

**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

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION  
REPLY COMMENTS ON PROPOSED DECISION ON CENTRAL PROCUREMENT  
OF THE RESOURCE ADEQUACY PROGRAM**

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April 20, 2020

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## SUMMARY OF RECOMMENDATIONS

### **1. Adopt a Central Procurement Model That Fully Incentivizes LSE Procurement of Local Preferred Resources or Energy Storage.**

- Adopt the Settlement Agreement as a detailed, implementable residual central procurement model that will advance progress toward the Commission's reliability and climate goals.
- In the alternative, modify the PD to incorporate a financial crediting mechanism for LSEs that "show" local RA resources to the CPE to avoid undermining incentives for the development of local preferred or energy storage resources by LSEs. Apply the same crediting mechanism to existing local RA commitments to grandfather the resources for the benefit of the procuring LSE in recognition of the Commission's material rule changes.

### **2. Improve the CPE Procurement Process.** To bring greater clarity to the CPE procurement process and protection for non-IOU LSEs and their customers:

- Permit the CCA community – not other PRG members – to select the representative.
- Limit CPE contracts to three years and to RA-only products, prohibiting the CPE from any broader procurement without a full application and a Commission-administered public review process.
- Direct a holistic examination of the IE/PRG approach to procurement oversight to ensure its integrity in the context of central procurement on behalf of other LSEs' customers and to ensure that these mechanisms operate as more than a rubber stamp for CPE procurement choices.
- Direct the CPE to give LSEs notice of CPE awards not fewer than six months before the annual system and flexible RA compliance deadlines and notice of the system and flexible RA allocation by the CPE not fewer than five months before these deadlines to enable LSEs to procure resources efficiently to meet their requirements.

### **3. Adopt a Cost Allocation Mechanism That Reflects LSE-Specific Cost Causation.**

Employ an LSE-specific generation-side charge using the methodology developed for purposes of the IRP procurement track in the central procurement process.

### **4. Limit the Term of the IOU as CPE.** Adopt an IOU-CPE model as an interim measure pending development of a more permanent, durable, multi-attribute RA framework with a non-IOU CPE.

### **5. Reject PG&E/SCE Proposal to Eliminate the Obligation for the IOU to Bid Resources to the CPE.** Allowing IOUs to retain discretion of when and what to bid into the CPE solicitation shifts costs from bundled customers to CCA and DA customers.

### **6. Reject PG&E/SCE Proposal to Move IOU Resources from the PCIA Portfolio to the CAM Portfolio.** While the costs paid by the CPE to the IOUs for their resources will be recovered through the CAM, it is unnecessary, unsupported by the record and overly complex to move the entire resource to the CAM.

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The California Community Choice Association (“CalCCA”) respectfully submits these reply comments pursuant to Rule 14.3(d) of the California Public Utilities Commission Rules of Practice and Procedure on Presiding Administrative Law Judge Debbie Chiv’s March 26, 2020, proposed *Decision on Central Procurement of the Resource Adequacy Program* (“PD”).

**I. INTRODUCTION**

The Center for Energy Efficiency and Renewable Technologies (“CEERT”) makes a compelling case to “scrap the PD.” CEERT explains: “We simply cannot afford to waste limited energy and capital on fighting the *no longer relevant problem of a perceived shortage of LCR* at the expense of new clean resource development,” particularly in the face of the need for a COVID-19 economic recovery.<sup>1</sup> The PD presents a solution chasing a problem that may no longer exist; indeed, the solution does not even address the problems the Commission identified several years ago and would leave new problems in its wake.<sup>2</sup>

If the Commission insists on moving forward with a CPE in the midst of vast regulatory and economic uncertainty and criticism, it should not simply press on - as it has since mid-2018 – with an investor-owned utility (“IOU”) centered full procurement model. Instead, it should take stock of the many proposed modifications and craft a more efficient, cost-effective and lawful model that drives the right incentives to achieve California’s climate goals.

Opening comments show a strong preference for a residual central procurement entity (“CPE”) model.<sup>3</sup> While the reasons for parties’ preferences vary, they center largely on the need for load-serving entity (“LSE”) procurement autonomy and a structure that aligns incentives for LSEs to procure resources in constrained local areas. At a minimum, however, these and other parties propose a direct, LSE-specific credit for local resources “shown” by LSEs to the CPE<sup>4</sup> to correct investment incentives.

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<sup>1</sup> CEERT Comments at 7 (emphasis supplied); *see also Tenaska Comments*.

<sup>2</sup> CalCCA Comments at 2-11; *see also MRP Comments* at 5-7.

<sup>3</sup> Comments of AWEA at 3-4, CalCCA at 12, CAISO at 6 (consider residual for system and flex); Calpine at 5, CESA at 2-3, Engie at 8, IEP at 3, LS Power at 6, Middle River Power at 13, NRG at 1, 7, Shell at 2, SDG&E at 9, TURN at 2, Vistra Energy at 1-2, WPTF at 3.

<sup>4</sup> Comments of AWEA at 3-4, CalCCA at 13 (preferred and energy storage resources), Calpine at 8-9, CESA at 4-6, LSA/SEIA at 4-5, NRG at 7-8, SDG&E at 3-4, Shell at 6-8, Sunrun at 9 (preferred resources), TURN at 2 (non-gas resources only); Vistra Energy at 5, WPTF at 7-8.

CalCCA urges the Commission to recognize these preferences and examine the wide-ranging flaws of the PD's approach. While a residual CPE model, if any, is the right answer to the questions presented in this proceeding, the Commission should at a minimum provide for a direct financial credit for "shown" resources. Specifically, it should (1) grandfather existing long-term local resource adequacy commitments, and (2) credit LSE self-procurement of any preferred resources or energy storage that meet the local RA program's requirements, using a financial crediting mechanism proposed by CalCCA and detailed by Calpine.<sup>5</sup>

Whatever the Commission's approach, it must reject proposals by Pacific Gas and Electric Company ("PG&E") and Southern California Edison Company ("SCE") to make significant, complex and yet-unexplored changes to the central procurement model.

## **II. REPLY TO PG&E/SCE COMMENTS**

### **A. Reclassifying PCIA Resources as CAM Resources Is Unnecessary and Introduces Complexities and Questions Not Addressed in the Record**

PG&E/SCE propose that IOU resources procured by the CPE should be "reclassified" from the Power Charge Indifference Adjustment ("PCIA") to "the CAM for the duration of the contract/multi-year obligation with the CPE."<sup>6</sup> Their proposal has not been explored in the record, lacks clarity, would modify existing PCIA vintages and, therefore, must be rejected.

In addition, there is no need for such reclassification. If the Commission adopts the PD, ignoring the many problems it engenders, PCIA resource sales to the CPE should be treated as any other resource sale by an IOU. The resources and their costs should remain in the PCIA, and revenues received from the resource adequacy ("RA") sale to the CPE should be treated as an offset to PCIA costs and a credit in customer rates. This would ensure the best value for retail customer during a time of increasing economic uncertainty and rising electric costs. In effect, the costs of attributes provided to the CPE will be recovered through the mechanism specified in the decision and the costs of other attributes or above-market costs will be recovered through the PCIA. No special "reclassification" of resources is required.

### **B. Removing the Requirement for the IOU to Bid Its PCIA Resources into the CPE Unlawfully Shifts Costs from Bundled Customers to CCA and DA Customers**

PG&E/SCE and the California Large Electricity Consumers Association ("CLECA") propose to permit an IOU to exercise its discretion to withhold its resources from the CPE on grounds that the IOU

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<sup>5</sup> Calpine Comments at 8. A clarifying change to the PD is provided in Appendix B.

<sup>6</sup> PG&E/SCE Comments at 13.

should not be treated differently from other LSEs who maintain this discretion.<sup>7</sup> CLECA argues that IOUs should have the right to maintain resources to meet their own system and flexible RA needs. CLECA correctly points out that “[i]f a local RA resource is accepted through the CPE RFO process, then all of its attributes, including system and flexible capacity, are allocated to other LSEs.”

CLECA identifies one of the significant flaws in the PD’s model: to convey local RA value to the CPE, a seller must give up all RA attributes. But giving IOUs discretion whether to bid their resources in the CPE solicitation does not fairly resolve the problem. IOUs should not have the same discretion as other LSEs because they *are not like* other LSEs. The resources that will be bid are held by the IOUs in the PCIA portfolio were procured for and are operated for the benefit of *all customers* who pay the PCIA – bundled and departed. Indeed, this is the fundamental principle underlying departing load customers’ obligations to pay the PCIA. It is thus unreasonable to allow the IOUs to withhold needed local RA from the market to satisfy bundled customers’ system and flexible RA needs and deny the availability of these resources to other LSEs and their customers who already pay for them. This approach shifts costs from bundled customers to CCA - an outcome that would violate §454.52(c).

The solution for the problem the IOUs and CLECA identify is not to allow IOUs to withhold their resources, but to limit the scope of the CPE’s procurement to local RA while maintaining the requirement that the IOUs offer all local resources to the CPE. The IOUs’ system and flexible RA attributes could then be allocated to LSEs through the PCIA Working Group 3 solution. Attempting to solve it by enabling IOU withholding local RA capacity from the market risks higher costs and reduced resource availability for departing load customers solely for the benefit of bundled customers.

### **III. REPLY TO CAL ADVOCATES AND TURN**

#### **A. Grandfathering of Existing Contracts Is Critical to Address the Need for Adequate Notice of Rule Changes and to Prevent Potential Stranded of Existing Investments**

The PD calls for a working group to address consequences of its model for existing, longer term local RA contracts.<sup>8</sup> Cal Advocates questions why existing contracts need to be addressed, since the resources could be sold into the CPE.<sup>9</sup> TURN also questions the vagueness of the PD’s approach, but points to the need to “quickly” be clear about grandfathering “to help minimize LSE’s uncertainties about continuing with local investments that are now being developed.”<sup>10</sup> TURN’s approach is correct.

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<sup>7</sup> PG&E/SCE Comments at 11-12; CLECA Comments at 5.

<sup>8</sup> PD at 35.

<sup>9</sup> Cal Advocates Comments at 3.

<sup>10</sup> TURN Comments at 3.

The Commission previously recognized the need to grandfather existing contracts in the face of a significant RA rule change to ensure fair notice has been provided and prevent stranding existing investments.<sup>11</sup> If the Commission adopts the PD without providing a crediting mechanism for all shown local resources, it must likewise expressly provide for grandfathering of existing agreements. As TURN suggests, these LSEs should be credited for their share of local requirements, and CalCCA recommends providing this credit through the financial crediting mechanism outlined in CalCCA's opening comments.<sup>12</sup> The Commission should direct grandfathering; no workshop is required.

**B. Allocating GHG Emissions for Resources Procured by the CPE Is Unsupported by the Record, Runs Counter to CEC Regulations and Exacerbates the PD's Departure from Statute**

Cal Advocates contends that LSEs should “properly and transparently report their responsibility for GHG emissions associated with procurement that the CPE conducts on their behalf,” proposing resolution of this issue in R.19-11-009 as “soon as possible.”<sup>13</sup> CalCCA agrees that there is no record in this proceeding that would support Cal Advocates' proposal. Moreover, the proposal is contrary to the resolution of this issue by the Energy Commission.<sup>14</sup>

The proposal, however, brings into focus the consequences of the PD's removal of self-procurement autonomy from the hands of local governments and the millions of customers they serve. Many local governments have elected to pursue and are meeting more aggressive greenhouse gas reduction targets than the IOUs have themselves pursued. Placing a material portion of the RA procurement market in the hands of the CPE undermines these goals, enabling the CPE to procure GHG-emitting resources rather than meeting reliability requirements with preferred resources, and then allocating these GHG emissions to local governments. In other words, the PD's violation of Public Utilities Code §380(b)(5) and (h)(5) – which direct the Commission to “maximize” CCA procurement autonomy – has real consequences for the pace at which the state will achieve its climate goals. It further violates Section 454.52(b)(3), which requires the local government to approve the resources used to serve a CCA's customers. Forcing an allocation of GHG emissions from the CPE's, rather than LSE's, choice of resource exacerbates the injury to local governments, and represents a lost opportunity for the state to accelerate progress toward international GHG reduction targets.

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<sup>11</sup> See D.05-10-042 at 63-65.

<sup>12</sup> CalCCA Comments at 13-14; *see also* Calpine Comments at 8.

<sup>13</sup> Cal Advocates Comments at 6.

<sup>14</sup> See Docket No. 16-OIR-05, Resolution Adopting Regulations, Dec. 17, 2019, §1393(a)(5).

#### IV. LSES ARE INVESTING IN LOCAL RESOURCE PROCUREMENT

OhmConnect correctly calls out the PD's "misleading" and unsupported statements ignoring the local preferred resource procurement undertaken by LSEs.<sup>15</sup> Last week, for example, Clean Power Alliance announced a 100 MW/400 MWh battery storage project in the Big Creek/Ventura local area.<sup>16</sup> Likewise, East Bay Community Energy has partnered with PG&E on the Oakland Clean Energy Initiative – a 43.75 MW battery energy storage project coupled with renewable resources.<sup>17</sup> In all, CCAs have entered into contracts with 29 new preferred resource and energy storage facilities in constrained local areas, representing 1,642MW of nameplate capacity to be online by 2022, as shown in Appendix A. Regulatory certainty is paramount to continuing this trend toward adding cost effective, low carbon capacity to meet local, state and international goals.

#### V. CONCLUSION

For all the foregoing reasons, the Commission should modify the proposed decision as recommended by CalCCA and reject the proposals of PG&E/SCE identified in these reply comments.

April 20, 2020

Respectfully submitted,



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<sup>15</sup> OhmConnect Comments at 2 (*citing* PD at 25).

<sup>16</sup> <https://cleanpoweralliance.org/2020/04/09/clean-power-alliance-signs-large-scale-100mw-battery-energy-storage-agreement/>

<sup>17</sup> See Application of Pacific Gas and Electric Company for Approval and Recovery of Oakland Clean Energy Initiative Preferred Portfolio Procurement Costs, Apr. 15, 2020, at 3-4.

## APPENDIX A

**Table 1: New Build CCA-Contracted Capacity in Constrained Local Areas, COD 2013-2022**

	<b>Big Creek / Ventura</b>	<b>LA Basin</b>	<b>Greater Bay Area</b>	<b>PG&amp;E Other</b>	<b>San Diego / Imperial Valley</b>	<b>Total</b>
<b>Projects</b>	6	1	5	16	1	29
<b>Solar Capacity (MW, Nameplate)</b>	340.0		10.5	743.5	100.0	1194.0
<b>Storage Capacity (MW, Nameplate)</b>	195.0		43.8	110.3	10.0	359.0
<b>Wind Capacity (MW, Nameplate)</b>		22.0	57.5			79.5
<b>Biogas Capacity (MW, Nameplate)</b>				9.9		9.9
<b>Total Capacity (MW, Nameplate)</b>	<b>535.0</b>	<b>22.0</b>	<b>111.8</b>	<b>863.7</b>	<b>110.0</b>	<b>1642.4</b>

## APPENDIX B

### Additional Recommended Changes

#### Findings of Fact:

8. ~~A hybrid central procurement framework strikes~~ To strike a reasonable balance between the residual and full procurement models and best addresses ensure reasonable incentives for an LSE to develop preferred or energy storage resources in local areas, the known challenges identified in the local RA market, the central procurement model must (1) provide a financial crediting mechanism for LSEs who self-procure and show their preferred or energy storage resources to the CPE and for existing local RA resources (2) allocate costs based on the LSE cost-causation.

NEW. The financial credit for resources shown to the CPE shall be calculated as the average price paid in the relevant local area in the CPE's solicitation less the value of system RA and flexible RA price based on the most recent twelve months of data collected by the Energy Division from LSEs.

#### Ordering Paragraphs

4.a. If a load serving entity's (LSE) procured resource also meets a local Resource Adequacy (RA) need, the LSE may choose to: (1) show the resource ~~to reduce the central procurement entity's (CPE) overall local procurement obligation and receive a direct financial credit for any preferred or energy storage resource shown or for existing local RA commitments,~~ (2) bid the resource into the CPE's solicitation, or (3) elect not to show or bid the resource to the CPE and only use the resource to meet its own system and flexible RA needs.