

Rulemaking 20-11-003
Exhibit _____
Date January 19, 2021
Witness Nicholas J. Pappas
ALJ Brian Stevens

REPLY TESTIMONY OF
NICHOLAS J. PAPPAS

ON BEHALF OF
CALIFORNIA COMMUNITY CHOICE ASSOCIATION



1 **ORDER INSTITUTING RULEMAKING TO ESTABLISH POLICIES, PROCESSES, AND**
2 **RULES TO ENSURE RELIABLE ELECTRIC SERVICE IN CALIFORNIA IN THE EVENT**
3 **OF AN EXTREME WEATHER EVENT IN 2021**

4 **R.20-11-003**

5
6 **REPLY TESTIMONY OF**
7 **NICHOLAS J. PAPPAS**
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10 **Table of Contents**

11 I. INTRODUCTION1
12 II. CALCCA SUPPORTS IMMEDIATE PROCUREMENT ACTION.....1
13 III. CENTRAL PROCUREMENT BY IOUS IS REASONABLE IF NARROWLY
14 TAILORED TO THESE EMERGENCY CIRCUMSTANCES5
15 IV. THE COMMISSION SHOULD SCHEDULE A WORKSHOP AND CONTINUE
16 ANALYSIS TO REFINE NEED AND ALLOCATE PROCUREMENT
17 RESPONSIBILITY APPROPRIATELY7
18 V. RESOURCES SHOULD BE EVALUATED ON FEASIBILITY, COST, TERM,
19 AND COMPATIBILITY WITH OTHER STATE POLICIES7
20 VI. THE IOUS SHOULD CONTINUE TO IMPROVE LSE LOAD-FORECASTING
21 BY INCREASING DATA ACCESS.....9

22
23
24

1 **I. INTRODUCTION**

2 CalCCA appreciates the diligence and analysis that went into the testimony submitted by
3 the wide range of stakeholders represented in this proceeding. In response to testimony
4 submitted and its review of the documents and analysis presented, CalCCA:

- 5 • Supports immediate, tailored, “least-regrets” procurement of resources necessary
6 to meet the need identified in Summer 2021;
- 7 • Recommends central procurement by the investor-owned utilities (IOUs) for the
8 incremental need identified for Summer reliability in 2021, including adoption of
9 changes to the Planning Reserve Margin, but only as necessary to enable
10 California Independent System Operator (CAISO) backstop procurement;
- 11 • Recommends a workshop and further analysis be conducted to ensure appropriate
12 right-sizing and allocation of procurement responsibility and cost;
- 13 • Suggests resources should be evaluated based on their feasibility, cost, term, and
14 compatibility with state priorities; and
- 15 • Recommends action for Improved CCA Data Access.

16 **II. CALCCA SUPPORTS IMMEDIATE PROCUREMENT ACTION**

17 Based on the record and submitted testimony, CalCCA supports a “no regrets” approach
18 to securing reliability for Summer 2021 despite the lack of precision regarding how much supply
19 is truly needed. CalCCA further supports procurement of any additional supply by the IOUs in
20 an increment above the existing resource adequacy (RA) 115 percent of peak load requirement
21 imposed on load-serving entities for 2021.

22 Following the issuance of the *Final Root Cause Analysis: Mid-August 2020 Extreme*
23 *Heat Wave* (Root Cause Analysis), it is clear that tightening supply margins played a key role in
24 the August 2020 emergency reliability events. Additionally, the Root Cause Analysis identifies
25 two other factors that led to rolling outages: an extreme heat wave and market practices that

1 “exacerbated the supply challenges under highly stressed conditions.”¹ It is worthwhile to
2 review each of these factors in the context of policy options for Summer 2021.

3 First, tightening supply established the baseline risk, creating conditions for a reliability
4 event which would not have occurred with a larger resource buffer. According to SCE’s
5 analysis, the CAISO system’s actual operating reserves have declined from approximately 44%
6 in 2011 to 14.5% in 2020² as resources have retired within CAISO and throughout the Western
7 Interconnection. Further, as described in the Root Cause Analysis, the current planning metrics
8 may overstate reliability, as they have not yet been modified to incorporate the increasing risk of
9 extreme weather or an assessment of resource sufficiency during post peak hours. CAISO’s
10 modified stack analysis finds an expected 1,073 MW deficiency in September 2021 when
11 considering post peak needs, and finds a 2,194 MW deficiency in September 2021 when
12 considering both post peak needs and increased likelihood of extreme weather.³ Both of these
13 conclusions assume full procurement of the available resources on the CAISO 2021 Net Qualify
14 Capacity list, as well as imports equivalent to the average procured from 2015 through 2020.

15 Second, the Root Cause Analysis identifies extreme weather as a key contributing factor,
16 without which the CAISO system would have experienced lower overall demand and would
17 likely have had access to more import resources. It is undeniable that the heat storm observed in
18 August and September was extreme by historical planning standards – the Root Cause Analysis
19 indicates that California experienced a 1-in-30 weather event for August and a 1-in-70 year event

¹ California Public Utilities Commission, California Independent System Operator & California Energy Commission, *Final Root Cause Analysis: Mid-August 2020 Extreme Heat Wave*, Jan. 13, 2021 (Final Root Cause Analysis), Executive Summary at 1.

² Southern California Edison Company’s (U 338-E) Comments on 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, November 30, 2020, at A-9.

³ Opening Testimony of Jeff Billinton on Behalf of the California Independent System Operator Corporation, January 11, 2021 (CAISO (Billinton)), at 12.

1 for September.⁴ These conditions go far beyond the current 1-in-2 peak weather demand RA
2 planning standard.⁵ Moving forward, it is less clear the extent to which this extreme weather is
3 reflective of a broader climatic trend which will lead to more frequent heat storms impacting
4 CAISO and other Western Interconnection regions. Establishing an appropriate planning
5 standard for these events, the probability of which will likely only be fully known as events
6 occur, is a significant policy question which will need to be informed by the best available
7 climate predictions, as well as policymaker risk tolerances and planning preferences. A least-
8 regrets, risk-averse approach should assume increasing likelihood of extreme weather, further
9 stressing CAISO's narrow supply margins.

10 Finally, the Root Cause Analysis identifies various market practices and operational
11 issues which exacerbated reliability concerns. CalCCA agrees with POC,⁶ UCAN,⁷ and TURN⁸
12 that these practices and issues should be reviewed and, where feasible, corrected, but differs
13 regarding the conclusion that these corrections would be sufficient to resolve reliability risk
14 moving forward without addressing underlying supply shortages. While CalCCA shares
15 concerns over putting ever more burden on customer rates through excess procurement, no
16 available analysis suggests that the resources available to the CAISO system in Summer 2021
17 will meet the current planning standards when considering post peak operational needs.⁹ While
18 SCE provided a thorough Loss of Load Expectation study for Summer 2021 indicating a finding

⁴ Final Root Cause Analysis at 40.

⁵ *Ibid.*

⁶ Prepared Opening Testimony of Bill Powers, P.E. on Behalf of the Protect Our Communities Foundation, January 11, 2021 (POC (Powers)), at 6.

⁷ Testimony of Samuel Golding on Behalf of The Utility Consumers' Action Network, January 11, 2021 (UCAN (Golding)), at 6.

⁸ Prepared Direct Testimony of Michel Peter Florio Addressing Selected Issues Regarding Electric System Reliability for 2021, The Utility Reform Network, January 11, 2021 (TURN (Florio)), at 4-5.

⁹ CAISO (Billinton) at 12.

1 that the system will very narrowly meet the load expectation (LOLE) planning standard,
2 regrettably, this analysis included 584 MW of retired fossil resources which are no longer
3 available to CAISO¹⁰. Without these resources, it is likely that SCE’s revised LOLE finding
4 would not meet the 0.1 LOLE planning standard.

5 In conclusion, supply shortages, extreme weather, and operating practices all contributed
6 to the reliability events in August and September, and CalCCA supports least-regrets actions to
7 expand available supply and address market conditions to prevent Summer 2021 reliability
8 events. Given the significant on-going work by CAISO to address operating concerns and revise
9 its tariff for Summer 2021,¹¹ a reasonable “no-regrets” policy requires attacking both supply and
10 operating practices to give higher confidence going into Summer 2021. The Commission can
11 best acknowledge their concerns, however, by reasonably limiting the scope of new procurement
12 and avoiding any new, significant, long-term commitments, as well as conducting a workshop to
13 better define the quantity of need to avoid under- or over-procurement, as discussed below.

14 CalCCA notes broad support among parties for immediate action to reduce potential
15 shortages in Summer 2021. While parties differ on the magnitude of the resource need, whether
16 it extends into 2022, and what resources are available, CalCCA notes support from CAISO,¹²
17 PG&E,¹³ SCE,¹⁴ and SDG&E¹⁵ for immediate action to reduce Summer 2021 reliability risks.

¹⁰ CalCCA (Pappas) at 10.

¹¹ CAISO Initiative: Market Enhancements for Summer 2021 Readiness,
<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Market-enhancements-for-summer-2021-readiness>.

¹² Opening Testimony of Dr. Karl Meeusen on Behalf of the California Independent System Operator Corporation, January 11, 2021 (CAISO (Meeusen)), at 2.

¹³ Pacific Gas & Electric Company Emergency Reliability OIR Prepared Testimony, January 11, 2021 (PG&E (Clegg)), at 6-3.

¹⁴ SCE (Walsh) at 48.

¹⁵ Prepared Direct Testimony of San Diego Gas & Electric Company Regarding Proposals for Increasing Supply During Peak and Net Peak Demand Hours, January 11, 2021 (SDGE (Fang)), at 3.

1 **III. CENTRAL PROCUREMENT BY IOUS IS REASONABLE IF NARROWLY**
2 **TAILORED TO THESE EMERGENCY CIRCUMSTANCES**

3 In light of the recognized need for immediate action, CalCCA proposes recommendations
4 for Commission action in the short term. While CalCCA has made clear its preference for
5 CAISO procurement through the CPM where possible, incremental central procurement by IOUs
6 *apart from* the requirements of the existing RA program is a reasonable alternative in this very
7 limited circumstance. Taking this approach will avoid the havoc and likely higher prices that
8 would arise should numerous buyers compete against each other for limited supply if RA
9 requirements were altered at this late date. Further, central procurement is best suited to
10 minimizing disruption to and overlap with on-going LSE RA procurement activities.

11 While there are significant outstanding concerns regarding the impacts of modifying the
12 Planning Reserve Margin for LSEs at this late date, CalCCA recognizes that some parties,
13 including the CAISO,¹⁶ view a modified PRM as a necessary step for CAISO to exercise its
14 CPM authority to meet this need. To the extent that CPM is viewed as a necessary backstop to
15 the central procurement undertaken by IOUs, a creative implementation of a revised PRM which
16 corresponds to centralized IOU procurement and does not apply to LSE-specific compliance or
17 penalties may be a reasonable approach for 2021.

18 The CAISO's approach – to apply the increased PRM to individual LSEs but not to
19 impose penalties on LSEs failing to meet this target¹⁷ – may be a reasonable approach to
20 providing CAISO its desired CPM authority, but should be carefully designed for consistency
21 with IOU procurement of the incremental need. As noted in CalCCA's opening testimony,

¹⁶ CAISO (Meeusen) at 2-3.

¹⁷ CAISO (Meeusen) at 4.

1 separating this incremental procurement from LSE RA obligations reduces uncertainty for LSEs
2 in the process of continuing to procure RA resources for 2021 month-ahead filings.¹⁸

3 Specifically, if, as suggested, CAISO CPM authority truly relies on a modification to the
4 PRM, CalCCA recommends the Commission:

- 5 • Modify the PRM on a temporary basis for 2021 summer months to enable CAISO
6 to use the CPM to remedy identified shortfalls not resolved through IOU central
7 procurement. This modified PRM would not be applicable to individual LSEs,
8 would not impact RA compliance obligations, and LSEs would not be subject to
9 penalties for noncompliance penalties;
- 10 • Allocate responsibility to IOUs to procure incremental resources. The
11 Commission should maintain the procurement responsibility at the IOU-level with
12 costs recovered through the CAM. Resources procured under this order would be
13 considered incremental and would not be eligible to be shown in LSE-specific RA
14 filings.
- 15 • As noted by SDG&E,¹⁹ the Commission should fairly allocate responsibility
16 between IOUs to avoid unfair allocation of costs between IOU TAC areas.
- 17 • Require the IOUs to prioritize procurement based on cost, term and the ability to
18 meet other state policies.

19 To avoid confusion and overlap with LSE obligations, and to ensure procurement is truly
20 incremental to RA showings, resources procured under this process should not be allocated or
21 shown in LSE RA showings for 2021, including IOU bundled procurement showings, though
22 costs should be recovered through the CAM. This slightly modified CAM proposal would
23 ensure LSEs continue to procure to their full RA obligations and avoid creating perverse
24 incentives for LSEs to defer action until they know the allocation they will receive from this
25 procurement.

¹⁸ CalCCA (Pappas) at 23.

¹⁹ SDG&E (Fang) at 5.

1 **IV. THE COMMISSION SHOULD SCHEDULE A WORKSHOP AND CONTINUE**
2 **ANALYSIS TO REFINE NEED AND ALLOCATE PROCUREMENT**
3 **RESPONSIBILITY APPROPRIATELY**

4 In its opening testimony CalCCA reviewed the current record supporting procurement
5 action.²⁰ While CAISO and SCE provided strong analytical contributions, CalCCA explained
6 some limitations of the stack analysis performed as well as problematic resource assumptions
7 utilized in the SCE stochastic loss of load study. While there is directional justification of need
8 for immediate action, as discussed above, this analysis should be revisited to more accurately
9 determine the quantity of procurement which should be undertaken to prepare for Summer 2021.

10 CalCCA reiterates that, while beginning action towards procuring to CAISO’s lower
11 estimate of 1,073 MW is a reasonable “least-regrets” strategy, further analysis is merited
12 considering the magnitude of ratepayer expenditures involved as well as the potential that the
13 true need is greater or lower than indicated by CAISO’s analysis. CalCCA agrees with TURN²¹
14 that an LOLE study would be a more reliable assessment and encourages the Commission to
15 immediately schedule a stakeholder workshop to review and refine the available analyses for re-
16 submission into the record.

17 **V. RESOURCES SHOULD BE EVALUATED ON FEASIBILITY, COST, TERM,**
18 **AND COMPATIBILITY WITH OTHER STATE POLICIES**

19 CalCCA supports ongoing efforts to identify, where available, high feasibility, least-cost,
20 and shortest-term projects to alleviate reliability concerns this summer, and supports giving
21 preference to preferred resources. Both supply and demand-side procurement should be
22 considered.

²⁰ CalCCA (Pappas) at 2.

²¹ TURN (Florio) at 11.

1 CalCCA reiterates concerns raised by PG&E²² that permitting constraints and
2 interconnection issues may make many supply-side options infeasible, given the short time frame
3 available. There is apparently a very limited set of truly incremental supply-side resources
4 capable of meeting a Summer 2021 COD. To the extent supply side options are available,
5 CalCCA supports reviewing potential resources based on the metrics stated above. Specifically,
6 CalCCA supports reviewing projects based on their likelihood of successfully achieving an
7 online date that will support Summer 2021 reliability, projects which are cost-competitive, and
8 projects which do not lock in extended payments for all ratepayers given the significant new
9 supply which will be arriving for 2021 and 2022 as directed by D.19-11-016.

10 However, CalCCA believes demand-side solutions are likely the most viable options for
11 2021 procurement and agrees with SCE²³ that these efforts are likely to have the most immediate
12 and meaningful impact. Thus, CalCCA encourages the Commission and IOUs to focus efforts
13 on identifying demand-side solutions given their higher likelihood to meet the above-stated
14 criteria.

15 In general, CalCCA supports utilizing competitive mechanisms, including both
16 solicitations and bilateral negotiation, to identify cost-effective solutions. CalCCA is concerned
17 about proposals to create new or significantly expand existing non-competitive procurement
18 structures with significant on-going costs, such as the Emergency Load Reduction Program
19 (ELRP) or ReMAT program proposals from the California Energy Storage Alliance (CESA) and
20 the Green Power Institute (GPI). In particular, there is not sufficient time within this proceeding
21 to evaluate CESA's proposal to authorize \$504 million for a new 450 MW ELRP program or
22 GPI's proposal to add 750 MW of additional capacity to the IOU ReMAT programs, both of

²² PG&E (Clegg) at 5-2.

²³ SCE (Keating) at 2.

1 which would lock in hundreds of millions of dollars for many years of on-going ratepayer costs
2 without clearly articulated corresponding benefits. For example, ReMAT contract terms, prior to
3 the suspension of the program, were generally 10 to 20 years²⁴. Similarly, CESA proposes to
4 extend the ELRP program to five years to “support capital investments in new storage resources
5 with project lifetimes ranging between 10 and 30 years.”²⁵ While CalCCA sees considerable
6 value in exploring expansion of ELRP as a “last resort” insurance policy for demand reduction
7 which may require multi-year terms, it is unclear that ratepayer funds used to make 10 to 30 year
8 investments in storage-backed DR, as proposed, will achieve corresponding benefits when
9 locked in to a program designed to be used solely in emergencies and not accounted for in
10 resource planning programs.

11 **VI. THE IOUS SHOULD CONTINUE TO IMPROVE LSE LOAD-FORECASTING**
12 **BY INCREASING DATA ACCESS**

13 CalCCA supports UCAN’s statement that SB 790 requires utilities to provide meter-
14 specific advanced metering infrastructure (AMI) data and the assertion that CCAs should have
15 equal access to settlement-quality AMI data for use in day-ahead forecasting.²⁶ UCAN is
16 correct in stating that, while access to data does vary by CCA, not all CCAs have sufficient lead
17 time for it to be used in their day-ahead forecasting.²⁷

18 Further, CalCCA agrees with UCAN’s statement that lack of access to AMI data serves
19 as a barrier to dynamic rate design. Greater visibility into interval data will support CCAs’

²⁴ PG&E ReMAT Feed-in Tariff FAQ,
https://www.pge.com/includes/docs/pdfs/b2b/energysupply/wholesaleelectricssuppliersolicitation/ReMat/ReMAT_Webpage_FAQs.pdf.

²⁵ Opening Testimony of Jin Noh on Behalf of the California Energy Storage Alliance, January 11, 2021 at 5.

²⁶ UCAN (Golding) at 9.

²⁷ UCAN (Golding) at 10.

1 design of innovative dynamic rates that support demand flexibility.²⁸ Given that data
2 accessibility varies by utility and is insufficient to meet CCAs' needs, a set standard for data
3 quality and accessibility should be established across all IOU territories to help ensure that CCAs
4 can offer effective dynamic rate options to their customers. To that end, CalCCA supports
5 UCAN's recommendation to require the IOUs to offer a Service Level Agreement to provide
6 LSE's with AMI interval data on a daily basis.²⁹

²⁸ UCAN (Golding) at 10 –11.

²⁹ UCAN (Golding) at 18.