

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

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Forward
Resource Adequacy Procurement Obligations.

R.19-11-009

**OPENING COMMENTS OF THE
CALIFORNIA COMMUNITY CHOICE ASSOCIATION
ON ORDER INSTITUTING RULEMAKING**

Irene K. Moosen
California Community Choice Association
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94521
415.587.7343
regulatory@cal-cca.org

Director, Regulatory Affairs
California Community Choice Association

Evelyn Kahl
Ann C. Springgate
Benjamin C. Ellis
Buchalter, A Professional Corporation
55 Second Street
Suite 1700
San Francisco, CA 94105
415.227.0900
ekahl@buchalter.com

Counsel to the California
Community Choice Association

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TABLE OF ACRONYMS

BTM	Behind the Meter
CalCCA	California Community Choice Association
CCA	Community Choice Aggregator
D.	Decision
DR	Demand Response
ESP	Electric Service Provider
FERC	Federal Energy Regulatory Commission
IOU	Investor-Owned Utility
IRP	Integrated Resource Planning
LRA	Local Regulatory Authority
LCR	Local Capacity Requirement
LCTS	Local Capacity Technical Study
LSE	Load-Serving Entity
MUA	Multiple-Use Applications
NERC	North American Electric Reliability Corporation
OIR	Order Instituting Rulemaking
PG&E	Pacific Gas and Electric Company
R.	Rulemaking
RA	Resource Adequacy
RAR	Resource Adequacy Requirements
RA-CPE	Resource Adequacy-Central Procurement Entity
RMR	Reliability Must Run
SDG&E	San Diego Gas & Electric Company
WECC	Western Electricity Coordinating Counsel

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The California Community Choice Association¹ submits these comments in response to the *Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Forward Resource Adequacy Procurement Obligations* (OIR), issued on November 13, 2019, pursuant to Rule 6.2 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure and the directives provided by the OIR.

I. INTRODUCTION

CalCCA appreciates the opportunity to participate in this timely and critical reassessment of the Commission's RA program. Unanticipated and urgent directives from the Commission addressing system RA procurement, import RA eligibility criteria and other matters drive home the reality that the RA program has not kept up with the monumental changes in reliability requirements as the state moves aggressively toward its climate goals. CalCCA's comments thus

¹ 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.

recommend that the Commission take a step back and develop clear objectives and guiding principles before embarking on this journey, including the following initial recommendations:

- Principle #1: Resource adequacy rules should promote the development and retention of the fleet of resources needed to ensure reliable operation of the grid.
- Principle #2: Resource adequacy rules should be robust, stable and durable and minimize regulatory uncertainty.
- Principle #3: Resource adequacy rules should foster a competitive and efficient market that provides incentives for participants to achieve reliability goals and minimize costs to ratepayers.
- Principle #4: Resource adequacy rules should apply equitably across LSEs.
- Principle #5: Resource adequacy rules should establish performance requirements rather than mandate procurement of particular technologies.

CalCCA welcomes additional Commission and stakeholder input on the ultimate goals of this process to drive shared understanding and collaboration.

Additionally, these comments offer recommendations for areas to be considered in developing refinements, observing that all refinements—limited and “blue sky”—should be considered holistically and contemporaneously. CalCCA supports the OIR’s identification of counting conventions and market power mitigation as issues that must be considered within the rulemaking’s scope. In addition, CalCCA identifies the following areas of review:

- ✓ Methodology for Setting Resource Adequacy Requirements
- ✓ Mechanisms to Signal RA Requirements to the Market
- ✓ Clear and Stable Product Attributes and Eligibility Criteria for RA Compliance Products
- ✓ Multi-Use Applications Eligibility Criteria
- ✓ Import RA Availability and Eligibility
- ✓ Essential Reliability Resources and Effectiveness

Finally, CalCCA offers observations and recommendations to improve the process for establishing local and flexible RA obligations for the 2021 compliance year.

II. OBJECTIVES AND GUIDING PRINCIPLES

The Commission and stakeholders have an opportunity in this new rulemaking to step back from the intense detail of the rules stakeholders have debated over the past year and establish high-level principles before moving forward with changes to the existing RA program. The Commission should ground its next steps in an examination of the intended purpose of the RA program, with the aim of making that purpose transparent. Is the program intended solely to ensure there is electricity flowing at a reasonable price whenever a consumer flips the switch, or are there other objectives the Commission can legitimately pursue through the RA program? How will the RA program interact with the IRP process; for example, in which proceeding will the Commission address RA requirements, product eligibility criteria and the process for long-term procurement of the needed resources? How will the Commission interact with the CAISO in determining and fulfilling RA requirements and setting eligibility criteria? Answering these and other policy level questions will establish a solid foundation for further development of the RA program while minimizing disagreements arising from differences in understanding of the RA program's purpose or role.

In addition, the Commission should establish general principles to guide any changes in the design of the RA program. CalCCA initially recommends five guiding principles for the Commission's consideration, as follows.

Principle #1: *Resource adequacy rules should promote the development and retention of the fleet of resources needed to ensure reliable operation of the grid.*

Resource Adequacy rules should embody a “no regrets” policy, ensuring through timely, forward-looking analysis that resources with the right characteristics are secured in the right

place and at the right time to ensure load can be served consistent with NERC and CAISO reliability requirements and local regulatory authority reliability standards. The RA rules should be designed in close coordination with the CAISO and align with the CAISO tariff.

Principle #2: *Resource adequacy rules should be stable and durable and minimize regulatory uncertainty.*

Resource Adequacy rules should aim to avoid frequent or sudden adjustments that disrupt the RA market while having sufficient flexibility to address reliability needs as they change over time. Stakeholders conducting long-term planning, whether for procurement or investment, should have confidence that RA rule changes will follow principles consistent with supporting reliability.

Principle #3: *Resource adequacy rules should foster a competitive and efficient market that provides incentives for participants to achieve reliability goals and minimize costs to ratepayers.*

The RA rules should be designed to attract numerous buyers and sellers in the market, thereby enhancing liquidity and efficiency. Consistent with Principle #2, the rules should also specify clear and stable performance metrics that must be met by a resource to be eligible for compliance and accounting to inform product development in the market and minimize disputes.

Principle #4: *Resource adequacy rules should apply equitably across LSEs.*

All LSEs—CCAs, ESPs and IOUs—should be required to secure RA, directly or indirectly, in proportion to their share of the contribution to the RA need as they change over time. The RA rules must also continue to maximize CCA procurement autonomy, as required by statute.²

² See CAL. PUB. UTIL. CODE §§ 366.2(a)(5), 380(b)(5) and 380(h)(5).

Principle #5: *Resource adequacy rules should establish performance requirements rather than mandate procurement of particular technologies.*

The RA rules, in coordination with IRP requirements, should allow LSEs the flexibility to deploy their choice of technologies to meet performance criteria defined by the Commission in coordination with the CAISO. Mandating procurement in technology silos inhibits LSEs in deriving solutions that best meet reliability needs.

Framing the proceeding in these and other policy objectives and design principles will ensure that stakeholders embark in the rulemaking from a place of common understanding and purpose. The Commission thus should adopt objectives and guiding principles in the Scoping Memo.

III. SCOPE AND ISSUES FOR CONSIDERATION

A. Structural Changes to the RA Program

The OIR places potential changes in the RA program in two categories: “refinements” of existing rules and “structural changes.”³ While acknowledging the distinction between these categories of change, CalCCA recommends consideration of RA program changes—subtle or paradigm-shifting—holistically without phasing the discussion to consider each category separately. The RA program has undergone serial changes over the last few years, and these changes tend to create instability in the RA market and procurement planning. Considering all changes contemporaneously will avoid further market disruption, reduce the risk of rule changes to multi-year contracts, and allow the Commission and stakeholders to develop an integrated, durable solution. Critically, considering all potential changes together will also allow the

³ *Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Forward Resource Adequacy Procurement Obligations* (OIR), Nov. 13, 2019, at 3.

Commission to establish fair and reasonable transition measures to support reliability and the market as the program is refined.

Consistent with this approach, CalCCA recommends avoiding constraints on the scope of proposed changes to the RA program. Without constraints, stakeholders will be positioned to develop a broad range of potential changes to enhance reliability. If the Commission declines to adopt the proposed RA-CPE settlement advanced in R.17-09-020, CalCCA agrees that central buyer structures must, again, be considered. Even if the RA-CPE settlement is adopted as a starting place, other “blue sky” ideas at the November 1, 2019, workshop in R.17-09-020, should also be on the table to the extent they fall within the scope of this Commission’s jurisdiction. The merits of these and potentially other major structural changes should be compared with retaining a refined version of the existing RA program.

B. Refinement of the RA Program Elements

The OIR asks parties to identify up to ten areas of potential refinement to the existing RA program.⁴ CalCCA agrees generally with the initial issues the OIR identifies and offers several additional topics for exploration.

The OIR identifies as central issues counting conventions for a variety of resource types, including ELCC calculations for solar, wind and hybrid resources.⁵ CalCCA agrees that these issues should be considered and urges acceleration of calculations for hybrid resources; hybrid resources are a prime target for new procurement, and an understanding of those resources’ RA value is critical to encouraging development to meet the directives established in D.19-11-016.

⁴ *Id.* at 6.

⁵ *Id.* at 6-7.

This examination should also include stand-alone storage, multiple-use applications,⁶ DR and BTM resources. Within the scope of counting conventions, the Commission should address the need for vintaging ELCCs or NQCs to mitigate the uncertainty and risk to LSEs in the medium- and long-term procurement processes.

The OIR also identifies “[m]arket power mitigation measures, including changes to the current penalty structure and waiver process for system, flexible and local RA.”⁷ CalCCA strongly agrees that these issues must be considered expeditiously to ensure that the Commission is fully exercising its responsibility for oversight of the IOUs’ use of market power, particularly in local capacity areas. Market power mitigation is critical to prevent unnecessary ratepayer costs arising from RA compliance penalties. The Commission must respect the jurisdictional boundaries, however, between its proper role and the role delegated by Congress to FERC.

Beyond these preliminary issues identified in the ruling, CalCCA requests that the rulemaking’s scope includes the issues identified below.

1. Methodology for Setting Resource Adequacy Requirements

The methodology for determining RA requirements is unsettled, as demonstrated recently in R.16-02-007, and should be updated after further study. The CAISO recently raised questions in its comments in R.16-02-007 regarding the need to reconsider the hours in which resource adequacy is assessed, observing the potential forward shift of the peak to “the hour ending 18”

⁶ Multiple-Use Application rules allow an energy storage unit to serve behind-the-meter load and to participate in CAISO energy markets and the RA capacity market. *See* D.18-01-003, Appendix A, Adopted Rules. The IOUs have claimed MUA RA value for their storage projects under Assembly Bill 2868 implementation. The Commission should clarify the application of these rules to ensure that all LSEs are equally available to claim the RA value of these projects.

⁷ OIR at 6.

by 2022.⁸ The CAISO also raised the need to address sufficiency in post-peak periods when solar generation will be unavailable.⁹ The CAISO continues its examination of local RA requirements, currently focused on its 2021 local capacity technical study,¹⁰ and is redefining flexible RA criteria and must offer obligations through its Resource Adequacy Enhancements initiative.¹¹

The success of the Commission’s RA program depends foundationally on the ability of the Commission, in coordination with the CAISO, to determine the amount of RA required, when it is needed, and where it is needed with reasonable accuracy. The Commission should include in this rulemaking the goal of clarifying the methodology for determining local, system and flexible RA requirements.

2. Mechanisms to Signal RA Requirements to the Market

The June 20, 2019, ruling in the IRP sounded an alarm that LSEs were not procuring sufficient capacity to meet forward system RA needs. After a three-month review period, the ruling culminated in D.19-11-016, which directed LSEs collectively to procure 3,300 MW of “incremental” system RA by August 1, 2023,¹² and resolved to request extensions of retirement dates for once-through-cooling (OTC) generation.¹³ This unanticipated and urgent action suggests a gap in not only determining the magnitude of RA requirements, but in communicating them to the LSEs responsible for procurement.

⁸ *Comments of the California Independent System Operator Corporation*, R.16-02-007, July 22, 2019, at 6.

⁹ *Id.* at 5.

¹⁰ See CAISO, *Local Capacity Requirement Process*, Study Manuals and Reports available at <http://www.caiso.com/informed/Pages/StakeholderProcesses/LocalCapacityRequirementsProcess.aspx>

¹¹ See CAISO, *INITIATIVE: Resource Adequacy Enhancements*, <http://www.caiso.com/StakeholderProcesses/Resource-Adequacy-Enhancements>

¹² D.19-11-016, Conclusion of Law 9, at 74.

¹³ *Id.*, Ordering Paragraph 1, at 79-80.

The Commission should include in the scope of this rulemaking consideration of how RA requirements beyond one year, or even three years, are communicated to LSEs. The analysis should look to CAISO processes, the IRP and any other potential means of timely and reasonably signaling changing RA requirements to LSEs. In particular, if the Commission declines to adopt the RA-CPE settlement filed in R.17-09-020, which incorporates multi-year forward requirements, the Commission must consider modifying the existing framework to include multi-year system and flexible RA obligations to ensure proper signals are provided to LSEs for forward procurement of all types of RA.

3. Clear and Stable Product Attributes and Eligibility Criteria for RA Compliance Products

In conjunction with efforts to develop a reliable methodology to determine RA requirements, the Commission should also more directly define the performance characteristics a resource must provide to meet those requirements. The recent debate over the eligibility of import RA for compliance demonstrates the need for clear and stable product definition. As the Commission moves toward longer-term RA requirements, failure to provide clear and stable product definitions threatens market disruption, contract terminations or disputes, and a loss of value in existing RA commitments—which come at a high cost to ratepayers. The rulemaking thus should clearly identify the performance characteristics for each type of RA product and maintain a stable process for making any changes to these characteristics in the future.

4. Maximizing Opportunities for Resilience Co-Benefits

CalCCA anticipates significant investments on the part of CCAs, other LSEs, and individual customers in support of local energy resilience during Public Safety Power Shutoffs and other public safety emergencies. While current RA rules allow for some of these local and behind-the-meter resources to be utilized for both resilience and RA compliance, there are

significant limitations, particularly for non-IOU LSEs, to utilize these investments for both purposes. CalCCA supports including in scope a review of the current opportunities and challenges for behind-the-meter resources to participate in RA consistent with the attributes and benefits they may offer for reliability. Given the influx of investment in BTM storage resources, CalCCA encourages the Commission to act swiftly to ensure these resources are installed and configured in such a manner as to maximize their contributions to system reliability under normal operating conditions.

5. Import RA Availability and Eligibility

Import RA has been under a microscope over the past few months, with the Commission’s redefinition of eligibility requirements in D.19-10-021 and restrictions on counting import RA as “incremental” resources under D.19-11-016. CalCCA recommended several times in both proceedings that the Commission undertake an analysis of import RA availability and work with the CAISO to consider the value of these resources.¹⁴ Imports are a vital resource in serving California’s requirements, and the state must better understand their integration to ensure cost-effective reliability. The availability and effectiveness of import RA should be addressed within the scope of this rulemaking.

6. Essential Reliability Resources and Effectiveness

The Commission and Staff have raised concerns over the past few years regarding the need to understand and value the “effectiveness” provided by a resource in addressing local RA requirements. The rulemaking should examine the role and availability of “essential reliability

¹⁴ See, e.g., *Application for Rehearing of Decision 19-10-021 of the California Community Choice Association*, October 24, 2019; *Comments of California Community Choice Association on Assigned Commissioner’s Ruling Seeking Comment on Clarification to Resource Adequacy Import Rules*; *California Community Choice Association Comments on Revised Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023*, R.17-09-020, Oct. 31, 2019.

resources” in local capacity areas and the capabilities of the CAISO to forecast resource effectiveness. Armed with clear insights, the Commission and stakeholders will be positioned to more effectively assess how resource effectiveness should be factored into procurement and RA counting conventions.

C. Local and Flexible Procurement Obligations

As discussed in Section B, further definition of the methodology for determining requirements is needed for all RA, particularly to drive effective procurement of local and flexible resources. CalCCA offers three observations and recommendations regarding development of local and flexible RA procurement obligations for the Commission in approaching 2021 local and flexible RA requirements:

- ✓ Updated LCR criteria are expected to drive up the LCR needs in multiple locations and increase ratepayer costs;
- ✓ Assessment of local RA requirements would benefit from greater transparency in the CAISO’s LCTS, including greater levels of detail from the CAISO on LCR area and sub-area hourly profiles; and
- ✓ The Commission should weigh-in on the appropriate reliability level for local RAR.

Each issue is discussed below.

1. Updated LCR Criteria Are Expected to Drive Up LCR Needs in Multiple Locations and Increase Costs

The CAISO provides its LCTS results to the Commission for consideration in setting annual local RA requirements. These results are also used by the CAISO for two purposes. First, they can be used to set the LCR, which is the minimum quantity of local capacity necessary to meet the LCTS criteria. Second, they can be used to allocate the costs of any CAISO local capacity procurement to address deficiencies remaining after LSE RA procurement and procurement of RMR resources.

Recently, the CAISO completed a stakeholder process that expanded the LCTS criteria to align them with the mandatory planning standards, which will result in increased LCR needs in several areas. Furthermore, there are certain LCR areas, where the LCR requirements are determined by higher-level contingencies, in which local resources may be procured even when they are not required to meet the mandatory reliability standards or to provide operational reliability. The Commission's rules must take these standards into consideration.

2. Local RA Assessment Would Benefit from Greater Transparency in the CAISO's LCTS

When D.18-06-030, which set local capacity obligations for 2019, adopted the CAISO's recommended 2019 LCR values, it did so with reservations and concerns.¹⁵ Decision 18-06-030 notes complaints by SDG&E and PG&E about the lack of transparency involved in the LCR study assumptions and LCR results. In particular, it states:

The fact that sophisticated LSEs such as PG&E and SDG&E are requesting additional transparency, and are having difficulty reproducing the CAISO's LCR results is in fact a problem that needs to be addressed going forward.¹⁶

CalCCA agrees. It is important to understand the assumptions involved in conducting the CAISO LCR studies, and CalCCA recommends that the CAISO provide greater transparency so that the assumptions can be revisited by all stakeholders.

3. More Detail from the CAISO on LCR Area and Sub-Area Hourly Profiles Would Better Inform Local Requirements

Beginning with the 2020 LCTS, the CAISO has enhanced its study process to include consideration of availability limitations such that CAISO can ensure sufficient energy (MWh) is available in addition to capacity (MW) in the LCAs. CalCCA supports the CAISO's plans to

¹⁵ See 18-06-030 at 9.

¹⁶ *Id.* at 7.

continue to include hourly load and available resource data within its existing LCTS reports going forward to guide resource procurement. Currently, the CAISO provides two plots for each LCR subarea and area—one comprising the representative Peak Day Forecast Profile and the other showing the hourly profile for the entire year.

CalCCA requests further transparency to enable better participation by stakeholders. First, the Commission should request that CAISO provide the underlying data in spreadsheet format for stakeholders to perform a deep-dive analysis. Second, the Commission should request that CAISO provide high-level guidance in terms of duration requirement for a local resource needed to reliably and adequately address the local requirements within each of the LCR sub-areas and areas. While the CAISO may not be able to perform as detailed analysis as they performed for the Moorpark Sub-Area,¹⁷ a combination of the more detailed information provided under the annual LCTS and the LCR Reduction studies performed under the CAISO's 2018-2019¹⁸ and 2019-2020¹⁹ Transmission Plans should provide LSEs much-needed guidance in procuring local resources that meet the various sub-area and area LCR requirements.

4. The Commission Should Weigh In on the Appropriate Level of Local Reliability

Until recently, the CAISO's LCR results have been based on Reliability Performance Category C criteria, which has been driving significantly greater LCR needs than would have

¹⁷ See CAISO, *Moorpark Sub-Area Local Capacity Alternative Study* (August 16, 2017), https://www.caiso.com/Documents/Aug16_2017_MoorparkSub-AreaLocalCapacityRequirementStudy-PuentePowerProject_15-AFC-01.pdf

¹⁸ CAISO, *Board-Approved CAISO 2018-2019 Transmission Plan* (March 29, 2019), http://www.caiso.com/Documents/ISO_BoardApproved-2018-2019_Transmission_Plan.pdf

¹⁹ CAISO, *Economic Assessment of Local Capacity Areas Extension of 2018-2019 Transmission Plan*, CAISO 2019-2020 TPP Stakeholder Meeting (September 25, 2019), <http://www.caiso.com/Documents/Day1-Presentations-2019-2020TransmissionPlanningProcessMeeting-Sep25-26.pdf> (at PDF 260/270).

resulted from the Category B criteria.²⁰ Decision 06-06-064, which addressed local capacity requirements for 2007, adopted Option 2, NERC Performance Category C criteria. It stated the following:

Given the reduced risk of interruptions expected under Option 2, we consider the required procurement of an additional 5% of needed capacity to be reasonable. We make this reliability determination for 2007 only. While we expect to apply Option 2 in future years in the absence of compelling information demonstrating that the risks of a lesser reliability level can reasonably be assumed, we nevertheless leave for further consideration in this proceeding the appropriate reliability level for Local RAR for 2008 and beyond.²¹

Although D.06-06-064 anticipated that the reliability criteria determining the LCR levels would be revisited in the future, that has not happened. Given the likely increase in local capacity requirements associated with the expanded LCTS criteria to align with the mandatory planning standards discussed in Section III.C.1, the Commission should revisit its decision to apply the Category C vs. Category B criteria (or their Mandatory Reliability Standards equivalents²²).

IV. PROCEDURAL MATTERS

A. Categorization

CalCCA agrees with the proposed categorization of this proceeding as ratemaking.

B. Process, Schedule and Need for Hearings

The OIR provides a skeletal outline for the review process, with one final decision in May 2020. While this schedule is reasonable for adopting the 2021-23 local and flexible RA requirements, it is wildly optimistic if the goal is to also consider refinements and “blue sky” paradigm shifts. Consequently, a separate, yet accelerated, track should be considered for these

²⁰ The previous Reliability Performance Category criteria have been replaced by the Mandatory Reliability Standards.

²¹ D.06-06-064 at 19.

²² Category B is equivalent to P1, P2; Category C is equivalent to P3, P4, P5, P6 and P7.

broader purposes with the goal of implementing program refinements for the 2022 compliance year.

Track 2 issues would best be developed through a comment and workshop process, in which all “refinements” and “blue sky” proposals are advanced. These proposals, however, would be most effective if informed by common analysis. CalCCA thus requests that the Commission Staff, in coordination with the CAISO, present quantitative analysis on critical issues prior to solicitation of proposals from Staff and other stakeholders. In particular, the analyses should study the following issues:

- The shift in peak hours over the next five years;
- The relationship of peak hours and post-peak hours over this period;
- A comparison of the availability of various resource types over the forecasted peak and post-peak periods;
- The availability of import RA based on supply/demand conditions in the WECC; and
- Historical performance of import RA in the CAISO markets.

While the CAISO has already begun to examine several of these issues, the Commission should coordinate with the CAISO to refine these analyses and make them transparent for consideration in this rulemaking.

It is unclear at this point whether hearings will be required. The schedule should provide an opportunity to request hearings following a substantive exploration of the issues.

V. CONCLUSION

For all of the foregoing reasons, CalCCA requests that the Assigned Commissioner and Administrative Law Judge adopt a scope for this rulemaking that includes all of the issues identified herein.

Respectfully submitted,

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

Evelyn Kahl

Counsel to the California
Community Choice Association

December 3, 2019