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

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

**COMMENTS OF
CALIFORNIA COMMUNITY CHOICE ASSOCIATION
ON THE PROPOSED DECISION**

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SUMMARY OF RECOMMENDATIONS

- ✓ The Commission should hold workshops early in 2021 to further develop the needs assessment and implementation guidelines this emergency procurement. Workshops should be held for stakeholder input to:
 - define the targeted amount of procurement, based on the actual amount of “incremental” need that must be met; and
 - clarify the resources specifically available for procurement under the final decision, to achieve an overall *increase* in contracted capacity.
 - ✓ Given the short time frame available, the final decision should establish a set list of available resources from which IOU procurement can be made for Summer 2021. These resources should include:
 - Resources that could increase their available NQC with limited physical, legal, or regulatory modifications;
 - Any resource on the CAISO’s most recent Announced Retirement and Mothball list; and
 - Any resource not indicated on CAISO’s Final NQC Report for Compliance Year 2021, including firm import energy contracts.
 - ✓ The final decision should include specific implementation guidelines and procurement restrictions to be applicable until superseded by further guidance developed through workshops or by the Commission. A new section 5.4 of the final decision will:
 - Limit procurement to that which is necessary for Summer 2021 only, and to contracts not to exceed one year except in extraordinary cases;
 - Allocate the quantity procured among IOUs, based on their proportional load share;
 - Keep the procurement obligation with the IOUs, separate from the RA program; and
 - Limit prices paid for this procurement to the CPM short offer cap plus the summer penalty price.
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The California Community Choice Association¹ submits these comments pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure on the proposed *Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Seek Contracts for Additional Power Capacity for Summer 2021 Reliability* (Proposed Decision) issued on January 8, 2021.

I. INTRODUCTION

In response to the Administrative Law Judge's December 11, 2020 (Email Ruling)² CalCCA provided recommendations to frame the proposed scope of a procurement order to

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, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, 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 *Email Ruling Directing Parties to Serve and File Responses to Proposals and Questions Regarding Emergency Capacity Procurement by the Summer of 2021*, December 11, 2020 (Email Ruling).

address Summer 2021 and 2022 reliability needs.³ Following the Email Ruling and the filing of responsive comments, the Commission issued the Proposed Decision on January 8, 2021.

CalCCA appreciates the Commission’s swift action to address potential reliability events.

However, due to the compressed timeline, the Proposed Decision was issued in advance of full consideration of the parties’ recommendations in their responses to the Email Ruling. CalCCA requests that the Commission schedule workshops to further assess need and adopt parameters to ensure the procurement is “right sized” and does not otherwise interfere with the operation of the existing resource adequacy (RA) market.

The Proposed Decision directs the investor-owned utilities (IOUs) to pursue one of the available strategies for addressing potential reliability events in the Summer of 2021, “incremental additional capacity procurement,” on an accelerated timeframe.⁴ Although the Proposed Decision directs the IOUs to begin procuring immediately, it merely lays out the “resource types” that may be considered for procurement, which include “[i]ncremental capacity from existing power plants through efficiency upgrades, revised power purchase agreements, etc.,” “[c]ontracting for generation that is at-risk of retirement,” and “[i]ncremental energy storage capacity.”⁵ The Proposed Decision does not provide specific guidance on how the IOUs should implement this directive, what resources are “incremental,” what quantity of resources should be procured, or how this procurement should interact with other reliability-focused compliance requirements.

³ California Community Choice Association’s Response to Email Ruling Directing Parties to Serve and File Responses to Proposals and Questions Regarding Emergency Capacity Procurement By The Summer of 2021, December 18, 2020.

⁴ Proposed Decision at 9.

⁵ Proposed Decision at 11.

The Proposed Decision thus lacks several critical details required for successful and cost-effective procurement to alleviate potential reliability events in Summer 2021 and 2022. A procurement regime lacking these details could result in market disruption, escalated capacity pricing, and even potential enforcement actions, without ever achieving the goal of increasing capacity available to CAISO.

CalCCA continues to stress the need for workshops in January 2021 to review and further develop the needs assessments already performed and the impact of the various sensitivities discussed in its testimony in this proceeding.⁶ These workshops will develop guidance for implementing the decision, and more detailed orders for future procurement, particularly for Summer 2022. Given the lack of time available for these discussions prior to procurement for Summer 2021 reliability, and recognizing it is critical for the IOUs to begin their procurement immediately, CalCCA proposes revisions to the Proposed Decision to establish a specific set of available resources from which IOU procurement can be made. CalCCA also proposes revisions to establish limits and provide guidelines for IOUs implementing the procurement directive, to ensure the procurement is truly “incremental” to resources already contracted or expected to be contracted under existing RA obligations.

II. REFINE NEEDS ANALYSIS THROUGH WORKSHOPS

As noted, the Proposed Decision does not either specify a targeted amount, or provide gloss on what the Commission considers “incremental” for the purposes of the procurement ordered. CalCCA thus proposes workshops among stakeholders to educate and provide guidance as to: 1) what amount of procurement or target volume should be sought; and 2) what resources will be considered “incremental.”

⁶ Direct Testimony of Nicholas J. Pappas, Michael Hyams, Matthew Langer, Mahayla Slackerelli and Samantha Weaver on Behalf of California Community Choice Association (CalCCA (Pappas)), at 21.

CalCCA urges the Commission to clearly define and delineate resource eligibility at the outset. As an initial matter, the Commission, in coordination with the California Independent System Operator (CAISO) and other stakeholders, should clearly define the amount of “incremental” need that must be met. The determination of this amount is appropriate for stakeholder workshops to encourage discussion and review of available needs assessments and seek buy-in for a methodological approach to the issue going forward.

The Commission should then address what resources will be available for procurement under the decision. The Commission’s ultimate goal of achieving an overall *increase* in contracted capacity must remain paramount. It is imperative that procurement under the Proposed Decision not disrupt or cannibalize available RA supply or exacerbate scarcity pricing. Workshops will help the Commission further develop the ideal amount of procurement, and more fully develop the concepts of “incremental” resources, and how they can be identified.

Given the time constraints applicable to procurement for Summer 2021, CalCCA appreciates that a full assessment may not be completed before procurement for that period commences. CalCCA thus proposes specific categories of resources for procurement for Summer 2021 procurement. This list is narrowly targeted to out-of-market resources that would not otherwise be procured by load serving entities (LSEs) for RA showings, and is structured to minimize disruption to LSE procurement for RA compliance.

A. Further Develop the Needs Assessment to Refine Target

An approach to a “target” for procurement must start with an accurate assessment of the existing fleet, planned new resources, and anticipated import RA. It thus should include all resources responding to D.19-11-016 that are set to come on-line by August 1, 2021. This should include resources that may be incremental to any individual LSE’s 2021 requirement under D.19-11-016, unless the Commission determines such excess procurement would qualify

for the proposed order. The assessment must fully recognize the value of non-RA demand response (DR) resources and contributions from behind-the-meter resources, and any other “out of market” secondary demand side resources. The assessment should also account for the estimated availability of emergency load reduction programs (ELRPs) and other demand response resources. The determination of incremental need must account for “all of the above” and should not overlook any source of potential reliability support.

As CalCCA noted in its reply testimony,⁷ the workshops should review and harmonize recent analyses performed by CAISO, Southern California Edison, Commission Staff, and any other stakeholders. A final procurement order should be based on rigorous analyses that incorporate both temporal and spatial dynamics, which are critical to an accurate assessment of reliability. The final MW of need should account for (a) incremental procurement above the D.19-11-016 procurement track requirement, and (b) the increased MW of reliability that can reasonably be expected to result from ELRPs or other out-of-market programs.

B. Define Resource Eligibility for Summer 2021 Procurement

Recognizing there is not time for robust discussion of the total “incremental” need prior to procurement for Summer 2021, CalCCA proposes the Commission specifically identify resources that are subject to procurement for Summer 2021. To best ensure “incrementality,” CalCCA suggests limiting immediate procurement to resources that are not otherwise available to LSEs to meet their 2021 monthly system RA requirements. Without this limitation, procurement under the final decision could severely disrupt load serving entity (LSE) RA procurement and cannibalize, rather than expand, available RA supply.

⁷ Reply Testimony of Nicholas J. Pappas on Behalf of California Community Choice Association at 7.

If, for example, an IOU were to seek to procure RA that is currently the subject of bilateral negotiations between a supplier and an LSE attempting to fulfill its Month Ahead Requirement, the IOU and LSE would be in competition for the same resource. The net result would be higher prices paid by whichever entity “won” the contract - with no net gain in overall system capacity. The only likely increases will be in LSE deficiencies, and the payment by all customers of scarcity pricing for RA products. Such outcomes would be counterproductive.

Resources procured centrally for Summer 2021 should therefore be very narrowly targeted to resources that would not otherwise be procured by LSEs for RA showings and should be structured to minimize disruption to LSE procurement for RA compliance. The Commission’s ultimate goal of achieving an overall *increase* in contracted capacity must remain paramount. CalCCA proposes that a new section 5.4 as set out in Attachment A be added to the final decision, requiring that initially, and until superseded by guidance developed in the workshops discussed above, resources within the scope of procurement include only the following as “incremental” resources:

- Resources that could increase their available NQC with limited physical, legal, or regulatory modifications. This will include any resource on CAISO’s Final NQC Report for Compliance Year 2021 that:
 - Offers more capacity than its rated NQC;
 - Offers more capacity than has been shown by LSEs or otherwise made available to CAISO in the same month for any of the prior three years; and
 - Can be clearly demonstrated to be “out of market” for LSE RA procurement due to other economic, legal, or regulatory reasons which require central procurement.
- Any resource on the CAISO’s most recent Announced Retirement and Mothball list.⁸
- Any resource not indicated on CAISO’s Final NQC Report for Compliance Year

⁸ December 18, 2020 Announced Retirement and Mothball List
<http://www.aiso.com/Documents/AnnouncedRetirementAndMothballList.xlsx>.

2021, including firm import energy contracts.

To facilitate expedient procurement, the Commission could use confidential data from RA showings and other sources to develop this list of known available, out-of-market resources which would be eligible based on the above criteria.

III. PROVIDE IMPLEMENTATION GUIDANCE AND PROCUREMENT PARAMETERS

In addition to the workshops and needs assessment discussed above, CalCCA proposes parameters for the procurement and implementation guidelines for the IOUs to follow in procurements under the final decision. CalCCA proposes section 5.4 include specific limitations to guide the ordered procurement. Section 5.4 will limit procurement under the decision as follows:

A. Limit Procurement to 2021 and Prioritize Short Term Procurement

Procurement under the final decision should be focused on Summer 2021 and exclude consideration of future procurement periods. The Proposed Decision was issued during a period of uncertainty in the RA markets, given the on-going review of the RA program including consideration of structural reform proposals. Most readily available capacity resources are already under contract, as many LSEs have already procured or are in the midst of procurements for two or three years forward. Thus, at least until guidelines are in place clearly identifying which resources are intended to be “incremental” and therefore subject to procurement under the decision, IOU procurement is likely to disrupt and confuse an already chaotic RA market.

As noted previously, CalCCA has highlighted certain sensitivities in the CAISO and SCE needs assessments. With respect to procurement for Summer 2022, there is ample time to review and consider these sensitivities, and to prepare a more precise and detailed needs assessment for that period. Furthermore, additional resources will be coming online after September 2021, so

that the need during the Summer 2021 is likely to be transitory. To tailor procurement to the specific, imminent, period of need, and to avoid unnecessary disruption in the RA markets, short-term procurement should be prioritized. CalCCA proposes that procurement under the final decision be limited to contracts not to exceed one-year in length.

In the event that some procurement currently underway for the IRP Procurement Track may be expedited, such as new storage projects, it may be reasonable to approve a longer-term contract under a specific, transitional process. In this case, the resource could be removed from the LSE's (including bundled IOU's) D.19-11-016 portfolio for 2021, with costs recovered through this emergency procurement, prior to transitioning back to the LSE portfolio in 2022 and returning to use for compliance with D.19-11-016.

B. Allocate the Quantity Procured Among IOUs

The Proposed Decision does not specify the total amount of needed procurement or what each IOU should individually procure. In order to avoid excessive, costly, and potentially duplicative procurement, CalCCA urges the Commission to limit each IOU's procurement to no more than its proportional load share for its bundled customers and unbundled customers in its service territory.

C. Keep Emergency Procurement Separate from the RA Program for Compliance Purposes

CalCCA agrees with the framing of the procurement ordered by the Proposed Decision as a specific IOU-level requirement, and urges this obligation remain with the IOUs and not be subject to delegation or otherwise pushed down into individual LSE obligations. Specifically, this procurement should be considered incremental to individual LSE RA procurement and neither the compliance obligation nor the resource attributes should be allocated to LSEs, including IOU bundled portfolios, for the purposes of RA program accounting.

The IOUs' procurement obligation should be clarified to remain an IOU-level requirement that may not be delegated to individual LSEs. In other words, individual LSE obligations should remain at their current amounts, and any incremental need should be procured by the IOUs above that threshold.

D. Price Caps

Prices paid by the IOUs should be limited to the CPM soft offer cap plus the summer penalty price, except in the case of compelling one-time fixed costs required to re-enter the market or expand output such as modified interconnection. If pricing exceeds the CPM soft offer cap plus the summer penalty price, however, the Commission should require support for the price on a cost basis. Finally, the Commission should require the IOUs to rely on the CAISO backstop process where there is a reasonable suspicion that market power is being exercised.

IV. CONCLUSION

CalCCA appreciates the opportunity to submit these comments and request adoption of the recommendations proposed herein. For all the foregoing reasons, the Commission should modify the Proposed Decision as provided in Attachment A.

Respectfully submitted,



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January 28, 2021

ATTACHMENT A
Proposed Changes to Proposed Decision

New Section 5.4

5.4. Specific Procurement Limitations

Until superseded by guidance developed in the workshops convened under this proceeding, or as otherwise ordered by the Commission, procurement under this decision shall be limited as follows:

1. Resources included within the scope of procurement shall include only the following as “incremental” resources:
 - A. Resources which could increase their available NQC with limited physical, legal, or regulatory modifications. This will include any resource on CAISO’s Final NQC Report for Compliance Year 2021 that
 - i. Offers more capacity than its rated NQC;
 - ii. Offers more capacity than has been shown by LSEs or otherwise made available to CAISO in the same month for any of the prior three years; and
 - iii. Can be clearly demonstrated to be “out of market” for LSE RA procurement due to other economic, legal, or regulatory reasons which require central procurement.
 - B. Any resource on the CAISO’s most recent Announced Retirement and Mothball list.
 - C. Any resource not indicated on CAISO’s Final NQC Report for Compliance Year 2021, including firm import energy contracts.
2. Procurement under this decision is limited to purchases of capacity and/or energy for delivery during the period May- September, 2021, and contracts entered into for such capacity and/or energy may not exceed one-year in length.
4. Each IOU’s procurement under this decision shall be limited to no more than its proportional load share for its bundled customers and unbundled customers in its service territory.

5. Prices paid by the IOUs for procurement under this decision shall be limited to the CPM soft offer cap plus the summer penalty price. An IOU may seek Commission approval for contracts exceeding the CPM soft offer cap plus the summer penalty price, on a cost basis, if compelling circumstances justify extraordinary one-time fixed costs.