



September 9, 2020

The Honorable Gavin Newsom
Governor, State of California
State Capitol, 1st Floor
Sacramento, California 95814

Dear Governor Newsom:

The California Community Choice Association (CalCCA) represents 20 Community Choice Aggregators (CCAs) providing energy to customers in more than 170 cities and counties throughout California, as well as several new CCAs planning to initiate service this fall and in 2021. Collectively, CCAs serve approximately 25% of the load in the California Independent System Operator (CAISO) balancing authority control area. CalCCA's members are committed to reducing greenhouse gas emissions and, as local government agencies, are well positioned to work with the state to achieve long-term decarbonization goals.

CCAs also share the state's strong interest in ensuring reliable energy supply and grid operations and have actively engaged in regulatory efforts to secure reliability. Collectively, CCAs have executed almost 5,000 MW (5GW) of long-term power purchase agreements for new-build solar, wind, geothermal and energy storage projects. The recent rolling blackouts, however, reveal an urgent need to reform the existing resource adequacy rules administered by the California Public Utilities Commission (CPUC) and the CAISO, and focus the CPUC's integrated resource planning process more rigorously on supply reliability.

During the extreme emergency heat storms over Labor Day weekend and in August, CalCCA members took the following actions to support state efforts:

- Amplified messaging around Flex Alerts and energy conservation measures to the more than 10 million customers served by CCAs, and
- Called demand-response events and encouraged load shifting of customers, particularly those on time of use (TOU) rates.

Additionally, CalCCA members have implemented the following actions to secure reliability and prepare to respond to emergencies in the future:

- ❖ Expanding use of critical peak pricing and TOU pricing that maximizes incentives for shifting demand away from periods of high stress on the grid.
- ❖ Exceeding their share of the three-year 3,300 MW resource adequacy procurement ordered in October 2019 (to be installed between 2021 and 2023).
- ❖ Taking steps to form a Joint Powers Authority to enable cooperative procurement of large-scale resources (e.g., long duration storage projects).
- ❖ Installing hybrid generation and storage solutions to enhance the reliability of new solar resources and to reduce emissions from existing resources.
- ❖ Facilitating the installation of clean energy backup power systems at local critical facilities used by the community for disaster preparedness.

CCAs are prepared to do more and are committed to working with the Joint Agencies and the investor-owned utilities (IOUs) to support reliable energy service and ensure sufficient in-state renewable integration supply.

CalCCA Proposed Policy Changes

As the root causes of the extreme emergency events are revealed, they may point directly to solutions necessary to mitigate the risk of repeating similar events in the future. Even without certainty regarding those causes, however, California can begin now to take steps to increase reliability through action in the regulatory, legislative, and federal arenas. Going beyond individual CCA efforts, CalCCA proposes the following policy initiatives in response to the recent reliability challenges.

- ✓ **Regulatory:** *The CPUC should continue to ensure adequate supplies will be in place for summer 2021 requirements and beyond through the procurement track of the integrated resource planning process, and review its import restrictions in the context of the lessons learned during the extreme emergency events.*

The CPUC should use the Integrated Resource Plan (IRP) proceeding's procurement track in 2021 to refine our understanding of near- and mid-term reliability needs in the 2024-2026 timeframe. CalCCA supported the 3,300 MW procurement order in 2019 and supports augmenting reliability analysis conducted in IRP to identify any incremental near-term procurement beyond the current 3,300 MW order. As the need for new resources in the 2024-2026 timeframe has already been clearly identified within the IRP proceeding, CalCCA proposes using the coming months to better refine four areas:

- Identify the specific technical needs in 2024-2026 (capacity, energy, evening ramp, etc.)
 - Establish a fair process to allocate the technical need to load serving entities (LSEs) for procurement action, with recognition of early actors who contributed to reliability resources in the 2021-2023 time period
 - Develop a deeper understanding of import resource availability and institutional barriers to securing firm import resources
 - Provide appropriate market incentives and regulations for behind-the-meter infrastructure to act as supply-side energy and capacity resources
- ✓ **Legislative:** *The Legislature should put in place a Central Reliability Authority (CRA) responsible for planning and coordinating the state's resource adequacy with the CAISO and, where necessary, procuring backstop supply.*

The Legislature should enact AB 3014 (Muratsuchi) to establish the Central Reliability Authority. AB 3014 was designed to address problems with resource adequacy (RA) that have been highlighted in recent years. At the heart of this bill, the goal is to improve reliability so that the necessary energy is available when needed but is designed in a way that both keeps costs down and incentivizes local initiatives. AB 3014 would establish a Governor-appointed board to oversee the formation and operation of a nonprofit public benefit corporation that would coordinate RA planning and implement forward (multi-year) collective RA energy procurement with all LSEs. RA requirements would continue to be determined by the CPUC but the CRA would oversee resource sufficiency in coordination with the CEC and CAISO. An additional function could be added to allow the CRA to procure new resources (new builds) where there is a collective deficiency that the LSEs are unable to fill.

- ✓ **Federal:** *California should support the expansion of the federal Investment Tax Credit (ITC) to standalone energy storage resources and the removal of charging restrictions currently limiting the flexibility of battery energy storage to support the state's ramping and peak needs.*

The Governor's Office should work with California's congressional delegation to support the extension of the ITC to stand-alone storage resources and/or to remove charging restrictions in place on existing hybrid credits. Currently, ITC-eligibility is limited to storage resources installed with renewable energy resources and requires that the storage be charged primarily with energy from the solar project. These restrictions potentially limit the flexibility of energy storage in meeting ramping and peak demand needs, which is essential to continuing to integrate renewables into the grid. While CalCCA's members have entered into numerous contracts for hybrid solar and storage resources, eliminating these arbitrary regulatory constraints will increase the flexibility of these resources to meet reliability needs during constrained periods, and will make energy storage more cost-effective for ratepayers in California and across the country.

Independent Review. Finally, while a forensic review by the CAISO, CPUC and Energy Commission is foundational to an understanding of the extreme events, the review should not stop there. CalCCA supports an external review to ensure an objective assessment of the underlying causes. CalCCA recommends the Governor appoint an *Independent Review Panel* to consider the report of the Joint Agencies investigation and make recommendations. The panel should consist of former agency experts, non-market participants representing each of the three categories of load serving entities (IOUs, CCAs and ESPs), and other key stakeholders. While the Joint Agencies are no doubt motivated to prevent future shortages, an objective eye will ensure that natural biases do not affect the characterization of the root cause or proposed mitigation measures.

CalCCA and the CCA community are committed to providing clean, reliable service to safeguard California's energy future. Internally, we have identified numerous mitigation measures for consideration by the broader stakeholder community and will work in tandem with the Joint Agencies to comprehensively review the state's reliability program and to implement changes to prevent future outages and achieve our climate goals. We would welcome the opportunity to meet with you and your staff to discuss our proposals.

Sincerely,



Beth Vaughan
Executive Director

cc: Honorable Toni Atkins, President pro tempore, California State Senate
Honorable Anthony Rendon, Speaker of the Assembly
Honorable Chris Holden, Chair, Assembly Committee on Utilities and Energy
Honorable Ben Hueso, Chair, Senate Energy Utilities and Communications
Marybel Batjer, President, California Public Utilities Commission
David Hochschild, Chair, California Energy Commission
Stephen Berberich, President and CEO, California Independent System Operator
Ana Matosantos, Cabinet Secretary, Office of the Governor
Alice Reynolds, Senior Advisor, Office of the Governor