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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'S
REPLY COMMENTS ON THE PROPOSED DECISION ON TRACK 3.A ISSUES:
LOCAL CAPACITY REQUIREMENT REDUCTION COMPENSATION MECHANISM
AND COMPETITIVE NEUTRALITY RULES**

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The California Community Choice Association (CalCCA)¹ submit these reply comments pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure on the October 23, 2020 proposed *Decision On Track 3.A Issues: Local Capacity Requirement Reduction Compensation Mechanism And Competitive Neutrality Rules* (PD).

I. INTRODUCTION

CalCCA responds in these reply comments to Southern California Edison Company's (SCE's) opening comments on the PD. CalCCA supports SCE's proposal to correct the price calculation of the local capacity requirement reduction compensation mechanism (LCR RCM), by removing the inclusion of an effectiveness factor in determining the number of MW receiving compensation.² The Central Procurement Entity (CPE), as directed in D.20-06-002, will assess

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.

² *Southern California Edison Company's (U 338-E) Comments on Proposed Decision on Track 3.a. Issues* (SCE Comments) at 2-3.

effectiveness for shown resources in the same way it does for bid resources, taking effectiveness into account when selecting resources.³ The CPE will not discount the number of MW offered by a bid resources based on the resource's effectiveness, and neither should it discount the MW shown by load-serving entities (LSEs).

II. THE COMMISSION SHOULD CORRECT THE CALCULATION OF THE PREDETERMINED LOCAL PREMIUM PRICE

SCE points out an important problem with the price formulation originally proposed by CalCCA and adopted by the PD. The PD, based on the Final Report,⁴ describes the calculation as follows:

- Year 1: Use the weighted average price from the last four quarters of Energy Division Power Charge Indifference Adjustment (PCIA) responses for both system and local RA; subtract system Resource Adequacy (RA) price from local RA price and *multiply by effective MW*.
- Subsequent Years: Use the weighted average price from the last four quarters of Energy Division PCIA responses for system RA and the most recent weighted average price reported in the CPE solicitation results (prior year's results) for local RA price; subtract system RA price from local RA price and *multiply by effective MW*.⁵

This formulation, however, reflected the approach under discussion when the parties were continuing to discuss potential methodologies for evaluating effectiveness. Because parties were unsuccessful, and the CPE has the discretion in whether to take a shown resource, the discussion migrated to requiring the CPE to apply effectiveness considerations in *evaluating* the resource

³ D.20-06-002, Ordering Paragraph 14 at 95.

⁴ *California Community Choice Association and Pacific Gas and Electric Company's (U 39 E) Track 3.A Working Group Report*, Sept. 1, 2020 (Final Report), Attachment 1-12.

⁵ PD, Ordering Paragraph 3, at 35.

rather than requiring incorporation in the payment calculation. Indeed, this approach is consistent with the Commission’s directive in D.20-06-002.⁶

CalCCA’s comments on the Final Report⁷ clarified the calculation in one place, requiring the effectiveness determination to be made by the Central Procurement Entity (CPE) as it will for all bid resources:

Summary of CalCCA Option #2 Local Capacity Requirement Reduction Compensation Mechanism Recommendation	
CPE Obligation	The CPE may accept or reject the showing if more cost-effective resources are available.
Effectiveness	The CPE applies effectiveness criteria to shown resources in the same way the criteria are applied to bid resources.
Annual Price Update	If selected, the CPE will pay the LSE the showing price (pre-determined price or below) without annual adjustment for effectiveness, like bid resources.

Inadvertently, however, the original language requiring the price to be “multiplied by effective MW” remained in the same table.

SCE points out that requiring the CPE to consider effectiveness *and* discounting MW for effectiveness would lead to distortions.⁸ The same calculation *would not* be applied to bid resources, thus distorting the relative values between resources. It could also lead to inflation of showing prices. SCE explains:

While it is appropriate to consider resources’ effectiveness in meeting a local area need, the effectiveness of a specific resource depends on the resource fleet being considered. Consideration of the effectiveness of resources shown under the LCR RCM is already addressed by requiring the CPE to apply the effectiveness criteria to shown resources in the same way such criteria are applied to bid resources. It is not appropriate to multiply the pre-determined local price by effective MW. It is not clear how effective MW would be calculated

⁶ D.20-06-002, Ordering Paragraph 14 at 95 (requiring the CPE to consider local effectiveness in valuing and selecting resources).

⁷ *California Community Choice Association’s Comments on Track 3.A Working Group Report*, Sept. 11, 2020 (CalCCA Report Comments) at 3-4.

⁸ SCE Comments at 3.

upfront before the CPE works with the California Independent System Operator to determine the most effective fleet of resources.⁹

SCE correctly concludes that this approach would unnecessarily increase costs to customers.¹⁰

Removing the step of multiplying price by “effective” MW, as SCE proposes, will not eliminate an effectiveness evaluation of shown resources. Effectiveness will be considered in any decision by the CPE in assessing the value of a shown local RA resource. If the shown price overvalues effectiveness, the CPE will decline to take the resource, so the risk of overvaluation is on the showing LSE. CalCCA thus supports the following changes to Ordering Paragraph 3 proposed by SCE:

- Year 1: Use the weighted average price from the last four quarters of Energy Division Power Charge Indifference Adjustment (PCIA) responses for both system and local RA; subtract system Resource Adequacy (RA) price from local RA price ~~and multiply by effective MW~~.
- Subsequent Years: Use the weighted average price from the last four quarters of Energy Division PCIA responses for system RA and the most recent weighted average price reported in the CPE solicitation results (prior year’s results) for local RA price; subtract system RA price from local RA price ~~and multiply by effective MW~~.

III. CONCLUSION

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

Respectfully submitted,



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General Counsel to the
California Community Choice Association

November 17, 2020

⁹ *Ibid.*

¹⁰ *Ibid.*