

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2019 and 2020 Compliance Years.

R.17-09-020  
(Filed September 28, 2018)

**COMMENTS OF CALIFORNIA COMMUNITY CHOICE ASSOCIATION ON  
PROPOSED DECISION GRANTING MOTION REGARDING QUALIFYING  
CAPACITY VALUE OF HYBRID RESOURCES WITH MODIFICATIONS**

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Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, the California Community Choice Association (CalCCA)<sup>1</sup> submits the following comments on the *Proposed Decision Granting Motion Regarding Qualifying Capacity of Hybrid Resources with Modifications*, issued on November 26, 2019 (Proposed Decision or PD).

**I. INTRODUCTION**

The Proposed Decision adopts an interim methodology for determining the Qualifying Capacity (QC) for “hybrid resources” with charging or other operating restrictions. CalCCA appreciates the PD’s recognition of the urgent need to address hybrid resource QC calculations. The PD’s approach, however, is uninformed by a fulsome exploration of alternatives, lacks the clarity necessary for successful implementation and risks shortchanging the value of hybrid resources.

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<sup>1</sup> California Community Choice Association represents the interests of 19 community choice electricity providers in California: Apple Valley Choice Energy, CleanPowerSF, 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.

Devaluing hybrid resources, particularly at a time when these resources are increasingly viewed as the key strategy for system reliability, would be counterproductive. The proposed methodology would effectively eliminate the resource adequacy (RA) value of either the Variable Energy Resource component or the storage component of hybrid resources for portions of the year. This would present a significant barrier for LSEs seeking to urgently develop these resources in line with near-term needs identified by the Commission in Decision (D.) 19-11-021.

The RA value of hybrid resources must be timely resolved. Unfortunately, the PD does not resolve the surrounding uncertainty and, in fact, adds yet another complicating factor. Adopting the PD also risks creating a false sense of security that the issue has been addressed. CalCCA thus requests that the Commission defer adoption of the proposed methodology until stakeholders have fully explored alternatives. The Commission should, instead, turn its full attention to developing a permanent methodology using the process and timeline recommended in Section III.

If, despite the concerns raised in these comments, the Commission moves forward with an interim methodology, CalCCA requests two clarifications to minimize uncertainty and enable LSEs to timely meet the requirements set by D.19-11-021. To increase certainty, the Commission should clarify the PD to provide as follows:

- ✓ The PD’s methodology will not apply to co-located resources with two or more California Independent System Operator (CAISO) resource IDs and a common point of interconnection (Co-located Resource), even if the resource has “charging or operational restrictions.”
- ✓ “Charging or operational restrictions” means restrictions that require a battery to be charged exclusively from the paired renewable resource to obtain the Investment Tax Credit (ITC) for hybrid resources.

Proposed findings of fact, conclusions of law and ordering paragraphs implementing these changes are provided in Appendix A.

## II. THE PD DOES NOT REDUCE UNCERTAINTY

Engie Storage, Enel X, Tesla, Inc., Sunrun Inc., Center for Energy Efficiency and Renewable Technologies, California Energy Storage Alliance, and Vote Solar (Joint Parties) requested a schedule and process for determining the QC of hybrid resources, including both in front of the utility meter (IFM) and behind the utility meter (BTM) resources.<sup>2</sup> They further requested adoption of an interim methodology for determining the RA value of these resources. The Joint Parties highlighted the need for timely action on these requests to allow developers to effectively participate in resource solicitations and allow load-serving entities (LSEs) to understand the value of the resources in their supply plans.<sup>3</sup>

The Proposed Decision does not fully respond to the Motion’s requests, addressing an interim methodology but providing no process for a permanent methodology. Ordering Paragraph 2 grounds the decision in a definition of hybrid resource: “a generating resource co-located with a storage project, having a single point of interconnection and represented by a single market resource ID.”<sup>4</sup> The PD limits the scope of its interim rule to “hybrid resources with operational restrictions.” It adopts San Diego Gas & Electric Company’s (SDG&E’s) conservative proposal to set the QC value for these resources:

[T]he larger of (i) the effective load carrying capability (ELCC)-based QC of the intermittent resource or the QC of the dispatchable resources, whichever applies, and (ii) the QC of the co-located storage device.<sup>5</sup>

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<sup>2</sup> *Joint Motion of Engie Storage, Enel X, Tesla, Inc., Sunrun Inc., Center for Energy Efficiency and Renewable Technologies, California Energy Storage Alliance, and Vote Solar to Establish a Schedule and Process for Determining the Capacity Value of Hybrid Resources* (Motion), filed September 27, 2019.

<sup>3</sup> Motion at 3.

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

<sup>5</sup> *Id.* at 6.

Given the likelihood that the final methodology will differ from the interim methodology, adopting SDG&E's proposal at this time provides little, if any, certainty to LSEs and developers in the procurement of hybrid resources. Further perpetuating uncertainty, the PD does not provide a procedural schedule or target implementation date for developing a permanent counting methodology.

### **III. THE COMMISSION SHOULD DEFER CONSIDERATION OF THE PD'S PROPOSED METHODOLOGY AND, INSTEAD, ESTABLISH A TIMELINE FOR EXPEDITIOUS DEVELOPMENT OF A PERMANENT METHODOLOGY**

As the Joint Parties emphasized at the December 16, 2019, workshop in Rulemaking (R.) 19-11-009, hybrid resource QC counting methodologies— both IFM and BTM—have languished in Commission proceedings. While the PD attempts to address this delay, jumping to a very conservative solution without adequate exploration of alternatives only creates more uncertainty. Instead, the Commission should defer adoption of an interim methodology and provide a clear process and timeline to ensure permanent hybrid resource methodologies are adopted no later than June 2020. Certainty is particularly important in light of the Commission's requirement to develop *new* reliability resources—a requirement that excludes from eligibility nearly all options but paired renewable and battery storage resources.

Given the success of the Working Group process in R.17-06-026, CalCCA encourages the Commission to consider a working group process here, co-led by the Joint Parties, SDG&E, Southern California Edison Company (SCE) and the CAISO. The process should provide for expedited resolution, with a minimum of one public workshop and a workshop report, followed by comments and a proposed decision. CalCCA recommends the following schedule:

Final Decision	1/16/2020
Straw Proposal from Co-Leads	1/31/2020
Workshop	February – date to be set by co-leads
Workshop Report	Workshop + 14 days
Opening Comments	Workshop Report + 10 days
Reply Comments	Opening Comments + 7 days

Given the overlap with R.19-11-009, CalCCA recommends submission of the workshop report both in this docket and in R.19-11-009, to enable coordination of a resolution of this issue with the Commission’s planned June 2020 decision.

**IV. IF THE COMMISSION MOVES FORWARD WITH AN INTERIM METHODOLOGY, IT MUST CLARIFY ITS SCOPE OF ACTION**

**A. Clarify that the Interim Methodology Will Not Apply to Co-Located Resources Even If Charging or Operational Restrictions Exist**

Ordering Paragraph 2 defines “hybrid resource,” for purposes of the interim methodology, as “a generating resource co-located with a storage project, having a single point of interconnection and represented by a single market resource ID.”<sup>6</sup> The interim methodology is then applied only to hybrid resources with “charging or other operational restrictions.”<sup>7</sup> And, by implication, the PD thus suggests that the methodology does not apply to Co-located Resources, which maintain two or more resource IDs. The Commission should confirm its intent to limit any interim action to “hybrid resources” as defined in Ordering Paragraph 2.

Despite the clarity of the Ordering Paragraphs, the PD introduces ambiguity in its narrative focus on operational restrictions, rather than the number of resource IDs. For example, it states: “Where neither resource component has operational restrictions, we see no reason for the two components to be combined into a hybrid resource for QC purposes.”<sup>8</sup> The PD continues: “it is unnecessary to adopt a QC methodology for hybrid resources without

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<sup>6</sup> Proposed Decision, Ordering Paragraph 2, at 11.

<sup>7</sup> *Id.*, Ordering Paragraph 1, at 11.

<sup>8</sup> *Id.* at 8.

operational restrictions.”<sup>9</sup> In these provisions, the PD appears more concerned about operating restrictions than the number of resource IDs.

CalCCA agrees with a straightforward interpretation of the Ordering Paragraphs: it is unnecessary to impose restrictions on Co-located Resources at this time. As the CAISO has explained, these resources should be treated differently from Co-located Resources “because co-located resources with two or more resource IDs and a common POI are effectively two separate and distinct resources.”<sup>10</sup> Notably, Co-located Resources face performance requirements under the CAISO tariff—each component being separately bound by a Must Offer Obligation to fulfill RA requirements.

If the Commission takes interim action, CalCCA requests clarification that the interim methodology does not apply to Co-located Resources. This clarification is critical to give LSEs seeking to deploy these resources confidence to timely execute contracts to respond to the Commission’s procurement directive in D.19-11-021.

**B. Define “Charging or Operational Restrictions” as a Requirement to Charge a Battery Exclusively by the Paired Renewable Resource**

Whether the PD’s proposed QC counting methodology applies to a hybrid resource depends on whether the resource “has charging or other operational restrictions.”<sup>11</sup> Nowhere, however, does the PD define this phrase. Without a clearer definition, the Commission may inadvertently apply the interim methodology to *all* hybrid resources—which does not appear to be the PD’s intent.

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<sup>9</sup> *Id.*

<sup>10</sup> CAISO *Hybrid Resources Revised Straw Proposal*, Dec. 10, 2019, at 8-9. [www.aiso.com/InitiativeDocuments/RevisedStrawProposal-HybridResources.pdf](http://www.aiso.com/InitiativeDocuments/RevisedStrawProposal-HybridResources.pdf)

<sup>11</sup> Proposed Decision, Ordering Paragraph 1 at 11.

The PD refers to these restrictions in its discussion of parties' positions.<sup>12</sup> It observes that SCE identified "facilities receiving the Investment Tax Credit (ITC) that requires the battery to charge primarily from the paired renewable facility."<sup>13</sup> It also references SDG&E's approach for resources with "operational restrictions," but provides no further illumination. A hybrid resource could have a variety of different "restrictions" that would not materially affect the availability of the resource when needed, such as warranty and performance requirements. A restriction could, for example, prohibit charging in peak hours and require charging in off-peak hours or limit the number of charge/discharge cycles.

To avoid the need to fully explore the potential range of operating or charging restrictions, CalCCA proposes adoption of a modified version of SCE's and SDG&E's qualifications. The "restrictions" that trigger application of the hybrid resource interim methodology should include only limitations that require a hybrid resource battery to charge "exclusively" from the paired renewable facility to obtain the ITC. This bright line approach distinguishes hybrid resources that rely exclusively on paired renewable facility availability for charging from those that are capable of being charged from the grid. This definition is straightforward and clear and likely addresses the central issues of concern in this debate.

## **V. CONCLUSION**

For all of the foregoing reasons, CalCCA requests that the Commission defer adoption of an interim methodology. Instead, the Commission should adopt a clear, expedited timeline for developing a permanent hybrid resource QC counting methodology. If, despite the concerns raised by CalCCA, the Commission adopts an interim methodology, it should clarify that the

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<sup>12</sup> *Id.* at 6.

<sup>13</sup> *Id.*

methodology will not apply to Co-located Resources with two resource IDs, regardless of any resource restrictions, and clarify the meaning of “charging or operational restrictions.”

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'.

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ASSOCIATION

December 20, 2019

## APPENDIX A

### Proposed Findings of Fact, Conclusions of Law and Ordering Paragraphs

#### New Findings of Fact:

6. Timely adoption of a permanent hybrid resource QC counting methodology for both IFM and BTM resources is critical to support continued development of these resources.
7. Co-located resources are two separate and distinct resources from the CAISO's viewpoint, and are treated as completely distinct resources for purpose of market participation, resource adequacy, settlements and other purposes.
8. It is unnecessary to impose restrictions on Co-located Resources at this time.
9. Hybrid resources are subject to "charging or operational restrictions" when a battery is required to be charged exclusively by the paired renewable resource to obtain Investment Tax Credits.

#### Conclusions of Law

5. SCE's definition of "charging" restriction should be used to determine when a hybrid resource is subject to charging or operational restrictions.
6. The PD's methodology will not be applied to Co-located Resources, even if the co-located resource has "charging or operational restrictions."

#### Ordering Paragraphs

4. For purposes of the interim qualifying capacity methodology, a hybrid resource is subject to charging or operational restrictions when a battery is required to be charged exclusively by the paired renewable resource to obtain Investment Tax Credits.
5. A permanent QC counting methodology for IFM and BTM hybrid resources shall be developed through a working group process, with the Joint Parties and SDG&E as co-leads, and shall be established in the June 2020 decision to be issued in D.19-11-009.