to the extent an August, 2021 compliance deadline is established, CalCCA supports exploring compliance pathways which would consider demand-side resources as positive additions to an LSE's compliance showing rather than a reduction to its future-year compliance obligation. Given the short timeframe for procurement, it is unlikely that LSEs would be able to fully utilize demand-side resources in the event that they only count as demand reduction, as LSEs would be obligated to demonstrate demand reductions by the 2020 peak. CalCCA recognizes that accounting and availability complications with such an approach but urges the Commission to work with parties to develop innovative compliance products which would allow the use of and reliance on demand-side resources.

8. *Comment on the proposed requirement in Section 2.2 of this ruling that SCE contract for 500 MW of existing resource adequacy capacity from a resource or resources that do not have contracts extending past 2021, for 2-5 years, with cost allocation addressed through a modified CAM mechanism. Parties may also propose an alternative approach.*

Please refer to Section III.B of CalCCA's Opening Comments. Further analysis is required, and CalCCA does not support the default assumption that SCE should procure these resources. All LSEs should be given the same information and opportunity to contract with these resources before defaulting to SCE as a central buyer.

9. *Should any procurement from existing resources be focused on resources that have formally notified the CAISO and the Commission of an intention to retire? Why or why not?*

As discussed in Section II.C.3, the CAISO and the Commission should consider exploring the issue further. Any additional resources who have not yet notified the CAISO then could also be considered in the pool of resources to re-contract.

10. *If individual LSEs are unable to procure their responsible share of the authorized procurement, should an interim backup mechanism and role be established to ensure the procurement needs are met and that all LSEs pay their fair share? Could this interim backup mechanism be developed and implemented in time to get resources procured and online by August 1, 2021? If yes, describe implementable solutions*.

A process should be developed to address shortfalls in resource procurement, recognizing that all projects have some probability of failure outside of the control of one or both counterparties. Specifically, CalCCA supports developing a mechanism whereby LSEs may collaborate to jointly develop and/or trade their share of the compliance obligation such that LSEs may pool and mitigate their risk.

To the extent an LSE or LSEs are unable to demonstrate timely progress towards their obligation, CalCCA supports consideration of alternative mechanisms to develop resources which would be triggered at appropriate junctures. CalCCA supports ensuring fair share cost allocations for deficiencies; specifically, CalCCA does not support allocating costs for deficiencies resulting from one or more LSEs to LSEs which successfully self-procure their share of the deficiency.

11. *If the Commission is unable to develop and implement an interim backup mechanism in time to meet peak system resource adequacy needs in 2021, what type of compliance mechanism will be needed to ensure that LSEs comply with their share of the procurement responsibility? Provide implementable solutions*.

The risk of noncompliance presents yet another reason supporting the CAISO proposal, echoed in the June 20 Ruling, to extend OTC compliance deadline for Alamitos.

12. *Is a Tier 3 advice letter the appropriate mechanism to secure Commission approval for contracts associated with the proposals in this ruling, for LSEs who require such approval? Why or why not? Provide an alternative proposal, if desired*.

Yes, provided that the procurement is proportionate to the LSE's obligation.

13. *Provide any other comments you think the Commission would find relevant to its consideration of system resource adequacy issues and potential procurement by 2021.*

APPENDIX B

Additional CCA Capacity Coming Online Between Today and 8/2021

CCA	Nameplate Capacity (MW)	September ELCC (MW)
CleanPower SF	109	16
Clean Power Alliance	62	9
East Bay Community Energy	170	24
MCE	344	49
Peninsula Clean Energy	300	42
Redwood Coast Energy Authority	2	0
Sonoma Clean Power	82	12
Silicon Valley Clean Energy + Monterey Bay Community Power	395	88
Total	**1464**	**240**

APPENDIX C

Cumulative Contracted CCA
Capacity Expected Online by 8/2021

CCA	Nameplate Capacity (MW)	September ELCC (MW)
CleanPower SF	209	30
Clean Power Alliance	62	9
East Bay Community Energy	170	24
Lancaster Choice Energy	12	2
MCE	676	103
Peninsula Clean Energy	300	42
Redwood Coast Energy Authority	2	0.3
Sonoma Clean Power	202	30
Silicon Valley Clean Energy + Monterey Bay Community Power	195	58
Total	**1828**	**298.3**

APPENDIX D

Cumulative Contracted CCA Capacity Expected Online by 8/2023

CCA	Nameplate Capacity (MW)	September ELCC (MW)
CleanPower SF	209	30
Clean Power Alliance	295	41
East Bay Community Energy	383	93
Lancaster Choice Energy	12	2
MCE	676	103
Peninsula Clean Energy	300	42
Redwood Coast Energy Authority	2	0
Sonoma Clean Power	252	37
Silicon Valley Clean Energy + Monterey Bay Community Power	563	139
Total	**2692**	**487**