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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  
COMMENTS ON FINAL 2021 LCR REPORT**

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## SUMMARY OF RECOMMENDATIONS

- The Commission should immediately conduct working group meetings to assess the local area resource adequacy needs for the PG&E Greater Bay Area to examine the large increase in need identified by the CAISO and consider what actions can and should be taken to reduce the need within the local area.
  - The Commission should reject the increase in LCR requirement for the PG&E Greater Bay Area in light of the large increase in requirement, lack of progress by the working group, and the short-duration contracts that are likely given the conflicts with the CPE and LCR RCM. The Commission should instead allow the CAISO to potentially backstop for the year while enabling the Commission to focus on resolving the causes of and solutions to the large increase for the PG&E Greater Bay Area.
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The California Community Choice Association<sup>1</sup> (CalCCA) submit these Comments in response to the *Email Ruling Modifying Track 4 Schedule on Flexible Capacity Requirements* (Ruling), dated April 5, 2021.

**I. INTRODUCTION**

The California Independent System Operator (CAISO) study process, beginning with the 2020 Local Capacity Requirement (LCR) study for resource adequacy (RA) year 2021, shows a significant increase in the requirements for the Pacific Gas and Electric Company (PG&E) Greater Bay Area. Despite an order to conduct a working group to evaluate the appropriateness of the study<sup>2</sup>, the working group process was not conducted in a timely manner. As a result, the only available working group report<sup>3</sup> is limited to identifying the questions that must be answered in order to arrive at a meaningful LCR process. In addition, it does not provide a

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<sup>1</sup> California Community Choice Association represents the interests of 23 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, Sonoma Clean Power, Valley Clean Energy, and Western Community Energy.

<sup>2</sup> D.20-06-031, OP 6.

<sup>3</sup> *2020 Local Capacity Requirement Working Group Report*, Oct. 1, 2020, at 10 and 14.

meaningful evaluation of transmission system enhancements that could alleviate the large LCR need in the PG&E Greater Bay Area. Decision (D.) 20-12-006 discussed the need for additional time for the working group to discuss recommendations, and required a final working group report on February 12, 2021.<sup>4</sup> However, further working group meetings do not seem to have been conducted and this final report due date was ultimately suspended by the Administrative Law Judge.<sup>5</sup> Having missed this opportunity, it is not surprising that, a year later, the newest study shows another significant increase in the need for local area resources in the PG&E Greater Bay Area. The California Public Utilities Commission (Commission) should follow its original conclusion and immediately order workshops to address the CAISO's conclusion.

## **II. THE COMMISSION SHOULD HOLD WORKSHOPS TO EXAMINE THE SIGNIFICANT INCREASE IN PG&E GREATER BAY AREA NEED**

LCR need, particularly in the PG&E Greater Bay Area, has become a concern beginning with the 2020 study for the 2021 RA year. D.20-06-031 found:

The significant increase in LCR need for the Greater Bay Area, driven by the change to local reliability criteria, is concerning, particularly given PG&E's statements that CAISO's consideration of a double three-phase transformer bank outage in the LCR study does not align with NERC and FERC requirements.<sup>6</sup>

The CAISO 2019 LCR Study saw the LCR requirement in the PG&E Greater Bay Area jump 1,819 MWs (from 4,473 MW to 6,292 MW) for 2022. As a result, the Commission ordered:

We agree that a local RA working group should be established to evaluate CAISO's updated criteria and other LCR related issues and propose improvements to the local RA requirement process. This working group shall be co-led by Energy Division and a consumer advocacy or environmental advocacy group. The working group shall be established within 15 days of the issuance of this decision

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<sup>4</sup> D.20-12-006, at 7.

<sup>5</sup> *E-Mail Ruling Suspending Schedule for LCR Working Group Report*, Feb. 2, 2021.

<sup>6</sup> D.20-06-031, at 14.

and notice of the designated co-leads shall be served on the service list.<sup>7</sup>

The Commission specified the issues to be addressed by the working group, including the following:

- (1) Evaluation of the newly adopted CAISO reliability criteria in relation to North American Electric Reliability Corporation (NERC) and Western Electric Coordinating Council (WECC) mandatory reliability standards;
- (2) Interpretation and implementation of CAISO's reliability standards, mandatory NERC and WECC reliability standards, and the associated reliability benefits and costs;
- (3) Benefits and costs of the change from the old reliability criteria "Option 2/Category C" to CAISO's newly adopted reliability criteria;
- (4) Potential modifications to the current LCR timeline or processes to allow more meaningful vetting of the LCR study results;
- (5) Inclusion of energy storage limits in the LCR report and its implications on future resource procurement; and
- (6) How best to address harmonize the Commission's and CAISO's local resource accounting rules.<sup>8</sup>

These considerations also led the Commission to not adopt the CAISO LCR study results for the PG&E Greater Bay Area for years 2022 and 2023, anticipating that the working group would resolve this issue in time for the current Track 4 proceeding.<sup>9</sup>

As discussed in Section I of this pleading, elements above have not been addressed sufficiently and no due date for resolution is currently on record. In their most recent LCR study, the CAISO now forecasts a need for 7,231 MWs in the PG&E Greater Bay Area for a total increase of 2,758 MWs since the 2019 study was performed. In just two study periods, the need has increased 61 percent.

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<sup>7</sup> *Id.* at 15.

<sup>8</sup> *Id.* at 15.

<sup>9</sup> *Id.* at 16-17.

CalCCA encourages the Commission to initiate a working group immediately to address this extreme need growth with appropriate due dates to resolve these concerns before the next LCR study. Given that the next highest growth in local area need was only 403 MWs over the same time frame representing a 6 percent increase in need and the total of all local area need (including the Greater Bay) increased by 2,515 MWs over the same time period, it is clear that the changes in the PG&E Greater Bay Area are an outlier deserving of immediate study and resolution.

In addition to the six issues identified in D.20-06-031, the Commission should also require PG&E to investigate the ability and cost to improve transmission to alleviate the needs identified by the CAISO, assuming the CAISO's study findings correctly apply North American Electric Reliability Council reliability standards. With the 2019 CPUC RA report showing the 85th percentile price for the PG&E Greater Bay Area at \$4.00/kw-month, savings on 2,758 MWs of capacity could be \$130 million per year or more. This then has significant potential of a transmission project being a cost-effective alternative.

For these reasons, the Commission should conduct workshops immediately using the questions previously identified in D.20-06-021, including the potential to effectuate transmission system changes if doing so is a cost-effective solution to the reliability needs. Resolution of these workshops should be scheduled and not altered to occur prior to the next LCR process.

### **III. THE COMMISSION SHOULD REJECT THE LOCAL REQUIREMENT FOR THE GREATER BAY AND ALLOW THE CAISO BACKSTOP IF NECESSARY**

CalCCA recommends that the Commission not adopt the 2022 LCR for the PG&E Greater Bay Area at 7,231 MWs. Given the coming changes associated with the implementation of the Central Procurement Entity (CPE) along with the LCR Reduction Compensation Mechanism (RCM) being available only to new resources under multi-year contracts to LSEs,

the result will be many LSEs seeking one-year contracts with nearly all of the existing capacity within the local area. This comes with little notice and significant uncertainty after the decision in 2020 to reject the local area requirement for the Greater Bay. Such a procurement process is likely to lead to a large number of requests for penalty waivers and ultimately backstop by the CAISO. Given the large increase in requirement, lack of progress by the working group, and the short-duration contracts that are likely, given the conflicts with the CPE and LCR RCM, it is simply more efficient to allow the CAISO to backstop for the incremental quantity for 2022 through the CAISO's tariff based mechanisms. This will then allow the Commission to focus on how to address the very large changes in local needs for the PG&E Greater Bay Area in time to address procurement needs of the CPE in 2022 for RA year 2023.

#### **IV. CONCLUSION**

For all the foregoing reasons, CalCCA respectfully requests the Commission order and conduct workshops immediately (1) to examine the CAISO conclusions for the PG&E Greater Bay Area LCR local RA need, and (2) to evaluate the ability of a cost-effective transmission solution to address the extreme escalation in this need. In addition, the Commission should reject the incremental change in local area requirement for the PG&E Greater Bay Area and instead focus on the two items above for implementation before the 2022 LCR for 2023 procurement. CalCCA looks forward to an ongoing dialogue with the Commission and stakeholders.

Respectfully submitted,



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May 7, 2021