

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

**REPLY 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 comments in response to comments filed by parties in the *Assigned Commissioner and Administrative Law Judge's Ruling Initiating Procurement Track and Seeking Comment on Potential Reliability Issues*, issued on June 20, 2019 (Ruling), and the July 25, 2019, E-mail Ruling Partially Granting California Community Choice Association Request for Extension of Time to File Reply Comments.

I. INTRODUCTION AND SUMMARY

CalCCA joins the Energy Division Staff, the California Independent System Operator (CAISO), the investor-owned utilities (IOUs) and other parties supporting an immediate, focused assessment of near- to medium-term reliability risks. Many stakeholders agree directionally that a risk to reliability may be looming, although they differ in assumptions and conclusions regarding the timing and magnitude of the resource adequacy (RA) need. Like many of these stakeholders, CalCCA recommends the development of a more stable and deliberate analytical process to draw more reliable conclusions. Ratepayers deserve an approach that rests on a

reasonably high level of confidence in the methodology, assumptions and outcomes, recognizing that a signal of shortage to the market will increase prices and drive up rates.

CalCCA appreciates that the Commission cannot stand idly by while a more rigorous analysis is undertaken. CalCCA thus proposes a “least regrets” strategy by beginning to pursue available existing resources and removing barriers to the development of new resources. The following measures can provide a foundation for this strategy:

- Provide notice to LSEs that new resources are likely to be needed in the 2021-2023 timeframe, even if the precise amount is not now known;
- identify and compare resource options for addressing the shortfall on the basis of feasibility, contribution against the deficiency, ratepayer and LSE cost, and consistency with the state’s energy loading order;
- Continue to pursue CAISO’s recommended extension of OTC deadlines for the existing Alamitos facility to maintain optionality as system reliability deficiency and resource options are analyzed, with contracts that minimize any incentives for the plant to run unless needed for reliability;
- Work with the CAISO and the IOUs to streamline permitting and interconnection requirements for new facilities to expeditiously ramp up the capability of new and existing preferred resources to provide reliability services while ramping down the CAISO’s reliance on non-preferred resources;
- Request that LSEs to identify all resources currently mothballed or scheduled to retire or move to mothballed status, and all resources with contracts that will terminate from 2021 through 2023; use this list to create a clear signal to all LSEs that these resources are available and potentially needed, providing all LSEs an opportunity to contract before defaulting to central procurement; and
- Maximize the availability of import RA and ensure the “firmness” of these resources, including completing a rigorous analysis of the availability of import capacity, taking into account the most current data, and working in conjunction with the resource adequacy proceeding in front of the Commission and at the CAISO.

Taking these parallel paths – a more rigorous analysis and a “least regrets” strategy – will mitigate reliability risk while pursuing a more effective deliberate process to identify system needs.

II. A MORE STABLE AND DELIBERATE PROCESS IS REQUIRED FOR ASSESSING AND FRAMING DIRECTIVES TO MEET RESOURCE ADEQUACY NEEDS

Two major themes emerge from the comments: parties require further information on the mechanics of the Staff analysis, and the analysis as described lacks the rigor necessary for a procurement directive. Questioning the rigor of the analysis, TURN concludes it “is not yet convinced” there is any particular need for increased resource adequacy capacity in 2021, “but remains open to the possibility.”¹ The CAISO questions the effectiveness of a stack analysis and declines to use Staff’s approach, creating its own analysis.² SCE similarly departs from the Staff analysis to reach its own conclusions.³ Yet other parties suggest that the appropriate analysis should rely on the SERVVM model developed in this IRP process.⁴

Despite these differences, two important conclusions can be drawn. First, a more deliberate process for responding to the questions the Ruling poses should be developed. These important issues must be analyzed systematically and consistently to ensure that California reliability stays on track without interruption. Second, and in parallel with the “least regrets” strategy outlined above, any urgent new resource procurement targets should be supported by a greater depth of information and analytical rigor⁵ if the Commission “wishes to order procurement with authority and credibility.”⁶

¹ Comments of The Utility Reform Network (TURN Comments) at 3.

² Comments of the California Independent System Operator Corporation (CAISO Comments) at 3.

³ Opening Comments of Southern California Edison Company (SCE Comments) at 5.

⁴ Comments of the Public Advocates Office (Public Advocates Comments) at 3; Opening Comments of the Alliance for Retail Energy Markets (AReM Comments) at 4.

⁵ *See, e.g.*, Comments of Western Power Trading Forum at 3-4, 11.

⁶ TURN Comments at 3.

III. ANALYSES PRESENTED BY STAKEHOLDERS AGREE DIRECTIONALLY THAT THE MARKET IS TIGHTENING BUT DISAGREE ON THE MAGNITUDE AND TIMING OF ADDITIONAL NEED

A. The Ongoing Retirement of Natural Gas Resources Creates a Need for Substantial New Development Over Time

Several stakeholders pointed to announced retirements of natural gas resources, including the Inland Energy Center noted by CAISO and SCE,⁷ resulting from downward pressure on energy market prices associated with new renewable generation. These trends are likely to continue, signaling a need for replacement resources or re-contracting with existing resources to the extent they are economical and do not conflict with meeting the State's environmental goals. To ensure that California maximizes its ability to choose resources from the top of the loading order, it will be critical to fully understand anticipated natural gas resource retirements and their impact on reliability. CalCCA supports the development of a coherent framework and strategy to manage the retirement of the natural gas fleet, and, wherever possible, replace retiring capacity with cost-effective preferred resources. In particular, CalCCA reiterates its recommendation that the natural gas retirement study scoped for the 2019-2020 IRP cycle should develop a detailed analysis of what resources should be deployed, where, and when, in order to minimize the state's reliance on economically fragile natural gas plants.

B. Import RA Availability Remains a Pivotal Assumption in All Analyses But Parties Differ In Their Conclusions

The use of imports for RA remains a pivotal but uncertain component in the procurement proposal presented in the Ruling. Parties to the proceeding have presented markedly different views on the availability and reliability of imports. At one end of the assessments, parties foresee a significant risk to reliability in the near- to medium- term; at the other end, parties recognize a potential risk but find it is more easily managed. Most parties recognize the

⁷ SCE Comments at 10-11.

importance of the question of the availability and reliability of imports, but are unable to state definitively whether out-of-state sources will be adequate and recommend additional study.⁸

A few conclusions may be reached from the many comments and themes therein. One is that parties differ sharply in their assessment of how much out of state capacity may be willing and available to enter into RA contracts. Two, parties differ in their analysis of the “reliability” of the import RA that they acknowledge is available, and whether there should be an arbitrary “de-rating” of import RA by 1/3, regardless of any evidence of a risk failure of RA import capacity to be available when called.

CalCCA echoes the comments it made in the RA proceeding- further analysis is needed to identify the magnitude of the potential impact import RA will have on reliability in the future, and when the effects of this impact will likely be realized.⁹ CalCCA is firmly committed to the State’s overarching goal of system reliability. We also hope the Commission can find the “sweet spot”—where requirements for participation in California’s RA market are adequate to ensure that real resources are actually available in times of need, but do not unnecessarily discourage the use of this important category of resources to meet system needs.

1. Parties are Calculating “Import RA” in a Variety of Ways

On one end of the spectrum, SCE suggests “[i]t is not realistic to rely on imports in excess of historical levels to meet future system RA requirement.”¹⁰ SCE assumes the availability of only 4080 MW of “reliable” imports, plus 920 MW of SCE’s share of Palo Verde and Hoover as “potential” imports.¹¹ The Public Advocates Office similarly constrained imports

⁸ See, e.g., Comments of City and County of San Francisco (CCSF Comments); Opening Comments of Pacific Gas & Electric Company (PG&E Comments); Comments of San Diego Gas & Electric Company (SDG&E Comments).

⁹ Comments of California Community Choice Association on *Assigned Commissioner’s Ruling Seeking Comment on Clarification to Resource Adequacy Import Rules*, July 19, 2019 at 5.

¹⁰ SCE Comments at 29.

¹¹ *Id.* at 25.

to 4,000 MW in its analysis.¹² The CAISO, however, observes that historical levels of RA imports do not reflect potential RA supply because if currently uncontracted imports can be contracted for RA, much of the reliability need can be addressed.¹³ Staff, although raising concerns, makes no particular assumption but observes that the need for import reliance will be around 8800 MW by 2021;¹⁴ CAISO notes that Staff's concerns about relying on imports up to the MIC may be misplaced if currently uncontracted resources can be brought into a more rigorous RA contracting framework.¹⁵

2. Parties Question the Level of "Firmness" Required

Stakeholders raised questions relating to the level of firmness that will be required to ensure import RA,¹⁶ and many noted the need for improved rules. Public Generating Pool states that "import resources are being under-procured because there are several obstacles in the current RA program that prevent further procurement of import capacity."¹⁷ Several parties note the close connection to the RA proceeding and recommend that questions regarding use of imports for RA be addressed in that proceeding.¹⁸ CalCCA recommends integrating the import discussion here with the discussion on eligibility requirements in R.17-09-020.

C. All Analyses Deserve to Be Vetted Publicly

Addressing highly technical analyses in a ruling and comments fails to facilitate a shared view of the problem. Each approach deserves to be vetted publicly to enable the development a foundation of shared understanding of assumptions and conclusions. CalCCA recommends the Commission convene workshops to begin this process, centering on the most well developed

¹² Public Advocates Comments at 2.

¹³ CAISO Comments at 9.

¹⁴ *Assigned Commissioner and Administrative Law Judge's Ruling Initiating Procurement Track and Seeking Comment on Potential Reliability Issues*, June 20, 2019 at 12.

¹⁵ CAISO Comments at 17.

¹⁶ *E.g.*, Comments of Calpine Corporation (Calpine Comments) at 7.

¹⁷ Comments of the Public Generating Pool (PGP Comments) at 3.

¹⁸ *E.g.*, PGP Comments at 5; Comments of the California Large Energy Consumers Association (CLECA Comments) at 5.

analytical approaches, including those already developed in the IRP modeling process as well as those advanced by Staff, the CAISO and SCE. Pending this step, CalCCA offers the following initial observations on the analyses presented in opening comments.

1. Staff's Analysis

Staff makes a number of assumptions in developing its analysis that are not transparent to other parties; workpapers were not produced, and the bases for assumptions are not fully explained. Several parties join CalCCA in noting that their inability to review the actual supporting analysis performed by the Energy Division hampers their ability to comment on the Ruling and respond to the questions posed.¹⁹ SDG&E notes that no analysis was provided regarding whether the volume and type of additional system procurement proposed in the Ruling provides the least-cost solution to ratepayers to address any market power concerns.²⁰ CLECA observes is not clear how the Commission came up with the figure of 500 MW for the proposed procurement by Southern California Edison, nor how it arrived at the August 1, 2021 date.²¹

CalCCA also voices concern that Staff's analysis may be more in the nature of a "back of the envelope" calculation without roots in available modeling tools, such as those developed in this proceeding. Other parties share this concern. CLECA notes that the models used by the Commission seem to be unable to perform analysis on the increasing need for ramping capability.²² City and County of San Francisco comments that the Ruling predicates procurement not on a new "analysis" of publicly available data, but rather on "simple math" and not system modeling.²³ The Public Advocates Office actually reruns the calculations proposed in the Ruling with the most current information available, and recommends the Energy Division re-run RESOLVE and SERVVM with a more conservative hourly constraint.²⁴ The Public

¹⁹ Opening Comments of NRG Energy, Inc. (NRG Comments) at 12; CLECA Comments at 3.

²⁰ SDG&E Comments at 2.

²¹ CLECA Comments at 13.

²² *Id.* at 6.

²³ CCSF Comments at 2.

²⁴ Public Advocates Comments at 2-3.

Advocates Office also recommends further study of the loads and resources available in the WECC.²⁵

NRG puts this into perspective by noting the Commission is now considering directing new procurement based on what appears to be far less involved analysis and without any of the rigorous modeling that went into the first procurement-less IRP cycle.²⁶ AReM goes so far as to note that the proposals are “based on an oversimplified analysis” that is inconsistent with the more detailed studies and modeling employed for the IRP process and the CAISO, which studies and models do not support the Ruling’s proposed procurements.²⁷

The CAISO’s comments are particularly instructive, pointing out that significant developments occurred after the Energy Division conducted its analysis. In particular, CAISO states that General Electric announced on June 20, 2019 that the 750 MW Inland Empire Energy Center will retire December 31, 2019.²⁸ CAISO expressed concern that the Staff’s analysis fails to reflect the capability of the projected resource adequacy fleet to serve load after the gross peak hours, based on operational performance rather than static capacity values.²⁹ According to the CAISO, this is a significant omission because of the impact on sequencing of renewable integration and reliability.³⁰ The CAISO also notes that additional resources that are under development by the LSEs are not visible to the Commission or the parties.³¹ Thus, Staff’s analysis is both missing critical operational detail and an accurate assessment of resource availability.

Stakeholders should come together to form a reasonably shared view of near- and medium-term reliability threats. To inform this view, however, requires the transparency of all

²⁵ *Id.* at 3.

²⁶ NRG Comments at 11.

²⁷ AReM Comments at 2.

²⁸ CAISO Comments at 3.

²⁹ *Id.* at 3.

³⁰ *Id.* at 11.

³¹ *Id.* at 10.

models and assumptions. Staff should therefore produce its workpapers or, at a minimum, present its assumptions and conclusions in a workshop.

2. California Independent System Operator Analysis

The CAISO concludes that without action, there is a “strong potential for insufficient resources” by 2021,³² especially in the hours immediately after the gross peak hour, when loads remain high but solar production rapidly decreases. CAISO urges that the Commission prioritize procurement of existing and new resources to be online as soon as possible and, as a backstop, facilitate extending the OTC regulations for gas-fired resources needed to maintain near-term reliability.³³ CAISO also argues that the Commission should not discount imports to only one-third of stated capacity to account for a perceived risk, but rather strengthen and enforce the resource adequacy program.³⁴

While CalCCA agrees with CAISO’s recommendation regarding discounting imports, and does not immediately challenge CAISO’s conclusions, a better understanding of the CAISO’s approach and assumptions is required. Most importantly, the CAISO has advanced a new, untested paradigm for assessing reliability needs. With the exception of flexible, resource adequacy needs have been based on the forecast coincident peak loads; these analyses implicitly assume that if sufficient resources are available at the peak, resources will be sufficient in other periods as well. CAISO’s approach challenges that assumption as a result of its conclusion that the system peak will be moving later in the day by 2022, and that certain resources (*i.e.*, solar resources) will not be available during those hours or in post-peak periods.³⁵

In addition, CAISO’s analytical approach does not count the Commission-approved NQC values for hydro or pump storage resources, instead opting to use average production mostly during a severe drought (2013–2018), without allowing for the possibility that the resources

³² CAISO comments at 1.

³³ *Id.*

³⁴ *Id.* at 17.

³⁵ *Id.* at 5-6.

could be redispatched to meet the load need in the absence of previously available but now retired resources. The rationale and data supporting CAISO's analysis should be made available to all parties.

CalCCA notes that CAISO's shift to consider hours outside of peak to identify the specific operational needs echoes CalCCA's call for much greater specificity in modeling approach to identify which resources, technologies, locations, and timing would most effectively address shortfalls caused by natural gas retirements.

CalCCA recommends that the CAISO provide greater transparency of its assumptions and analytical process. If, in fact, it is time to make the significant paradigm shift its analysis contemplates, a much greater level of public discussion is required.

3. Public Advocates Analysis

Public Advocates revised the Staff analysis "using the latest inputs to the 2019-2020 IRP model and included the 2018 average import level of 4,000 MW to assess what the additional resource would be if this 4,000 MW historical level were exhausted."³⁶ The analysis assumes a lower level of resources through September "partly due to data availability limitations," which it does not fully explain.³⁷ Using its analysis, it concludes that there could be an additional need of 5223 MW above the 4,000 MW historical level, which it states would exceed estimated Maximum Import Capability (MIC).³⁸ Public Advocates states that the MIC level for 2019 is "Total Import Capacity to be Shared" is 6,193.8 MW, but the document that they reference indicates that the "Total Import Capacity to be Shared" for 2019 is actually 5,887.8 MW. This number ignores additional MIC available to loads inside the control area through existing transmission contracts and Pre-RA Import Commitments. The actual amount of MIC is shown as "Available Import Capability (for loads in the control area)" and is actually 10,193.4 MW for

³⁶ Public Advocates Comments at 2.

³⁷ *Id.*

³⁸ *Id.*

2019 and 10,753.4 for 2020.³⁹ It recommends, however, that the Staff model future system RA capacity based on this conservative import value “using RESOLVE and then modeling the resulting portfolio in SERVVM to ensure its reliability....”⁴⁰

As with the other analyses presented in the Ruling or comments, the Public Advocates Office leaves more questions than it answers. Most importantly, Public Advocates Office admits they did not include in their analysis all resources expected to be available, including some of the OTC replacement resources.⁴¹ Moreover, while suggesting a conclusion regarding the potential additional need, the Public Advocates Office comments also appear more aimed at providing input to how a more deliberate analysis should be performed.

4. Southern California Edison Company’s Analysis

SCE concludes that “the expected system RA shortfall is likely to be 5,500 MW or more in 2021, and continue over the next several years.”⁴² SCE’s analysis, like other skeletal analyses presented in this process, requires further explanation to enable a complete understanding of its assumptions and conclusions. SCE’s focus, however, is on the pivotal variables: OTC compliance dates, retirements of non-OTC thermal generating units, shifting peak load, reductions in effective load carrying capability (ELCC) values, uncertainty in import availability and resulting thinner capacity margins.⁴³ Without a clear-eyed assessment of these unknowns, SCE’s overall conclusions are largely grounded in speculation.

³⁹ *Id.* at 2, citing to <http://www.caiso.com/Documents/Step6-2019AssignedandUnassignedRAImportCapabilityonBranchGroups.pdf>. Values for 2020 are in <http://www.caiso.com/Documents/Step6-2020AssignedandUnassignedRAImportCapabilityonBranchGroups.pdf>.

⁴⁰ *Id.* at 1.

⁴¹ *Id.* at 2.

⁴² SCE Comments at 5.

⁴³ *Id.* at 10-13.

CalCCA looks forward to further exploring SCE's conclusions, but offers several initial observations:

- ✓ SCE takes an unjustifiably conservative approach, absent further examination, to counting import availability, which it limits to 4,080 MW of "reliable" imports,⁴⁴ plus 920 MW of SCE's share of Palo Verde and Hoover as "potential" imports.⁴⁵
- ✓ SCE does not make clear if it has included pumped storage resources which, if omitted would represent approximately 1,400 MW of NQC.

For these and other reasons, SCE's analysis warrants further review before relying on it as a basis for a specific procurement directive.

Beyond SCE's technical analysis, however, the utility draws baseless conclusions seemingly aimed at cementing itself in the position of central buyer. SCE states:

It will be very difficult for approximately 40 LSEs to simultaneously solicit, procure, and develop 2,000 MW of incremental RA capacity by August 1, 2021, given the market confusion that will likely occur as dozens of buyers compete for limited new resource project options and the fact that normal development lead times for new projects typically exceed the time available between now and August 2021.⁴⁶

SCE has virtually no basis for this statement. CalCCA submits that the problem is not the number of buyers in the market, as those conditions are present in many functional markets. The error of SCE's claims that the LSEs in the market cannot meet these needs is demonstrated in the fact that at least one group of LSEs have in fact already made progress on addressing the shortfall: the CCAs. As noted in our opening comments, since the development of the baseline resource list used by Energy Division, CCAs have collectively contracted for over 2,000MW of new resources, with approximately 200 MW of NQC already contracted for online dates in 2021.⁴⁷ Some CCAs indeed have already procured more NQC than their load share responsibility.

⁴⁴ *Id.* at 15.

⁴⁵ *Id.*

⁴⁶ *Id.* at 7.

⁴⁷ Opening Comments of California Community Choice Association at 11.

Further, SCE provides no demonstration that it would be able to procure the needed resources by August 1, 2021. Indeed, SCE states that the current procurement and resource development processes will not support significant incremental resource capacity coming online by August 2021.⁴⁸

IV. MORE DETAILED AND PUBLIC ANALYSES ARE NECESSARY FOR THE COMMISSION TO DIRECT ANY NEEDED PROCUREMENT WITH CREDIBILITY AND AUTHORITY

Opening comments are striking for the absence of any strong compulsion for moving ahead with very specific action without any further thought. CalCCA thus proposes that the Commission establish a timeline and framework for further analysis.

To begin to bring together a shared understanding of near- and medium-term reliability deficiencies, CalCCA proposes the Commission schedule workshops over the next month to explore the analyses advanced by the Staff, CAISO, SCE, and others, including a detailed review of the relevant workpapers. The aim of these workshops would be for stakeholders to discuss and form a consensus on the target period to be analyzed, demand forecasts, baseline resource availability, an appropriate analytical approach, key assumptions (including a focused consideration of import availability), and other issues. Following modeling by CAISO in coordination with Commission Staff, data should be reviewed by stakeholders in a separate workshop.

A. Target Period

The Staff analysis focused closely on the 2021-2022 time period. Other parties have suggested, however, that the concerns are not limited to this period.⁴⁹ Determining the appropriate window for analysis is a critical foundation for developing a shared outlook.

⁴⁸ SCE Comments at 6.

⁴⁹ CAISO Comments at 2; SCE Comments at 27.

B. Baseline Resource Availability Scenario

Stakeholders differ significantly on what resources are likely to be available in 2021 and, consequently, which resources would be “new” or incremental to that baseline resource list. A common set of baseline resources, including consideration of near- or medium term retirements, is a necessary foundation to any analysis. Developing this resource list should consider the range of uncertainty around (1) OTC retirement schedules; (2) potential retirement of non-OTC thermal generation; (3) import availability; (4) hydro availability; (5) other availability or use limited resource scenarios and (4) new resources, based on an assessment of resources currently in the CAISO queue.

C. Analytical Model

The Staff uses a simple “stack” analysis to assess near- and medium-term reliability. As noted above, SCE departs from this approach with far more restrictive assumptions about unavailability of RA imports and other aggressive assumptions. The CAISO shifts gears entirely, apparently using an entirely different methodology that focuses beyond coincident peak, which until now has been the focal point of system reliability assessment. Finally, the Public Advocates Office and AReM suggest relying on the IRP SERVIM model to conduct the analysis. General agreement on an analytical model is another critical foundation to building a common outlook.

D. Key Assumptions

Modeling assumptions will have a material impact on the output of any model. Key modeling assumptions that should be developed include, at a minimum: load levels for the hours to be studied, hydro conditions, Non-CAISO loads and resource availability, Net Qualifying Capacity determination, Effective Load Carrying Capability, resource retirements, and Distributed Energy Resource growth.

E. Import RA Availability

All analyses and nearly every stakeholder has acknowledged the pivotal role that import RA will play in determining near- or medium-term reliability outcomes. The availability and willingness of generators who offer energy into California to commit to firm RA contracts is a critical factor in evaluating whether and how significant a reliability deficiency California actually faces. CalCCA presents in Section V a proposal to accelerate making the supply of import RA more transparent.

F. Other Issues

Other topics that may have an impact on any final conclusion regarding deficiency include the effect of withholding. As the City and County of San Francisco notes, the Ruling and accompanying directive fail to address the concern that certain entities may be withholding capacity from the market, and therefore fail to distinguish “between actual load needs and the perception of insufficient capacity to meet those needs that withholding creates.”⁵⁰

V. WHILE A MORE CAREFUL ASSESSMENT IS UNDERTAKEN, SEVERAL SOLUTIONS ARE AVAILABLE TO ENSURE A “LEAST REGRETS” OUTCOME

A. Specific Interim Measures Are Needed While Analysis is Performed

CalCCA proposes that the Commission direct four specific interim measures on a parallel path with further analysis. By implementing these measures, the Commission can be assured it is making progress toward securing reliability while a more definitive need is determined.

First, the Commission should give a clear signal that new resources are likely to be needed in the 2021-2023 timeframe, even if the precise amount is not now known. It should thus provide notice that LSEs should make every effort to begin exploring near-term possibilities while the analysis is completed. As noted above, some LSEs, especially CCAs, are already well advanced in this process of pursuing new resources. The Commission should also commence

⁵⁰ CCSF Comments at 8.

development of procedures for the allocation of any responsibility for new resource development or existing mothballed or scheduled to retire resources that arises out of its more rigorous analysis.

Second, the Commission should conduct a workshop-based process to identify and compare resource options for addressing the shortfall on the basis of feasibility, contribution against the deficiency, ratepayer and LSE cost, pollution impacts, and consistency with the state's energy loading order. CalCCA supports utilization of the state's energy loading order as an overarching policy guide to addressing this deficiency. While CalCCA recognizes the technical and implementation challenges of addressing an evening peak deficiency of such magnitude with preferred resources on such an expedite timeline, these resources should not be summarily dismissed as having the potential to contribute to addressing this shortfall. Instead, the Commission should conduct workshops to consider the feasibility, reliability contribution, cost, and environmental benefits of incorporating preferred resources into the solution set for any confirmed deficiency.

Third, the Commission should continue to pursue, in coordination with the CAISO, extension of the OTC deadline for the existing Alamitos facility to retain optionality in the event that further analysis of needs and solutions dictate the need for its continued operation. While CalCCA supports the ultimate and imminent closure of the state's remaining OTC facilities, it recognizes the inherent and unpleasant policy tradeoff between a brief extension of this OTC facility relative to the construction of new fossil generation should preferred resources be deemed insufficient to address a shortfall.

Tough choices will need to be made if resources higher in the loading order cannot be deployed within the necessary timeframe to secure reliability. Any plan to defer OTC retirement of Alamitos should contemplate a contracting structure aimed to minimize the facility's operations and consequent environmental impact on local air quality, climate progress and the aquatic environment. Specifically, CalCCA supports a contracting approach that would support

this facility's operation while reducing or eliminating any financial incentive to operate, such as revenue from wholesale energy transactions.

Further, any OTC extension for Alamos should include a clear exit strategy; for example, CAISO has previously studied the potential for demand response to reduce local capacity requirements. In a study as part of the 2018-19 transmission planning process, CAISO identified the potential for 500-600 MW of demand response/storage to reduce the local capacity requirements for the LA Basin and San Diego/Imperial Valley Local Capacity Areas.⁵¹ Similar analysis should be performed for the other local capacity areas to target procurement of resource that can meet both local and system needs.

Fourth, the Commission should work with the CAISO and the IOUs to streamline permitting and interconnection requirements for new facilities. The state encountered a similar need for new resources following the retirement of SONGS in 2012 and loss of the Aliso Canyon Natural Gas Storage Facility later. In both cases parties working together were able to accelerate putting steel in the ground. The case of Aliso Canyon would be especially instructive because of its focus on non-natural gas unit solutions.

Fifth, the Commission should set a window during which all the CAISO and generators will identify all resources currently mothballed or scheduled to retire or move to mothballed status and contracts that will terminate from 2021 through 2023. A list should be developed of these status changes, contracts, and termination dates, and the Commission should set a contracting window during which any LSE may negotiate the short-term retention of these resources on behalf of its customers. By the time this window closes, the Commission should have completed a more rigorous analysis and be in a position to determine whether any further contracting is required. If so, either a central buyer or, if none has yet been selected, an IOU, should be directed to procure existing, needed resources for a term not to exceed three years on

⁵¹ <http://www.caiso.com/Documents/Presentation-2018-2019TransmissionPlanningProcessMeeting-Nov16-2018.pdf>

behalf of all benefitting customers. As CalCCA discussed in its opening comments,⁵² the Commission should not assume by default that only IOUs are in a position to re-contract with existing resources.

Finally, it will be important during this transition to both maximize the availability of import RA and ensure the reliability of these resources. A modified approach to the MIC could improve the transparency of import RA availability for planning purposes, for example, and as could be further developed by the CAISO, the CAISO could make MIC available on a three-year forward basis. Concurrent with this process, the Commission should continue its analysis of the impact of and any necessary changes to the rules for import RA, as CalCCA proposed in its recent Comments regarding the Resource Adequacy Import Rules.⁵³ Specifically, CalCCA urges that any refinement or clarification to existing interpretations of the Resource Adequacy Import Rules consider all available information and analysis, including that being considered in the Resource Adequacy proceeding in front of this Commission, and the CAISO stakeholder initiative.

B. CalCCA Recognizes Considerable Technical and Implementation Challenges to the Development of New Renewable Energy Projects Sufficient to Address a Multi-Gigawatt Shortfall.

Several parties believe new resources should be developed as a primary strategy to address deficiencies in 2021. Additional analysis is needed in the near term to determine whether new resources can be developed quickly enough to address deficiencies in 2021. CalCCA recommends working with the CAISO and other retail sellers to determine the range of capacity currently in the CAISO interconnection queue that is available to come online by mid-to-late 2021.

⁵² Opening Comments of California Community Choice Association at 20.

⁵³ Comments on California Community Choice Association on *Assigned Commissioner's Ruling Seeking Comment on Clarification to Resource Adequacy Import Rules*, July 19, 2019.

CCAs are actively developing a number of new solar, wind, and energy storage projects. While some projects have online dates in 2020-2021, many projects have commercial operation dates in 2022 and beyond. Due to practical aspects of project development timelines, meeting a very near-term capacity shortfall with new resources has many challenges. For a project to achieve operations by mid-to-late 2021, it must already have initiated the development process, which includes establishing a position in the CAISO queue, securing site control, and applying for required permits. Projects seeking to obtain full deliverability status no later than 2021 will likely need contracts to be executed no later than late November 2019 in order to satisfy the affidavit requirement. Developing a clear understanding of the number of projects well-positioned to meet these development milestones will be key for assessing overall capacity needs.

It is also important to recognize that LSEs will likely pay a premium for power purchase agreements with renewable energy and energy storage projects in order to accelerate the online to mid-to-late 2021. Import tariffs on solar modules imposed by the Trump administration have added costs to near-term project development and increased costs through the 2021 timeframe. Based on RFOs recently conducted by its member organizations, CalCCA estimates that accelerating online dates to mid-to-late 2021 for new solar energy projects could increase the overall contract cost by approximately 10% over the life of the project, compared to projects with commercial operation dates in 2022 or later.

At the same time, battery installation costs for standalone storage or storage coupled with renewable energy projects are forecasted to decline steeply going into 2022 and beyond. Storage project prices are also dropping quickly, making later installation dates cheaper. However, phasing out of the investment tax credit for solar and storage projects may make co-located storage projects more expensive. Taken together, the Commission should recognize that each of the potential options and timing may have significant cost implications.

C. The Commission Should Adopt a Methodology for Allocating Responsibility for Capacity, Not Cost, in the Medium-to Long-Term

In its comments PG&E suggests the Commission solicit from LSEs their forward procurement as of October 31, 2019, the use this data along with LSE load forecasts to identify the extent to which LSE's are fully procured to meet their load's capacity needs, and then allocate out cost responsibility for 500 MW of existing resource procurement and procurement responsibility for the 2,000 MW of new resources, to those entities with portfolio's that are not fully procured.⁵⁴

CalCCA proposes instead to allocate the responsibility for new reliability resources to all load equally to reflect the equal contribution to the need for new marginal RA capacity as proposed in the Ruling. Ultimately, the need for additional capacity to be brought into the system or retained is caused by the collective impact of all load that contributes to system peaks. When load collectively exceeds the total system capacity, all peak load contributes equally to that shortfall.

While RA contracts secure commitments from generators to dispatch when called on, these contracts do not contribute to creating new generation because development decisions are not solely or primarily driven by the value of RA contracts. Since LSEs are not required to have all System RA under contract for a 2021 showing until much later in 2020, each LSE's current 2021 system RA position is only a reflection of whether the LSE happens to have entered into RA contracts early or not, and not the LSE's actual contribution to system shortfall. Even more significantly, open System RA positions in 2022 or 2023 System RA are only an idiosyncratic accident of the particular mix of RA contract terms. Thus, PG&E's proposal to use 2021 System RA positions is ultimately unworkable, and an LSE's RA position is not a reasonable proxy for how much the LSE's customers' energy usage is contributing to the need for new resources. The

⁵⁴ PG&E Comments at 4.

allocation of responsibility for new generation should turn to contributions to the peak loads driving the actual shortfall.

CalCCA notes the Commission, instead of engaging in a complex process of cost allocation and true ups across LSEs, should seek to ensure the right amount of capacity is brought online. CalCCA proposes an allocation of responsibility for *capacity*, not cost, to allow individual LSEs to decide how best to bring those new resources to fruition cost-effectively, whether from new build, RA imports, or contracting with retiring resources. This will allow some LSE to pursue new resources that will meet both their capacity and energy needs, and others to pursue RA only contracts with existing resources to meet their capacity needs.

CalCCA agrees with PG&E that the IOUs, which have more capacity than needed to serve their load, should be not be required to procure additional capacity just to meet RA regulatory requirements. The proposal of allowing LSEs to seek the most cost effective approaches would allow those LSEs that need new generation to serve load to pursue those and show the contribution to meeting the system RA shortfall, while IOUs that do not need new build generation, may contract with existing resources, either in state or as imports.

Finally, the Commission should also consider making these commitments tradeable, so that LSEs who have already met more than their share of this identified need could trade their compliance share with LSEs in need. This is particularly important for the CCA community as several CCAs have already satisfied their presumed share of the 2,000MW need with new procurement not reflected in the NQC list-based capacity stack analysis, while other CCAs are likely to be short given their recent (or upcoming) launch.

This approach of allocating capacity responsibility rather than cost responsibility preserves the competitive dynamic of having a multi-buyer marketplace for system RA and allows LSEs the autonomy to identify their own optimal solutions in coordination with their other portfolio needs. This compromise approach would both allocate responsibility fairly while not exacerbating issues of excess resources in IOU portfolios.

VI. THE COMMISSION SHOULD DEVELOP A COHERENT PROCESS FOR LSES TO MEET NEEDS

The Commission should be cautious to avoid making long-term decisions based on the issues forced by the current “crisis.” Instead, CalCCA proposes that a methodical and iterative approach to the IRP process be developed independent of the current emergency measures.

CalCCA agrees with CESA that the IRP process needs a long-term framework for addressing needs in an orderly fashion based on careful development of the record. In this spirit, CalCCA proposes that the IRP procurement framework needs to adhere to the iterative model already established in D.19-04-040. This process needs to preserve LSE autonomy to pursue optimal resources for their customers and allow LSEs to first respond to needs identified in the prior cycle’s modeling evaluation of the aggregate Hybrid Conforming Portfolios. Only if the failure of LSEs to meet needs or if new factors drive nearer term issues would other mechanisms be needed to address needs in the shorter term.

This approach suggests three distinct procurement mechanisms for each of three different time frames. First, for needs more than one IRP cycle into the future (*e.g.*, more than four years in the future), LSEs have the right of self-procurement to address their share of identified needs. For longer term needs, there would therefore be multiple opportunities to meet longer term needs across multiple cycles based on rigorous analysis of needs in SERVVM or PLEXOS. If there are still outstanding needs, LSEs still would have to adjust course accordingly to address any shortfalls. Second, short and medium term needs (*e.g.*, under four years) would not allow for a full cycle of assessment of procurement plans, revision, and reassessment. These remaining residual needs could be addressed by a residual buyer framework of the kind contemplated in R.17-09-020.

VII. CONCLUSION

For the reasons stated above, CalCCA recommends the development of a more stable and deliberate analytical process to create a high level of confidence in the analytical tools and

outcomes. Pending the results of this process, CalCCA recommends the Commission employ a “least regrets” strategy to pursue available existing resources and remove barriers to the development of new resources.

August 12, 2019

Respectfully submitted,

Evelyn Kahl

A handwritten signature in blue ink that reads "Evelyn Kahl". The signature is written in a cursive style.

Counsel to
the California Community Choice Association

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