

**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
(Filed on February 11, 2016)

**COMMENTS OF THE CALIFORNIA COMMUNITY CHOICE ASSOCIATION
ON PROPOSED DECISION REQUIRING
ELECTRIC SYSTEM RELIABILITY PROCUREMENT FOR 2021-2023**

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TABLE OF CONTENTS

Contents

I.	INTRODUCTION	1
II.	THE COMMISSION’S RELIABILITY CONCERNS WARRANT A RIGOROUS AND TRANSPARENT ANALYSIS TO ENSURE THE RIGHT QUANTITY, TECHNOLOGY, AND TIMING OF INCREMENTAL RESOURCE DEPLOYMENT.....	3
III.	THE COMMISSION SHOULD REVIEW THE PD’S CALCULATION OF NEEDED RESOURCES TO PREVENT UNNECESSARY EXTENSIONS OF OTC RETIREMENT DATES	6
IV.	ALLOCATIONS RESULTING FROM THE INCREMENTAL PROCUREMENT MANDATE SHOULD BE ADJUSTED TO ACCOUNT FOR LOAD MIGRATION RESULTING FROM THE SB 237 DIRECT ACCESS EXPANSION.....	10
V.	THE COMMISSION SHOULD CLARIFY THAT INCREMENTAL PROCUREMENT ALLOCATIONS WILL BE TRADABLE	11
VI.	THE COMMISSION SHOULD LIMIT THE USE OF THE CAM IN MEETING 2021 REQUIREMENTS.....	12
VII.	CONCLUSION.....	13
APPENDIX A: Proposed Findings of Fact, Conclusions of Law and Ordering Paragraphs		

SUMMARY OF RECOMMENDATIONS

CalCCA supports the Proposed Decision's general direction, but recommends that the

Commission modify the PD to:

- ✓ Direct Energy Division Staff to collaboratively undertake, in coordination with the California Independent System Operator and other stakeholders, a more rigorous analysis of system needs and solutions while the Commission pursues “least-regrets” actions;
 - ✓ Bring internal consistency to the PD's conclusions that additional resources are needed, and consider whether resources under development today will meet that need and avoid unnecessary extensions of OTC retirement dates;
 - ✓ Allocations resulting from the incremental procurement mandate should be adjusted to account for load migration resulting from the SB 237 Direct Access expansion in 2020; and
 - ✓ Clarify that the compliance requirements arising from the Commission's directive will be tradable.
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Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedures, the California Community Choice Association¹ submits these opening comments on the proposed *Decision Requiring Electric System Reliability Procurement for 2021-2023* (Proposed Decision or PD).

I. INTRODUCTION

CalCCA supports the Commission’s concern “to ensure safe and reliable service, in a manner that keeps the electricity sector on a path to the 2030 greenhouse gas (GHG) emissions goals”² set by the Legislature in Senate Bills (SB) 350 and 100 and D.18-02-018. Responding to this concern, the PD concludes that system RA supply beginning in 2021 is uncertain,³ and

¹ California Community Choice Association represents the interests of 19 community choice electricity providers in California: Apple Valley Choice Energy, Clean Power SF, Clean Power Alliance, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Monterey Bay Community Power, Peninsula Clean Energy, Pioneer Community Energy, Pico Rivera Innovative Municipal Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Jacinto Power, San Jose Clean Energy, Silicon Valley Clean Energy, Solana Energy Alliance, Sonoma Clean Power, and Valley Clean Energy.

² Proposed Decision at 1.

³ PD, Finding of Fact 3, at 47.

additional resources are needed to integrate increased volumes of renewable resources.⁴ The Proposed Decision thus adopts a “least regrets” strategy, recommending extensions of once-through-cooling (OTC) plant retirements and directing incremental resource procurement.⁵ Critically, the PD allows LSEs other than investor-owned utilities (IOUs) to participate in meeting the stated goals, implicitly recognizing that LSEs are best equipped to assess the risks and benefits of available resource options for serving their customers. In these respects, CalCCA appreciates the PD’s consideration of community choice aggregators’ interests and generally supports the PD’s direction.

While CalCCA supports the strategy to defer retirement of certain OTC plants and to procure incremental system RA capacity, the PD warrants modification in certain respects.

CalCCA recommends that the Commission modify the PD to:

- ✓ Direct Energy Division Staff (Staff) to collaboratively undertake, in coordination with the California Independent System Operator and other stakeholders, a more rigorous analysis of system needs and solutions while the Commission pursues “least-regrets” actions;
- ✓ Bring internal consistency to the PD’s conclusions that additional resources are needed, and consider whether resources under development today will meet that need and avoid unnecessary extensions of OTC retirement dates;
- ✓ Allocations resulting from the incremental procurement mandate should be adjusted to account for load migration resulting from the SB 237 Direct Access expansion; and
- ✓ Clarify that the compliance requirements arising from the Commission’s directive will be tradable.

Proposed Findings of Fact, Conclusions of Law and Ordering Paragraphs to modify the PD in these respects are provided in Appendix A.

⁴ PD, Finding of Fact 3, at 47.

⁵ PD, Conclusion of Law 1 at 50.

II. THE COMMISSION'S RELIABILITY CONCERNS WARRANT A RIGOROUS AND TRANSPARENT ANALYSIS TO ENSURE THE RIGHT QUANTITY, TECHNOLOGY, AND TIMING OF INCREMENTAL RESOURCE DEPLOYMENT

CalCCA recognizes the inherent tensions between immediate action, as outlined in the PD, and taking time to gain greater certainty regarding the extent of future system RA needs. For this reason, CalCCA recommended in its opening comments on the June 20 Ruling⁶ that the Commission pursue two parallel paths: analysis and action.⁷ While the PD sets off on the path of least-regrets action, it overlooks the need for more rigorous analysis to more bring a higher level of certainty to the Energy Division's initial stack assessment. A parallel track approach, which simultaneously triggers immediate initial action by LSEs while initiating an accelerated statewide analysis of the reliability problem and solutions, would better serve the public interest.

A more rigorous analysis is crucial for resolving several uncertainties evidenced by the varying and shifting views of the reliability need across party comments. Examples of this uncertainty, identified in CalCCA's comments,⁸ include the quantity and duration of OTC retirement deferral, the interplay between peak hour reliability concerns and post-peak hour concerns, the viability of certain technologies to reliably perform at their current net qualifying capacity (NQC) or effective load carrying capability (ELCC) ratings over their useful lives at higher penetrations or under future grid conditions, and the type and magnitude of resource expansion and retirement trends throughout the Western Electricity Coordinating Council. And

⁶ *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).

⁷ *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*, July 22, 2019 (CalCCA Opening Comments) at 2.

⁸ *See 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*, August 12, 2019 (CalCCA Reply Comments) at 9-17.

critically, the availability of import RA, which the Commission has begun to examine in R.17-09-020, is pivotal to the assessment of the problem and viable solutions.

This lack of clarity is highlighted in the varying results and unresolved questions outlined by party comments. While CalCCA was able to roughly validate Staff’s supply-stack analysis,⁹ the precise scope of the baseline resources underlying the analysis remains unresolved. Moreover, CalCCA raised specific concerns with the analyses presented by Southern California Edison Company (SCE)¹⁰ and CAISO comments.¹¹ Since that time, uncertainty has only increased. In recent *ex parte* communications, the CAISO has urged the Commission to consider additional procurement to address both the timely retirement of OTC generation and the retirement of the Diablo Canyon Power Plant in 2024 and 2025.¹² The lack of a reasonably shared vision of how to assess the problem demonstrates the need for a more granular quantitative analysis.

This quantitative uncertainty greatly increases the risk of misdirected or excessive procurement, which will have significant consequences for CCA and bundled customers. As CalCCA observed, absent a robust analysis with greater granularity and greater clarity on input assumptions than the Staff’s supply stack demonstrated, “investment may not be targeted toward its highest use and will drive up procurement costs in large increments.”¹³ CalCCA’s members will invest considerable ratepayer funds in securing incremental capacity to respond to any

⁹ CalCCA Opening Comments at 3.

¹⁰ *Southern California Edison Company’s (U 338-E) Amended Opening Comments on Assigned Commissioner and Administrative Law Judge’s Ruling Initiating Procurement Track and Seeking Comment on Potential Reliability Issues*, July 31, 2019 (SCE Amended Comments).

¹¹ *Comments of the California Independent System Operator Corporation*, July 22, 2019 (CAISO Opening Comments).

¹² *See generally Notice of Ex Parte Communication by the California Independent System Operator*, Sept. 25, 2019.

¹³ CalCCA Opening Comments at 10.

procurement mandate and are concerned about the implications for future resource strategies. The uncertainty thus calls for utilization of a short-, mid- and long-term planning horizon in the context of developing new long-lived resources. Further, greater analysis will facilitate the exploration of which strategies best incorporate preferred resources and meet other shared policy goals.

The exigent circumstances deserve more clarity and transparency than the process thus far has afforded. CalCCA offered clear recommendations for additional process in its comments on the June 20, 2019, ruling.¹⁴ The Commission should also work with the CAISO to reexamine the metrics used to evaluate system requirements. The CAISO has called into question the way in which RA system requirements are set today, observing a “strong potential for insufficient resources in the hours immediately after the gross peak hour...”¹⁵ The analysis should thus identify how to establish a reasonable measure of system peak. CalCCA also reiterates its request that the Commission begin development of a more coherent process to identify system RA needs and to make sure LSEs meet those needs.¹⁶

The Commission has a tremendous opportunity to improve policy and accelerate achievement of statewide climate goals if the near-term needs are met with careful thought and analysis. CalCCA appreciates the PD’s intent to act swiftly in the procurement of incremental capacity and generally supports an approach which includes some immediate action by LSEs to secure incremental capacity. The Commission, however, should modify the PD to integrate further analysis into the process to ensure the right resources are procured to address the reliability need while also optimizing for environmental, ratepayer, and other policy goals.

¹⁴ CalCCA Reply Comments at 13-15.

¹⁵ CAISO Opening Comments at 1.

¹⁶ *Id.* at 22.

III. THE COMMISSION SHOULD REVIEW THE PD'S CALCULATION OF NEEDED RESOURCES TO PREVENT UNNECESSARY EXTENSIONS OF OTC RETIREMENT DATES

The PD's conclusions regarding the amount and timing of additional resource needs are confusing, at best. The Commission should review the PD's conclusions to ensure its decision does not unnecessarily trigger OTC plant retirement extensions, providing clarity about the megawatts of need it is attempting to address and the associated timing. CalCCA supports the expedient retirement of OTC plants as a critical action necessary to avoid increased greenhouse gas emissions, reduce local criteria pollution, and minimize environmental impacts to sensitive marine ecosystems. Recognizing the exigent nature of the reliability concerns expressed in the PD, CalCCA strongly encourages the Commission to limit any OTC retirement extensions to those absolutely necessary for the continued reliability of the state's electrical system. Further, CalCCA encourages the Commission to ensure the contractual and operational extension of any OTC facilities is conducted in a manner which minimizes facility runtime and corresponding environmental impact and ensures the facility is ultimately retired once the need for it is displaced by incremental resources.

The Commission should direct staff to reevaluate how the new resources identified in the September 2019 LSE data responses would reduce the need for OTC extensions. CalCCA contends that extension of Ormond Beach Generating Station (Ormond) and Redondo Beach Generating Station (Redondo) retirement dates is unnecessary and, as the PD notes, the Redondo extension may have logistical hurdles.¹⁷ While CalCCA supports some degree of OTC extension as an unfortunate but prudent reliability insurance policy, any recommended extensions should

¹⁷ PD at 18.

be carefully tailored and designed to minimize OTC extensions and operation and, ultimately, ensure the ultimate timely retirement of any extended facility.

The PD’s approach requires modification to remove duplication that results from having OTC extensions run in parallel with incremental procurement. The PD concludes that “the original June 20, 2019 Ruling suggestion of 2,500 MW of system resource adequacy capacity is still appropriate based on the identified need and to balance against both the potential for some OTC retirement date extensions not to be granted by the Water Board and also against the potential tightening of the import market....”¹⁸ These parallel strategies, however, would create anywhere from 2,500 MW to 5,720 MW of incremental resources depending on the year, as discussed below. Adding further confusion, the PD also appears to conclude that 6,250 MW of capacity in addition to the baseline resources for 2022 in the Preferred System Plan (Baseline Resources) will be necessary by summer 2021:

In addition to extension of 2,500 to 3,750 MW of OTC capacity, another 2,500 MW of incremental system resource adequacy and renewable integration resources will be needed by summer 2021, as a “least regrets” amount necessary to ensure system reliability.¹⁹

The PD gives the mandate yet another spin in its Ordering Paragraphs, recommending that:

the State Water Resources Control Board (SWRCB) “extend the once-thru-cooling compliance deadlines for up to three years of at least 2,500 megawatts (MW and up to 3,750 MW of capacity, of units with current compliance deadlines of December 31, 2020 *in order to allow time for new clean electricity capacity to come online.*”²⁰

This passage suggests, quite logically, that the purpose of the OTC extensions is to allow for the mandated 2,500 MW of incremental resources to come on line; the PD staggers online dates for these new resources beginning with 60 percent in 2021, 80 percent in

¹⁸ PD at 30.

¹⁹ PD, Finding of Fact 16 at 49.

²⁰ PD, Ordering Paragraph 1 at 55.

2022 and 100 percent by August 1, 2023.²¹ Accepting this intent, and assuming that all 3,750 of OTC plants remain on line pending bringing the new capacity online, would result in the following levels of additional system RA megawatts:

	<i>2021</i>	<i>2022</i>	<i>2023</i>
<i>Once-through-Cooling</i>	3,750	3,750	0
<i>Incremental Capacity</i>	1,500	2,000	2,500
<i>Total Capacity</i>	5,250	5,750	2,500

CalCCA suggests that if the goal, as the PD suggests, to use OTC as a stop-gap while incremental resources are added, both incremental resources and OTC capacity are not needed in 2021.

Making matters more challenging, nowhere does the PD identify how much capacity beyond the adopted baseline is actually needed in 2022 and 2023, nor does it discuss other changes in the supply balance that will change during that period or the methodology it used to determine the mandate.

Under these circumstances, and assuming development of incremental resources consistent with the proposed incremental resource mandate, it is unnecessary to extend the retirement of or recontract Ormond and Redondo. Further, the PD acknowledges that recontracting the Redondo plant may not even be feasible: “the owner of Redondo Beach is in the process of selling the property in anticipation of the OTC compliance deadline, and therefore this plant may not be a candidate for an OTC compliance deadline extension.”²²

²¹ *Id.*, Ordering Paragraph 2 at 55 (emphasis supplied).

²² PD at 18.

To further limit reliance on OTC plants, the Commission should also develop a method for adjusting the requirements as new resources come online. For example, even inclusion of the incremental resources reported in the September 16, 2019, LSE data responses is likely to reduce the overall need by several hundred MW, which changes the need for particular OTC facilities. Currently, a 2,500 MW minimum need cannot be met without Ormond, but if that need is lowered to 2,200 MW through incremental procurement, Ormond would not be needed. Again, this highlights the critical nature of a more accurate quantitative estimate of the need.

Similarly, to limit the amounts of OTC plants kept on line and to assist LSEs in meeting their procurement obligations, the Commission should clearly indicate that storage and storage hybrid resources can be included as new resources. The CAISO is currently working on rules for how much RA are provided by hybrid resources to help address 2021 reliability needs. The Commission should recognize this process and agree to accept the outcome for counting these resources for RA compliance. The CAISO has also indicated that the quickest way to get new resources through their interconnection processes is to use their “Material Modification Assessment Process,” which allows for changes to the configuration at existing resources. Consequently, adding storage to an existing resource, especially a solar or wind resource, can be quickly accommodated through this process. The CAISO has suggested that such resources could provide a significant amount of capacity and would likely be especially helpful in meeting the needs they see in the hours after the afternoon peak. Including these resources as eligible new resources will provide direction and greatly increase the universe of possible resources, which should help keep costs down.

For these reasons, CalCCA strongly encourages the Commission to expeditiously undertake a more refined analysis in the next three months, accounting for all new resources on

the horizon, to gain greater clarity on the true needs. The Commission should not haphazardly drive OTC extensions or expensive procurement by LSEs – potentially the wrong type or at the wrong time – without more consideration.

Pending conclusion of this assessment, however, the Commission should take action. It should recommend to the SWRCB the extension of the retirement dates for Alamitos and Huntington Beach, which together could provide 1,400 MW of system RA capacity.²³ Further, the Commission should incorporate processes to limit the use of any extended OTC facility to address only actual peak energy shortfalls and establish a process for the OTC facility to retire once it has been displaced by incremental resources. Specifically, the PD should incorporate CalCCA’s recommendations²⁴ or develop alternative contract structures which limit facility operations and consequent environmental impacts to the most pressing reliability hours.

IV. ALLOCATIONS RESULTING FROM THE INCREMENTAL PROCUREMENT MANDATE SHOULD BE ADJUSTED TO ACCOUNT FOR LOAD MIGRATION RESULTING FROM THE SB 237 DIRECT ACCESS EXPANSION

A 4,000 gigawatt hour increase in Direct Access (DA) enrollment will occur in 2020, pursuant to Senate Bill 237²⁵ and Decision 19-05-043.²⁶ CalCCA requests that any incremental procurement mandate allocations to LSEs resulting from the final decision be provisional, subject to adjustment for new DA load migration. While load migration, in general, should be considered in implementing the procurement allocations, the Commission should make clear in the final decision that this known, significant load migration will be accounted for in determining the final allocation to each LSE.

²³ The PD identifies the Alamitos Generating Station (Alamitos) as presenting an additional 1,200 MW and the Huntington Beach Generating Station (Huntington) an additional 200 MW. PD at 16.

²⁴ CalCCA Opening Comments at 19-20.

²⁵ 1 Stats. 2018, Ch. 600, amending Public Utilities (Pub. Util) Code section 365.1

²⁶ D.19-05-043 at 1.

V. THE COMMISSION SHOULD CLARIFY THAT INCREMENTAL PROCUREMENT ALLOCATIONS WILL BE TRADABLE

As it directs incremental system RA procurement, the Commission should maximize program flexibility to minimize the burden of LSE compliance and reduce costs for LSEs and their customers. To add flexibility, CalCCA requests that the Commission make clear that procurement requirements resulting from the mandate will be tradable. Making the requirement “tradable” addresses at least two potential scenarios.

Tradability will allow an LSE to address challenges created by the arbitrary 10-year contract requirement, which may make such transactions infeasible to the detriment of an efficient statewide solution. For instance, an LSE that has new resources coming online in 2023 for its own compliance obligation may only need two years’ worth of capacity from another LSE which may be long on its own obligation. The impact on the LSE is reduced by allowing for inter-LSE transactions under ten years for projects which have underlying ten year contracts with the initial LSE counterparty.

Making allocations tradable will also provide another tool for LSEs to balance their positions. For example, assume LSE A has a mandated incremental resource requirement of 100 MW but chooses to build a 200 MW generation plant, which it wishes to retain in its portfolio. Assume that LSE B also has a mandated requirement of 100 MW, but already has a fully resourced portfolio and does not want to add new capacity its portfolio. If the requirements are tradable, LSE B could procure the “incremental” attribute associated with 100 MW of LSE A’s plant to satisfy its mandated requirement without investing in a new or incremental resource. Trading the requirement in this way would allow LSEs to balance their portfolios, while collectively still meeting the mandated procurement requirement.

To ensure that sufficient resources are in place by the identified compliance dates, a deadline for notifying the Commission of trades for a particular year should be set one year in advance. If, for example, compliance is due on August 1, 2021, all trades of positions for that period must be provided to the Commission by August 1, 2020.

VI. THE COMMISSION SHOULD LIMIT THE USE OF THE CAM IN MEETING 2021 REQUIREMENTS.

While the PD alludes to the potential for additional CAM procurement by SCE,²⁷ it is unclear when or under what conditions this would occur. CalCCA submits that the CAM should not be used under any circumstances for resources procured as a result of the mandated procurement. If such resources ultimately exceed the IOUs bundled load, either at the outset of a program or as a result of load migration, above-market costs should be recovered through the Power Charge Indifference Adjustment (PCIA).

The CAM mechanism should only be applied to address shortfalls that might exist after LSEs have been given a full opportunity to self-procure incremental resources. Any allocation of the CAM resources/costs should take into consideration each LSEs' contribution to reducing the overall system need, so that parties that do not perform are permitted to "lean" on parties that have met their obligation. This may require modifications to the CAM mechanism or the need to develop a different form of billing to LSEs, although this task is not immediately urgent provided the commitment for fair allocation based on each LSE's procurement is expressed in the final decision as the objective.

²⁷ PD at 33.

VII. CONCLUSION

For all of the foregoing reasons, CalCCA recommends the adoption of the recommended modifications to the Proposed Decision set forth herein.

Respectfully submitted,

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

Evelyn Kahl
Counsel to
California Community Choice Association

October 2, 2019

APPENDIX A

Revised Findings of Fact, Conclusions of Law and Ordering Paragraphs

Findings of Fact:

16. The capacity of OTC plans subject to retirement by the end of 2020 is needed to maintain system reliability beginning in 2021 until In addition to extension of 2,500 to 3,750 MW of OTC capacity, another 2,500 MW of incremental system resource adequacy and renewable integration resources will be needed by Summer 2021, as a “least regrets” amount necessary to ensure system reliability.

NEW: Minimizing OTC retirement extensions is a critical action to avoid increased greenhouse gas emissions and more quickly achieve the state’s climate goals.

Ordering Paragraphs:

1. The Commission recommends that the State Water Resources Control Board extend the once-thru-cooling compliance deadlines the Alamitos and Huntington Beach plants for up to three years of at least 1,400 2,500 megawatts (MW) and up to 3,750 MW of capacity, of units with current compliance deadlines of December 31, 2020, in order to allow time for new clean electricity capacity to come online.

NEW: The Energy Division should undertake a more rigorous study of system RA needs for 2021-2023 within 14 days following the effective date of this decision.

NEW: Any incremental procurement mandate allocations to LSEs resulting from this decision will be provisional, subject to adjustment for new Direct Access load migration pursuant to SB 237.