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

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| Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Reliable Electric Service in California in the Event of an Extreme Weather Event in 2021. | R.20-11-003 |

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
REPLY COMMENTS ON ORDER INSTITUTING RULEMAKING**

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## Table of Contents

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**CALIFORNIA COMMUNITY CHOICE ASSOCIATION REPLY COMMENTS ON ORDER INSTITUTING RULEMAKING**

The California Community Choice Association (CalCCA)[1] submit these reply comments in response to the *Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Reliable Electric Service in California in the Event of an Extreme Weather Event in 2021* (OIR), issued on November 20, 2020, 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 myriad supply- and demand-side recommendations offered by stakeholders to shore up reliability on the California Independent System Operator (CAISO) controlled grid for Summer 2021. As the Commission observed, "...the OIR will only focus on those actions that the Commission can adopt by April 2021 and that the parties can implement

[1] California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District, CleanPowerSF, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Silicon Valley Clean Energy, Solana Energy Alliance, Sonoma Clean Power, Valley Clean Energy, and Western Community Energy.

before the summer of 2021."[2] In the face of the wide range of possible solutions, Southern California Edison Company (SCE) best articulated a reasonable objective for this rulemaking:

> While SCE appreciates that the Commission is exploring all possible options to decrease demand and increase energy supply during peak demand and net peak demand hours, this effort will be better served focusing on options that can realistically and safely be operationalized within the next six months.[3]

With the extremely limited time available, CalCCA urges the Commission to take the following steps:

- ✓ Immediately set workshops beginning in early January to identify the extent of the Summer 2021 incremental need, leveraging existing analyses performed by the CAISO, SCE and other stakeholders;
- ✓ Recognize that directing procurement of *new*, currently unplanned resources for Summer 2021 is infeasible;
- ✓ Estimate the potential benefits from out-of-market solutions, which should be considered in evaluating the results of the needs analyses;
- ✓ Work with the CAISO toward temporary tariff modifications that will enable the CAISO to procure through its Capacity Procurement Mechanism (CPM) any available capacity needed to meet Summer 2021 requirements (1) to facilitate efficient and timely procurement; (2) to equitably share responsibility across all jurisdictional and non-jur( control; and (3) to minimize avoidable penalties on individual load-serving entities (LSEs) resulting from the scarcity of supply and constrained procurement periods; and
- ✓ Proceed expeditiously with its more holistic efforts in R.20-05-003 to ensure reliability through increased procurement.

CalCCA looks forward to working with the Commission, the CAISO and stakeholders to take these steps to ensure reliability for Summer 2021.

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2 OIR at 12.

3 Southern California Edison Company’s (U 338-E) Comments on Order Instituting Rulemaking, Nov. 30, 2020 (SCE Comments) at 9.

## II. REPLIES TO COMMENTS

### *1. Should the Commission consider directing the IOUs to design a new paid advertising program for distributing CAISO's Flex Alerts in various outlets, including social media? If so, how should the Commission authorize a budget dedicated to this purpose and what measures and budget level should be considered?*

SCE supports enhanced customer communication during emergency events and funding to support further communication efforts,[4] while PG&E questions whether the Flex Alert program should be a CAISO function[5] and SDG&E raises reasonable concerns over equitable cost allocation.[6]

Moving the planning and administration of the Flex Alert program to the CAISO provides the most reasonable solution. This approach is, as PG&E points out, consistent with D.15-11-033[7] and would address the cost allocation issues raised by SDG&E. Flex Alerts benefit the entire CAISO-controlled grid, and the costs of providing this benefit should be borne equitably across all LSEs and their customers who rely on the grid, including non-jurisdictional LSEs. CAISO ownership also produces economies of scale by combining the budgeting, planning and administration by three investor-owned utilities (IOUs) into one process. While fully transitioning by Summer 2021 may be challenging and could be disruptive, the CAISO, the IOUs, and other LSEs should collaborate as closely as possible to ensure the benefits of Flex Alerts are maximized.

If the Commission rejects this approach and continues with funding support for the IOU program administration, it should expand funding to include community choice aggregators

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4 SCE Comments at 5-6.

5 *Opening Comments of Pacific Gas and Electric Company (39 E) on the Ordering Instituting Rulemaking,* Nov. 30, 2020 (PG&E Comments) at 4.

6 *San Diego Gas & Electric Company (U 992 E) Comments on Order Instituting Rulemaking,* Nov. 30, 2020 (SDG&E Comments) at 4.

7 PGE Comments at 4.

(CCAs). Both on their own initiative and at the request of the Governor's office, CCAs supported Flex Alert goals and amplified conservation messaging during the August emergency conditions. Thus, either individual budgets or coordinated program development with the IOUs would better enable CCAs to participate as full partners in the state's support for the Flex Alert tool.

***3. Should the Commission explore potential options to encourage non-IOU LSEs to develop programs similar to CPP?***

Like the three IOUs,[8] CalCCA supports the Commission's exploration of potential options to encourage non-IOU LSEs to develop Critical Peak Pricing (CPP) programs. CCAs have already begun to explore and, in the case of CleanPowerSF, have implemented their own similar CPP programs.[9] In line with UCAN's comments,[10] ensuring the adequacy of data provided to other LSEs is critical to the success of CPP programs administered by non-IOU LSEs. The Commission should direct each IOU to work with LSEs in their service territories to maximize the availability of comparable real-time data necessary to facilitate CPP programs.[11] As SDG&E points out, the need for other LSEs to develop these programs will become more and more critical as load migrates away from the IOUs.[12]

***4. Should the Commission increase IOU marketing funds to increase enrollment in CPP or take other actions to increase customer participation in the program?***

The Commission should not lightly take any requests for new or additional funding as the fiscal impacts of COVID-19 continue to impact ratepayers. Before undertaking this step, the Commission should ask the IOUs to take stock of their existing programs to assess whether

8 SCE Comments at 6; PG&E Comments at 6; SDG&E Comments on Question 3.
9 *See* https://www.cleanpowersf.org/pdp.
10 Opening Comments of The Utility Consumers' Action Network (UCAN) to Order Instituting Rulemaking, November 30, 2020 (UCAN Comments) at 5.
11 UCAN Comments at 5-6.
12 SDG&E Comments on Question 3.

further benefits could be gained by enhancing communication with customers who are already enrolled or repurposing already authorized marketing funds. IOU commercial and industrial customers today generally default to CPP programs, and additional funding will not change their contribution. If the Commission nonetheless authorizes additional IOU funding, it must consider cost recovery for this funding. All LSEs should be treated similarly, ensuring that if the costs of the program are socialized broadly among customers, comparable funding is provided to CCAs implementing similar programs.

### ***5. Should the Commission establish a new out-of-market and outside the RA framework emergency load reduction program (ELRP) that could be dispatched by CAISO/IOUs under specified conditions where participants are compensated only after the fact and based only on the amount of load reduction achieved during the dispatch window? If so, what are the key program design elements (e.g., dispatch conditions, compensation level, load reduction measurement considerations, target customer segments, etc.) that should be considered or incorporated? What other issues (such as interactions with existing supply-side and load-modifying programs) need to be considered in order to establish an ELRP? How should these issues be addressed?***

Before establishing new out-of-market ELRPs, the Commission must allow the IOUs to implement currently planned programs[13] and develop timely pilots to test new ELRP concepts. SDG&E points out that it has a program available for Summer 2021 implementation, [14] and SCE contemplates potential limited pilot ELRPs.[15] To ensure that these programs provide actual benefits, however, it should direct that customers be compensated under these programs in proportion to their load reduction. It should also ensure equity in cost allocation; if IOUs are permitted to spread their costs across all customers, any other LSE operating a similar program should be granted similar funding opportunities.

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13 SDG&E highlights its Emergency Load Shed Pilot, which can be put in place for Summer 2021. SDG&E Comments on Question 5.

14 SDG&E highlights its Emergency Load Shed Pilot, which can be put in place for Summer 2021. SDG&E Comments on Question 5.

15 SCE Comments at 7-8; PG&E Comments at 7.

It is also important to observe that non-IOU programs may already exist. Sonoma Clean Power's GridSavvy demand response was effectively deployed and reduced SCP's needs during the August outages. The CPUC should consider emergency load reduction programs that non-IOU LSEs are already planning or implementing to ensure that those programs are coordinated with IOU programs, and that those customers would also be compensated based on their load reduction.

**6.** ***Should the Commission allow BTM hybrid-solar-plus storage assets to participate and discharge their available capacity in excess of onsite load (and thus export to the grid) and receive compensation for the load reduction, including exported energy, under ELRP? Should this capability be expanded to include BTM stand-alone storage as well? Are there any Rule 21 or safety and reliability considerations that need to be addressed to permit storage, with or without NEM pairing, to export energy while participating in the ELRP? How should any safety and reliability issues be addressed?***

The IOUs raise concerns in response to this Question. SCE cites concerns about its IT system, safety, and "operational issues around incrementality, dual capacity, double payment, measurement, settlement, and verification…."[16] PG&E cites similar concerns, as well as the need for additional "tools for visibility and control" and CAISO and Federal Energy Regulatory Commission (FERC) approve for the export of market-integrated products.[17] SDG&E recommends addressing the issue in R.19-11-009 and R.19-09-009.[18]

CalCCA acknowledges that there are outstanding questions and barriers related to BTM integration under the current market structure. However, the existing tariffs and programs fail to allow BTM resources with exporting capabilities to fully use their potential or be fairly compensated for their services during reliability events. In this context, the Commission and CAISO should bear in mind that a wide range of analyses, including the Joint Agency's SB100

[16] SCE Comments at 9-10.
[17] PG&E Comments at 8.
[18] SDG&E Comments on Question 6.

modeling,[19] indicate that load management and BTM exports of all forms represent a major cost saving and reliability strategy that should be fully leveraged and fully valued. While adopting a methodology for assigning full capacity value to BTM hybrid and storage resources may not be settled before Summer 2021, CalCCA encourages the Commission to focus its near-term efforts on leveraging these resources through the ELRP to avoid stranding capacity that could otherwise contribute to grid reliability needs. Expanding ELRP to include net exported energy from BTM hybrids and storage resources offers a near-term, temporary solution to provide the appropriate incentives that leverage the flexibility and capabilities of these resources.

**8.** ***Should the Commission consider expedited procurement, including through the cost allocation mechanism for additional reliability procurement (e.g., expansion of existing gas-fired resources) that could be online for Summer 2021 and 2022? If so, how could this occur in order for the additional capacity to be online on time to address summer reliability needs. If not, why not?***

**9.** ***If the CEC, CAISO, or the CPUC conducts additional analyses regarding Summer 2021 load forecasts, should the Commission consider a mechanism to update RA requirements in April for the summer of 2021 or would it be appropriate for CAISO to use its capacity procurement mechanism (CPM) to procure additional capacity for the summer of 2021, should it be deemed necessary?***

PG&E reasonably points to the clear timing limitations on LSEs' ability to get new steel in the ground by Summer 2021.[20] SCE and SDG&E similarly focus on solutions that leverage existing resources and those new resources mandated by D.19-11-016.[21] CalCCA agrees with the IOUs that in terms of expedited procurement for 2021, the solution lies solely in maximizing the capacity of ***existing*** resources. Expedited procurement, potentially more focused on new resources, has also been taken up in R.20-05-003 in the context of the Staff Proposal on

[19] Draft 2021 SB 100 Joint Agency Report, Docket 19-SB-100 TN #: 235848.
[20] PG&E Comments at 10.
[21] SCE Comments at 12-13; SDG&E Comments on Question 8.

coordination between planning and procurement.[22] This approach requires the Commission and the CAISO to address several important issues:

**a** ***How much capacity is needed considering the capacity of all existing resources, imports, and resources developed in response to D.19-11-016?***

There are several different ways of assessing the incremental capacity need. The CAISO, through its stack analysis, suggests a need for 450-3,300 MW of incremental capacity.[23] SCE approaches the problem through a modified Loss of Load Expectation study, hinging results in part on the nature of the resources procured in response to D.19-11-016 and suggests that the procurement ordered in R.19-11-019 is adequate to maintain a Loss of Load Expectation of 0.09, assuming the entire capacity is energy storage successfully brought online by August 2021.[24] Stack analyses, while alone inadequate to pinpoint reliability needs, may also provide additional directional perspective on needed resources. However, developing a forecast of high enough quality to determine actual grid needs requires loss of load studies with adequate spatial and temporal resolution to capture critical dynamics, such as transmission constraints and energy needs outside of peak hours. The Commission should schedule three workshops beginning in early January to examine this issue and arrive, based on existing analyses and any other analyses offered by stakeholders, on a range of potential needs and expeditious and cost-effective solutions.

**b** ***How can any incremental needs be recognized in the existing RA and CAISO frameworks?***

If reasonable analysis demonstrates incremental need beyond 2021 RA requirements, as calculated using the current methodology, the Commission and the CAISO must determine how

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22 Staff proposal for procurement R.20-05-003.
23 CAISO Comments at 2-3.
24 SCE Comments at Appendix A.

to recognize that need in the current regulatory processes. Stakeholders offered a variety of proposals regarding how to proceed with the procurement of any needed incremental capacity. SDG&E suggests reviewing previously rejected bids.[25] PG&E urges the Commission to "place greater emphasis on demand-side solutions, such as demand response….."[26] SCE proposes allowing IOUs to execute bilateral contracts to expand the capacity of existing cost allocation mechanism (CAM) resources, with costs recovered through the CAM.[27] The CAISO urges the Commission to issue a procurement order for all LSEs as soon as possible[28] and to increase the RA requirements by applying a "temporary" Planning Reserve Margin (PRM) of 20 percent.[29] The CAISO also points to its ability to use backstop authority through its CPM.[30] CalCCA recommends the Commission and the CAISO to work together to rely first on the CPM process.

With roughly six months until Summer 2021 arrives, there is insufficient time to go through the process of increasing the PRM and allocating the increase among LSEs. This is particularly true given the desire to rely not only on peak load but a combination of peak and post-peak load. More importantly, increasing requirements and sending all LSEs out on a goose chase to hunt down the incremental capacity seems counterproductive and likely will only increase RA penalties with little purpose served.

Placing the procurement burden on the IOUs through the CAM is also inefficient. It would still require coordinated procurement among three IOUs, and the equities of allocating any need equally among the three IOU service territories is not apparent, particularly since the problem involves system, rather than local, reliability issues. Moreover, this approach fails to

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25 SDG&E Comments on Question 8.
26 PG&E Comments at 11.
27 SCE Comments at 13-14.
28 CAISO Comments at 8.
29 *Id.* at 11-12.
30 *Id.* at 11.

take into account the responsibilities of non-jurisdictional LSEs to share in the burden of augmenting system reliability resources.

The optimal approach would employ the CAISO CPM process. This approach centralizes the work of identifying, increasing the efficiency of the time-constrained process and contracting needed resources, including imports, and allocates responsibility equitably among all LSEs – both jurisdictional and non-jurisdictional. CalCCA acknowledges potential limitations of the CPM process, including its limitation to one-year contracts[31] and the uncertainty of how to implement the CPM as more of a "front stop" mechanism for limited Summer 2021 purposes. However, it seems much more efficient and likely effective for the CAISO to seek a temporary modification of its tariff to permit CPM contracts in excess of one year and to accommodate the use of the mechanism for this unusual "front stop" need for incremental procurement. The term of any commitments, however, should be limited as tightly as possible to avoid prolonging unnecessary reliance on natural gas resources into the future. CalCCA urges the CAISO to take these immediate steps, supported by the Commission and stakeholders, to quickly address potential incremental needs for Summer 2021.

These modifications would also need to consider the "trigger" for the incremental CPM procurement. While CalCCA does not support an increased PRM at this late stage a temporary PRM increase to facilitate deployment of the CPM for incremental procurement purposes could be a reasonable approach provided it is not applied in a manner that will place risk on individual LSEs for unnecessary non-compliance penalties. That increase, however, should *not* be set at an arbitrary level. Instead, the percentage should be set at a level reflecting the difference between

[31] CAISO Tariff §43A.3.1.

the actual anticipated requirements, determined as described in section a above, and the RA requirements allocated to LSEs based on the existing 15 percent PRM.

**c** ***How should out-of-market (OOM) resources, such as ELRP programs, be factored into the need determination?***

The Commission and the CAISO will likely not assign a Net Qualifying Capacity (NQC) to OOM resources, such as an ELRP. Indeed, the CAISO views ELRP resources as "'insurance value' beyond what is provided by resource adequacy."[32] The capability of these resources, however, should not be ignored in examining resources and need. CalCCA recommends that the Commission establish an estimated range of potential MW of OOM solutions and employ that value to determine where, in the range determined of incremental need determined as described in section a above, to set the temporary PRM increase.

**d** ***What opportunities exist to expand or increase output from existing resources in the short-run?***

To the extent there is clear, unmet need for Summer 2021 considering the existing resource fleet, the CAISO and/or other market participants may need to tap shut-in capacity and potential capacity enhancement opportunities.[33] The Commission should immediately request comments from parties with potentially responsive capacity to identify the range and timing of their solutions, which could include securing imports backed by firm transmission, maintaining resources at risk of retirement for additional time, etc. If a need is identified, bringing greater transparency to market options would benefit all market participants.

**10.** ***Should the Commission undertake a stack analysis of the amount of resources that would be necessary for summer of 2021?***

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[32] CAISO Comments at 7.

[33] Calpine, for example, identifies up to 100 MW of potential existing capacity. *Comments of Calpine Corporation on Order Instituting Rulemaking*, Nov. 30, 2020 at 1.

See response to Questions 8 and 9. The Commission should use a spatially and temporally explicit model to conduct a loss of load study, such as SCE's LOLE analysis, and any other analyses completed by stakeholders as the foundation for determining need through the workshop process.

**11.** ***Should the Commission consider requiring that load serving entities expedite the IRP procurement they have scheduled to come online? How would the Commission provide equitable incentives so that the expedited process does not disproportionately increase costs for that LSE? If so, please explain how this would work. If not, why not?***

Definitely not. During Summer 2020, Energy Division reached out to LSEs to identify opportunities to expedite procurement ordered under D.19-11-016. Unfortunately, project timelines, and, in particular, interconnection needs, severely limit the ability of LSEs and developers to shift development timelines at this late stage. Moreover, interconnection would be an insurmountable to be overcome in order to expedite IRP procurement. Finally, pushing timelines increases project costs with no guarantee of early completion. The Commission should instead work to clear any delays affecting D.19-11-016 compliance and focus more stridently on existing supply and load reductions.

**12.** ***Are there other opportunities for increasing supply for the summer of 2021 and/or reduce demand that the CPUC has not considered? If so, please provide details of these supply or demand resources and please explain how they can address reliability needs in the timeframe discussed in this OIR.***

Sonoma Clean Power Authority and Valley Clean Energy proposed Commission funding of a "rapid 20-day Potential Study to explore how a large-scale aggregated demand response program could meet a significant fraction of the needed capacity starting in 2021…."[34] The study would address three potential actions:[35]

[34] *Opening Comments of Valley Clean Energy and Sonoma Clean Power Authority*, Nov. 30, 2020 at 2.
[35] *Id.* at 3.

- The new installation of automated demand response (ADR) controls on 200 MW of residential air conditioning loads in the Central Valley.
- The new installation of ADR controls on 200 MW of agricultural water pumping and refrigeration in the Central Valley.
- Changes to how existing utility demand response loads are dispatched that explore different dispatch times, frequency, and duration

Targeting Central Valley loads offers the potential to move the needle on demand response. CalCCA supports adoption and immediate implementation of this proposal.

CalCCA also encourages the Commission and the CAISO to review their import restrictions in the context of the lessons learned during the extreme emergency events. The recent regulatory turmoil around RA imports combined with the overly restrictive rules adopted by the Commission have already removed legitimate, resource-backed import supplies from the California market. While LSEs and import suppliers struggle to comply with the newly minted rules, CAISO has continued development of its own proposal, which is at odds with the Commission's approach. Aside from the confusion and potential for stranded assets caused by frequent drastic rule changes, CalCCA remains concerned that the CPUC and CAISO have gone too far. CCAs have been engaged in and support many elements of the CAISO's RA Enhancements initiative, however the proposed requirement for RA imports to hold firm transmission will remove available supply of reliable, deliverable import energy. More troubling, the requirement will enable the exercise of market power and increase costs without commensurately contributing to increased reliability for Californians. At a time when it is critical to secure agreements for dependable RA import resources, the rules being developed by the CAISO must strike the right balance of allowing legitimate imports to deliver to California without enforcing excessive requirements that cause harmful, unintended consequences.

**17.** ***Should the Commission explore short-term measures to expand electric vehicle (EV) participation in currently available DR programs (IOU DR, DRAM, non-IOU LSE DR)?***

While CalCCA strongly supports this direction, it may not be feasible in the short-term. Analysis could be undertaken, however, in the proposed study process discussed in response to Question 12.

## III. CONCLUSION

CalCCA appreciates the opportunity to submit these comments and requests adoption of the recommendations proposed herein.

Respectfully submitted,

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