

**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)

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

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## SUMMARY OF RECOMMENDATIONS

- ✓ Reject the California Independent System Operator's (CAISO's) request to increase the procurement to 4,700 megawatts (MW) unless and until a more rigorous and transparent analysis is performed.
  - ✓ Allocate the incremental system Resource Adequacy (RA) requirement to all Load Serving Entities (LSEs) in the CAISO balancing area after confirming that the need is in fact a system RA need, and apply the same allocation principle in the future for system needs triggered by generation retirement in other transmission access charge (TAC) areas.
  - ✓ Modify the phase-in of the incremental procurement requirement consistent with the recommendation by Southern California Edison Company (SCE)—20 percent for 2021, 60 percent for 2022 and 100 percent for 2023— recognizing the impracticality of the Proposed Decision's (PD's) proposed phase-in schedule and the higher costs associated with an increased implementation pace.
  - ✓ Expressly identify the backstop procurement mechanism for failure by an LSE to meet its requirement and adopt tools to maximize the ability of LSEs to comply.
  - ✓ Clarify the scope of the requirement by attaching a list of baseline resources and provide more detailed guidance on the determination of resource value for compliance purposes.
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Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedures, the California Community Choice Association (CalCCA) submits these opening comments on the *Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023* (Proposed Decision or PD).

**I. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS**

CalCCA continues to support the Proposed Decision's establishment of an incremental procurement requirement for 2021 allocated among load-serving entities in parallel with further analysis of the potential magnitude of any system resource adequacy (RA) shortfall. These Reply Comments recommend the following refinements in response to opening comments from other parties. CalCCA respectfully requests that the Commission:

- ✓ Reject the California Independent System Operator's (CAISO's) request to increase the procurement to 4,700 megawatts (MW) unless and until a more rigorous and transparent analysis is performed.
- ✓ Allocate the incremental system RA requirement to all Load Serving Entities (LSEs) in the CAISO balancing area consistent with the identification of the need as a system need, and apply the same system-wide allocation in the future for system needs triggered by generation retirement in other transmission access charge (TAC) areas.
- ✓ Modify the phase-in of the incremental procurement requirement consistent with the recommendation by Southern California Edison Company (SCE) recognizing the impracticality and higher costs associated with the PD's solution.

- ✓ Expressly identify the backstop procurement mechanism for failure by an LSE to meet its requirement and adopt tools to maximize the ability of LSEs to comply.
- ✓ Clarify the scope of the requirement by attaching a list of baseline resources and provide more detailed guidance on the determination of resource value for compliance purposes

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

## **II. THE RECORD DOES NOT SUPPORT THE CAISO'S PROPOSED 4,700 MW PROCUREMENT MANDATE**

The CAISO encourages the adoption of its “operational analysis” as the baseline for a 4,700 MW incremental procurement requirement,<sup>1</sup> without clarifying key assumptions such as Operating Transfer Capability (OTC) capacity. While the PD’s 2,500 MW mandate, based on only a rudimentary “stack analysis,” comes close to the line of Commission authority under the “substantial evidence” standard, adopting the CAISO’s proposal would cross that line.

Public Utilities Code section 1757(a)(4) requires the Commission to base its decisions on “substantial evidence in light of the whole record.” Serious questions of fact have been raised in this proceeding without resolution or an opportunity for hearing: *e.g.*, the right metric to measure system RA requirements, assumed baseline resources, the amount of procurement in the pipeline, the availability of imports, and many other issues. Without an evidentiary record, the PD bases its decision solely on “hearsay *per se*,” which the California courts have defined as “documentary evidence that is introduced for the purpose of proving the matter stated in the writing” that is “not a statement by a person testifying at the hearing.”<sup>2</sup> As the California Court of Appeal observed in *Oakley*, while the Commission admits hearsay in its proceedings, “the mere admissibility of evidence does not necessarily confer the status of ‘sufficiency’ to support a finding *absent other competent evidence*.”<sup>3</sup> Indeed, the *Oakley* Court was evaluating the sufficiency of a CAISO affidavit offered by PG&E to support the acquisition of a gas-fired powerplant in Oakley, California. The Court noted with particular concern that “the truth of the

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<sup>1</sup> CAISO Opening Comments at 2.

<sup>2</sup> *The Utility Reform Network v. Public Utilities Com. (Oakley)*, (2014) 223 Cal. App. 4th 945, 959 (citations omitted).

<sup>3</sup> *Id.* at 960 (emphasis in original).

CAISO's extrarecord statements is disputed."<sup>4</sup> While in this case, the CAISO itself is making its own argument, the argument remains untested by hearing.

The Commission is directing LSEs to invest billions of dollars in new generation resources over the next two to four years without any evidentiary record or opportunity for hearing. CalCCA continues to support further analysis more reflective of industry standard methods, such as loss of load probability studies. While CalCCA recognizes that a refined assessment may indicate different and perhaps greater needs, the Commission should reject the CAISO's proposed 4,700 MW system RA requirement unless and until the CAISO's assumptions and methodology have been examined with an opportunity for hearing.

### **III. THE PD PROVIDES NO RATIONAL BASIS FOR ALLOCATING THE INCREMENTAL PROCUREMENT REQUIREMENT SOLELY TO LSES IN THE SCE TAC AREA**

Several parties seek to expand the allocation of the incremental procurement requirement from LSEs in the SCE TAC area, as the PD proposes, to LSEs in all three IOU TAC areas.<sup>5</sup> Despite the increase in burden for many Community Choice Aggregators (CCAs), CalCCA supports the broader allocation. All LSEs whose load could be affected by the system shortfall should share in the solution. This support is conditioned, however, on the Commission: (1) confirming through further analysis that the need is indeed a *system* (not *local*) need and (2) applying the same allocation to future system RA mandates arising from the retirement of plants in the Pacific Gas and Electric Company (PG&E) service territory.

The PD bases its discriminatory allocation on two factors: its observation that all of the OTC capacity that is set to retire is located in the SCE TAC area<sup>6</sup> and its hesitancy to require PG&E to procure additional capacity to add to an already-long position.<sup>7</sup> Neither line of reasoning is logically consistent with the proposed obligation to procure *system* RA across a mixture of LSEs with a wide range of as yet-unexamined RA net positions. The Commission should reject this proposal. If the Commission indeed confirms that the need is a *system* RA need, all LSEs responsible for meeting the system RA requirement in the CAISO balancing area

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<sup>4</sup> *Id.* at 959.

<sup>5</sup> *See, e.g.*, SCE Opening Comments at 3-8; Clean Power Alliance Opening Comments at 7-9.

<sup>6</sup> PD at 33.

<sup>7</sup> *Id.* at 32-33.

should contribute equitably to the resolution of any potential shortfall.<sup>8</sup> The Commission further must clarify that future system RA needs arising from retirement of existing plants will likewise be met by LSEs in all IOU TAC areas regardless, of the location of the generation whose retirement triggers the system need.

#### **IV. SCE’S PROPOSED MODIFICATION OF THE PHASE-IN OF THE PROCUREMENT REQUIREMENT IS MORE REALISTIC AND WILL AVOID UNNECESSARY COSTS**

CalCCA supports SCE’s proposal to realign the procurement timeline for incremental resources, specifically, to require LSEs to bring 20 percent, 60 percent, and 100 percent of incremental resources online by 2021, 2022, and 2023, respectively.<sup>9</sup> As SCE points out, the PD’s “compressed timeframe to procure resources and bring 60 percent online as early as August 1, 2021 is not practical.”<sup>10</sup> In addition to SCE’s concern regarding alignment of the PD’s timeline with regulatory and procurement timelines, an overly aggressive, impractical timeline will saddle ratepayers with the higher costs of “urgency” development<sup>11</sup> without clear reliability benefits.

#### **V. ANY ENFORCEMENT MECHANISM MUST BE SUPPORTED BY CLEAR BACKSTOP AUTHORITY AND TOOLS TO PROVIDE LSES COMPLIANCE FLEXIBILITY WITHOUT SACRIFICING RELIABILITY**

SCE proposes an enforcement mechanism that imposes penalties on LSEs that fail to comply with the incremental procurement requirement. CalCCA agrees that mechanisms are necessary to ensure the requirements are met. Development of an enforcement mechanism, including compliance milestones, should follow a final decision directing procurement.

The Commission’s primary focus in this decision, however, should be to clearly designate the backstop procurement mechanism and to provide tools to enable LSE compliance,

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<sup>8</sup> Appendix B presents an allocation which, for illustrative purposes, is limited to Commission-jurisdictional LSEs.

<sup>9</sup> SCE Opening Comments at 11-12.

<sup>10</sup> *Id.* at 11.

<sup>11</sup> Many LSEs have aligned their new resource procurement with the declining federal solar tariff schedule, resulting in significant net capacity from hybrid solar and storage resources already contracted to begin deliveries in 2022. The tariff schedule, along with the generally rushed development timeline for new resources coming online in 2021, could result in total project costs as high as twice the cost of new resources brought online in 2022.



including the establishment of clear compliance rules. CalCCA supports the PD’s conclusion that the Cost Allocation Mechanism or a similar mechanism should be used if, and only if, an individual LSE fails to meet its requirement based on later-adopted milestones.<sup>12</sup> The Commission further should provide for tradability of obligations, as proposed in CalCCA’s Opening Comments,<sup>13</sup> as well as the proposal of the Alliance for Retail Energy Marketing for a temporary resource substitution provision in the event of a project delay of up to six months.<sup>14</sup>

## **VI. THE COMMISSION SHOULD CLARIFY ACCOUNTING RULES**

The Commission should clarify the methodology for counting resources for compliance as follows:

- ✓ Append a list of baseline resources to the final decision to provide clear guidance on the definition of “incremental”;
- ✓ Clarify the definition of “incremental” for import RA;
- ✓ Establish expeditious accounting rules for hybrid storage resources, which CalCCA believes represent the most promising preferred resource solution; and,
- ✓ Clarify that Net Qualifying Capacity and Effective Load Carrying Capability will be measured for compliance purposes based on September values.

These and other implementation issues should be addressed in workshops immediately following adoption of a final decision.

## **VII. CONCLUSION**

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

October 7, 2019

Respectfully submitted,



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<sup>12</sup> CalCCA’s Opening Comments pointed out, however, that the allocation within the CAM would require modification to address LSE-specific non-compliance. CalCCA Opening Comments at 12.

<sup>13</sup> CalCCA Opening Comments at 11.

<sup>14</sup> AReM Opening Comments at 14.

## APPENDIX A

### CalCCA Amended 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.

#### Conclusions of Law:

~~8. Because the OTC units currently set to retire by December 31, 2020 are all within the SCE TAC area, it is reasonable for the Commission to require that all incremental procurement be conducted by LSEs serving load in that same geographic area.~~

8. Because incremental RA capacity is needed to meet system needs, it is reasonable for the Commission to allocate responsibility for this procurement to LSEs, solely on behalf of the customers they serve, in all IOU TAC areas.

NEW. Incremental system RA requirements arising from generation retirement in the future shall be allocated to all LSEs within the three IOU TAC areas.

12. The Commission should base the allocation of procurement responsibility for system resource adequacy and renewable integration-capacity to LSEs ~~within the SCE TAC area based~~ on the 2018 IEPR load forecast, adopted by the CEC in February 2019, with the 2021 projected load shares identified in Form 1.1c, “California Energy Demand Update Forecast 2018-2030, Mid Demand Baseline Case, Mid Additional Achievable Energy Efficiency and Additional Achievable Photovoltaics.”

13. As required by § 454.51(c), the costs of an IOU’s SCE’s procurement required by this decision should be allocated on a non-bypassable basis to all of the IOU’s SCE customers as of the effective date of this decision and recovered through the Power Charge Indifference Adjustment on a vintaged basis.

23. IOUsSCE should be authorized to consider third-party ownership and utility ownership of resources to be procured to satisfy the requirements of this order, but should be required to show that any utility-owned resources represent least cost to ratepayers, utilizing Appendix A, Section 2c, of D.19-06-032 as a starting point.

24. ~~IOUs~~SCE should be required to include ~~its~~ bid evaluation metrics and comparison metrics between third-party and utility-owned resources, in ~~its~~ advice letter(s) submitted for approval of the resources procured in response to this decision.

NEW. The MW value of the resources offered for compliance with the incremental procurement requirement will be the NQC or ELCC calculated based on the calculation methodology in place at the time the LSE made an irrevocable commitment to procure the resource.

NEW. LSEs may trade their compliance obligations subject to protocols to be developed in workshops following the effective date of this decision.

#### Ordering Paragraphs:

1. The Commission recommends that the State Water Resources Control Board extend the once-through-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.

2. ~~All The following~~ load-serving entities shall procure at least the amount of capacity in megawatts (MW) of qualifying as system resource adequacy equal to their load share of 2,500 MW ~~and for purposes of renewable integration as defined in Public Utilities Code Section 454.51,~~ with at least ~~20~~ 60 percent delivered by August 1, 2021, ~~60~~ 80 percent by August 1, 2022, and 100 percent by August 1, 2023:

- a. ~~Southern California Edison Company, 1,745 MW;~~
- b. ~~Southern California Edison Direct Access (aggregated), 355 MW;~~
- c. ~~Apple Valley Choice Energy, 7 MW;~~
- d. ~~Clean Power Alliance of Southern California, 357 MW;~~
- e. ~~Lancaster Clean Energy, 17 MW;~~
- f. ~~Pico Rivera Innovative Municipal Energy, 5 MW;~~
- g. ~~Rancho Mirage Energy Authority, 9 MW; and~~
- h. ~~San Jacinto Power, 5 MW.~~

6. ~~Southern California Edison Company (SCE)~~ The IOUs shall conduct an all-source solicitation to procure its obligation given in Ordering Paragraph 2a above and shall consider existing as well as new resources, demand-side resources, combined heat and power, and storage, as long as all resources are shown to be incremental to the baseline identified in Ordering Paragraph 5 above. ~~SCE~~The IOUs shall utilize the Demand Response Auction Mechanism contract as a starting point for negotiations with any demand response resources that bid into its solicitation.

7. ~~Southern California Edison Company (SCE)~~ The IOUs shall be authorized to propose utility ownership of a portion of the resources ~~it is~~ they are required by Ordering Paragraph 2a of this

decision to procure, and for that portion, shall abide by any existing procurement rules governing utility-owned resource participation in solicitations.

8. ~~Southern California Edison Company (SCE)~~ The IOUs shall present the results of ~~its~~their solicitation required in Ordering Paragraph 6 above in one or more Tier 3 advice letters filed no later than January 1, 2021 and shall include the following information in ~~its~~their advice letters:

9. For any procurement of resources that are new after the date of this decision, community choice aggregators with procurement obligations under Ordering Paragraph 2 of this decision and ~~Southern California Edison Company (SCE)~~ the IOUs shall enter contracts of at least ten years in length.

## APPENDIX B

### Illustrative Compliance Allocation Comparison SCE-Territory Only and All LSEs

Planning Area	Agency	2021 Load Share	Compliance Obligation (NQC) if Statewide	Compliance Obligation (NQC) if SCE-Only
PGE	PG&E Bundled	19.39%	484.6	
	PG&E DA	5.29%	132.2	
	CPSF	1.90%	47.4	
	EBCE	3.31%	82.8	
	KCCP	0.02%	0.6	
	MCE	2.91%	72.7	
	MBCP	1.91%	47.8	
	PCE	1.83%	45.7	
	Pioneer	0.61%	15.3	
	RCEA	0.36%	8.9	
	SJCE	2.58%	64.5	
	SVCE	2.24%	55.9	
	SCP	1.44%	36.0	
	VCE	0.42%	10.5	
	PG&E Total	44.20%		
SCE	SCE Bundled	32.03%	800.8	1746.1
	SCE DA	6.51%	162.6	354.6
	AVCE	0.13%	3.2	6.9
	CPA	6.55%	163.7	356.9
	LCE	0.31%	7.8	17.1
	PRIME	0.09%	2.2	4.7
	RMEA	0.16%	4.0	8.6
	SJP	0.09%	2.3	5.0
		SCE Total	45.86%	
SDGE	SDG&E Bundled	7.92%	198.0	
	SDG&E DA	1.98%	49.5	
	Solana Beach	0.03%	0.9	
		SDG&E Total	9.93%	
Total			2500.0	

\*Green highlighted cells indicate Community Choice Aggregators.

\*\*Does not address potential allocation of requirements to other LSEs in CAISO balancing area.