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**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

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION  
TRACK 3.B PROPOSALS**

Evelyn Kahl, General Counsel  
California Community Choice Association  
One Concord Center  
2300 Clayton Road, Suite 1150  
Concord, CA 94520  
(415) 254-5454  
[regulatory@cal-cca.org](mailto:regulatory@cal-cca.org)

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The California Community Choice Association (CalCCA)<sup>1</sup> submits these comments pursuant to the *Assigned Commissioner's Amended Track 3.A and 3.B Scoping Memo and Ruling* issued on July 7, 2020 (Amended Scoping Memo), offering proposals for consideration in Track B.

**I. INTRODUCTION**

The Amended Scoping Memo established two general categories of issues for Track 3.B of this proceeding:

- “Examination of the broader RA capacity structure to address energy attributes and hourly capacity requirements;” and
- “Other structural changes or refinements to the RA program identified during Track 1 or Track 2.”

CalCCA offers proposals in both categories of issues. Together with Southern California Edison Company (SCE) in comments filed contemporaneously with these comments, CalCCA proposes a general framework to address “energy attributes and hourly capacity requirements” (Modified RA Framework). CalCCA’s comments describe its views on the implementation issues that

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<sup>1</sup> California Community Choice Association represents the interests of 20 operational 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 José Clean Energy, Silicon Valley Clean Energy, Solana Energy Alliance, Sonoma Clean Power, Valley Clean Energy, and Western Community Energy.

must be resolved to implement this framework. CalCCA additionally proposes refinement of the existing resource adequacy (RA) program to include a waiver program for system and flexible RA compliance penalties. As discussed further below, CalCCA initially raised this issue in its Petition for Modification in R.17-09-020 and again in Track 2, where the Commission rejected the proposal identifying further study that would be required prior to its consideration.

Consistent with D.20-06-031, CalCCA proposes a design and process for this further study.

## **II. CALCCA JOINTLY WITH SCE SUPPORTS THE MODIFIED RA FRAMEWORK TO ADDRESS ENERGY ATTRIBUTES AND HOURLY CAPACITY REQUIREMENTS AND RECOMMENDS**

SCE and CalCCA's joint Track 3.B Proposal presents a high-level redesign of the RA program to better reflect net peak resource needs and energy resources needs. Consistent with the current RA framework, an extensive list of details and methodologies for development, assignment, and assessment of RA compliance requirements would be required for the new paradigm.

At this stage, the proposal leaves many of these implementation details to a later stage, likely to be resolved in working groups should the Commission endorse further consideration.

CalCCA has identified implementation details that require consideration, discussed below.

### **A. Determination of LSE Compliance Obligations**

- 1. California Energy Commission (CEC) Load Forecasts:** Currently, the CEC does not forecast load shapes for individual load-serving entities (LSEs). A process for developing LSE-specific load shapes for each LSE will be necessary, with specific consideration to LSE expansion, load migration, LSE-specific weather patterns, and load modifiers.
- 2. Transmission and Distribution Losses:** Building an RA compliance obligation up from load may not account for losses incurred on the transmission and distribution system. Further work will be required to ensure collective LSE RA procurement addresses additional capacity and energy required to serve load.
- 3. Load Migration:** Further consideration of the impacts of load migration should be taken up in the implementation phase. While structural load

migration (e.g. CCA formation) may occur with sufficient notice and planning for LSEs to incorporate into their showing, intra-year competitive migration (e.g. customer switching from LSE A to LSE B) may result in considerable shifts in the compliance requirement for an individual LSE.

4. **Showings:** Further development of the LSE compliance filing process would be necessary, including the development of templates, establishment of timelines and requirements for LSEs, and other criteria.
5. **Trading:** A structure should be considered to permit trading between LSEs of Net Qualifying Capacity (NQC) and Net Qualifying Energy (NQE) products to ensure a competitive and efficient compliance structure.

## **B. Determination of Resource Valuations**

### **6. Load Profile of Solar and Wind Resources**

As noted in the filing, hourly solar and wind generation profiles from the Integrated Resource Plan proceeding should be used to net contracted solar and wind production against LSE load. Further consideration would be required to determine whether and how to apply these load profiles to future compliance and account for the potential of anomalous weather conditions. Additionally, further work is required to properly account for energy contributions from resources without full deliverability status and otherwise refine the current deliverability construct for this new paradigm. Finally, consideration should be given as to whether a modification to NQE calculation or net duration curve will be necessary to account for on-site charging limitations of hybrid resources subject to the requirements of the Investment Tax Credit.

### **7. Storage Parameters**

A methodology for assigning various parameters to battery resources will be required, including determining round-trip efficiency, storage charging rates, and other criteria. It may be necessary to consider further constraints or methodological revisions to the storage sufficiency

test, something which should be examined in tandem with other potential sources of variability within this construct.

#### **8. NQE for Fossil Resources**

A methodology for determining NQE for fossil resources will be required in consideration of operational, legal/contractual, environmental, economic, or other constraints to the resources' ability to serve load. The current process for assigning resources an NQC value, which is based on performance criteria, testing and verification, and other restrictions, may be used as a guide for establishing a process for assigning NQE. For fossil resources, special consideration should be given to air quality permits, start/stop restrictions, and other operational constraints.

#### **9. NQE for Hydroelectric Resources**

A methodology for determining NQE for hydroelectric resources will be required similar to that required for fossil resources. For hydroelectric resources, special consideration should be given to flow requirements and variations in seasonal and annual water availability.

#### **10. NQE for Demand Response**

A methodology to determine NQE for Demand Response should be established, giving consideration to contracted demand response as well as historical energy reductions.

#### **11. NQE for Imported RA**

A methodology for determining NQE for import RA contracts will be required and should be constructed based on the energy flows indicated in the contract.

#### **12. Export from Behind-the-Meter Resources**

Behind-the-meter resources account for a significant and growing share of energy production. Further work should be pursued to resolve whether, and if so, how to credit LSEs for exported generation from BTM resources controlled by their customers.

## **C. Addressing Variability and Risk**

### **13. Planning Reserve Margin for NQE and NQC**

The current structure addresses variability and risk through the use of a 15% Planning Reserve Margin. Further analysis should be conducted to analyze sources of variability and risk, including anomalous weather, generator unavailability and non-energy uses (e.g. ancillary services), load forecast and temporal mismatches between load and generation. Improved understanding of potential drivers of uncertainty may be gained through statistical analysis, and may be addressed through the establishment of a Planning Reserve Margin.

## **D. Policy Interactions**

### **14. Resource Allocations**

Successful, cost-effective implementation of this policy is contingent on improving the current process for LSE allocation of resources. While resource allocations are currently limited to a relatively small share of resources on the Cost Allocation Mechanism (CAM) list, the CAM list is expected to grow considerably following the implementation of the Local Resource Adequacy Central Procurement Entity. Further, a pending co-chair report in Power Charge Indifference Adjustment (PCIA) Phase 2 Working Group 3 proposes to reallocate investor-owned utility (IOU) renewable and RA resources to LSEs (upon their election) in lieu of the current PCIA structure. Both of these proceedings will have dramatic effects on LSE resources and needs; resolving these proceedings and improving the timeliness and accuracy of allocation forecasts will be necessary to avoiding costly overprocurement.

### **15. IRP Reliability Assessment**

Further development work will be required to integrate the Integrated Resource Planning (IRP) and RA processes, with particular focus on how these policies align and provide the right incentives for LSEs to bring on and retain a set of resources capable of serving the needs of the

electric system. In particular, further work will be required to consider whether the three prongs of this proposal should be incorporated as metrics within the IRP proceeding.

### **III. CALCCA PROPOSES FURTHER STUDY OF LEANING AND MARKET POWER ISSUES TO FACILITATE CONSIDERATION OF A SYSTEM AND FLEXIBLE RA WAIVER PROCESS**

#### **A. The Commission Left the Door Open for Consideration of a System and Flexible RA Waiver Process in this Track**

CalCCA submitted a Track 2 proposal to include a system and flexible RA waiver process like the waiver process employed today for local RA compliance.<sup>2</sup> CalCCA first filed its system and flexible RA waiver proposal in its Petition for Modification in R.17-09-020.<sup>3</sup> The proposal was resubmitted as a Track 2 proposal at the informal suggestion of Staff considering the transfer of outstanding issues from R.17-09-020 to R.19-11-009. In D.19-06-026, the Commission expressed support for “further discussion of these issues through workshops or in a later phase in this proceeding”.<sup>4</sup> While Track 2 should have provided that venue, practically there was limited opportunity for such a discussion and the proposal was rejected due to remaining open questions. However, CalCCA believes that Track 3.B is now the appropriate forum to address these issues as the Commission left room for further study to pursue such a process.<sup>5</sup>

Several parties opposed CalCCA’s system and flexible RA waiver proposal.<sup>6</sup> The Western Power Trading Form (WPTF) argued that “a waiver process requires rigorous study of

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<sup>2</sup> *California Community Choice Association’s Late-Filed Track 2 Proposal*, Mar. 18, 2020 (CalCCA Track 2 Proposal).

<sup>3</sup> *California Community Choice Association Petition for Modification of D.19-06-026*, Oct. 30, 2019 (CalCCA PFM).

<sup>4</sup> D.19-06-026 at 18.

<sup>5</sup> Consistent with this approach, the Administrative Law Judge in R.17-09-020 issued a proposed decision (PD) on CalCCA’s Petition on July 30, 2020. The Commission declined the Petition on grounds that the Commission had addressed the issue in D.20-06-031 and, therefore, the issue was moot. In other words, the PD leaves the issue to R.19-11-009 for resolution.

<sup>6</sup> *See* D.20-06-041 at 64.

supply and demand dynamics that necessitate further exploration.”<sup>7</sup> Calpine had more specific objections, arguing that CalCCA’s proposal to use the terms “commercially reasonable price” and “commercially reasonable actions” left the proposal “unacceptably vague.”<sup>8</sup> The Commission agreed that “there remain ‘significant, unresolved issues that require further consideration before allowing such waivers, including potential leaning by LSEs and market power issues.’”<sup>9</sup> It concluded, as it did in D.19-06-026, “that a system and flexible waiver process requires further development and study.”

To address these criticisms and to address the unresolved issues identified in in D.19-06-026 and D.20-06-031, CalCCA proposes that the issue be pursued in Track 3.B.

**B. CalCCA Proposes a Study Process to Support Consideration of a System and Flexible RA Waiver**

The Track 2 decision identified areas of concern that would need to be examined to allow for consideration of a system and flexible RA waiver. D.19-06-026 and comments on CalCCA’s proposal suggest the need for greater clarity and certainty around market power and leaning concerns. In essence, the Commission needs to be assured that (1) a load-serving entity seeking a waiver took reasonable action to procure the needed system and flexible RA, and (2) its failure to procure these requirements arose from an exercise of market power. CalCCA proposes a process to be undertaken by a Working Group (WG) to study the system-level market dynamics that substantiate the proposed waiver.

As an initial step, WG participants, in coordination with the California Independent System Operator’s (CAISO’s) Department of Market Monitoring, would determine and compare supply and demand for 2019-2023. Demand could be forecasted based on actual monthly LSE

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<sup>7</sup> *Ibid.*

<sup>8</sup> *See* D.20-06-041 at 64-65.

<sup>9</sup> *Id.* at 65.

obligations for 2019-2020, projected out for 2021-2023. Supply could be assessed by identifying capacity available in the market for use as system and flexible RA relying on the CAISO's annual publication of NQC and effective flexible capacity (EFC). Actual RA imports counted as system for 2019-2020 and the capacity available from pseudo-tied and dynamically scheduled import resources for 2021-2023 would be added to the CAISO system NQC total. For any such resources that were not included by the October 30 compliance deadlines, the study would investigate whether and when such resources were actually offered to the market. Without such an investigation, the study could identify generally that there is "sufficient capacity available in the system" but make no meaningful determination as to whether market power is being exercised. Additional potential areas of study could include system and flexible RA price trajectories or broader regional and market trends that could have material impacts on supply and demand, such as tightening of WECC-wide RA resources. The study would initially be presented in draft form, with a workshop to provide further input or propose modifications.

Once the WG had drawn conclusions from the study, parties could present informal proposals to address the study's findings. If conditions presented in the study suggest the RA market is vulnerable to the exercise of market power, workshops could be held to create waiver procedures that could be employed when:

- For future years, expected demand exceeds supply; or
- For past years, demand has exceeded supply that has been made available to the market before a specified pre-compliance date.

The proposals would need to identify more specifically the showings that would be required to obtain a waiver. For example, as Calpine suggests, it could be necessary to develop a "threshold price" above which it appears market power is being exercised and a waiver should be granted.

Input and review by Energy Division staff would be sought throughout the process to ensure the

WG addressed Staff and the Commission's issues related to moving forward with a waiver process.

CalCCA proposes implementing the WG be implemented not later than 4Q 2020, with the aim of implementing the process for the 2022 compliance year. If the study demonstrates necessary conditions for the waiver for 2019-2021, a retroactive waiver process could be established for these periods.

#### **IV. CONCLUSION**

For all the foregoing reasons, CalCCA respectfully requests consideration of the proposals specified herein and looks forward to an ongoing dialogue with the Commission and stakeholders to address the state's reliability goals.

Respectfully submitted,



Evelyn Kahl  
General Counsel to the  
California Community Choice Association

August 7, 2020