September 13, 2021

VIA ELECTRONIC MAIL

Mr. Edward Randolph
Deputy Executive Director for Energy and Climate Policy
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: California Community Choice Association's Protest to Pacific Gas and Electric Company's Tier 2 Advice Letter 6306-E -- PG&E's Methodology for Resource Adequacy Capacity Pursuant to Decision 21-05-030

Dear Mr. Randolph:

Pursuant to the California Public Utilities Commission's (Commission) General Order (GO) 96-B,[1] the California Community Choice Association[2] (CalCCA) submits this protest of Pacific Gas and Electric Company's (PG&E) Advice Letter 6306-E (Advice Letter). PG&E submitted the Advice Letter on August 23, 2021, to provide its methodology for determining how much of its Power Charge Indifference Adjustment (PCIA)-eligible resource adequacy (RA) capacity is reserved as part of its Bundled Portfolio Plan (BPP), as required by Decision (D.) 21-05-030.

For the reasons set forth below, the Commission should require PG&E to provide greater justification on the level of capacity to be retained by demonstrating the risks it describes in its Advice Letter based upon historical experience of those risks being realized. The Commission should also place limits, including firm monthly caps, on the amount of capacity retained so that all LSEs can meet their compliance obligations and the resources are made available through a CAISO must offer obligation.

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1 References to "General Rules" are to the general rules identified in General Order 96-B.

2 California Community Choice Association represents the interests of 22 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, and Valley Clean Energy.

PROTEST

1. PG&E's Methodology For its Reservation of RA Capacity is Not Sufficiently Justified

D.21-05-030 requires each investor-owned utility (IOU) to file an advice letter to justify its methodology for determining how much of its PCIA -eligible RA is reserved as part of the IOU's BPP. This approach is appropriately tailored to address the transparency concerns raised by Working Group 3 (WG3) co-chairs while minimizing the risk of unintended consequences.[3]

In the Advice Letter, PG&E fails to provide meaningful insight into its methodology for determining how much excess RA capacity PG&E will retain for its own use instead of making the RA available to the market. Rather, PG&E refers to circumstances that would create a desire for PG&E to do so that primarily hinge on uncertainty, compliance, or financial risk. However, a simple listing of potential reasons to retain capacity from a very constrained market is insufficient justification. Based upon the language provided, it appears that PG&E could retain anywhere from 0 megawatts (MW) to all excess MWs in their portfolio to mitigate any of the uncertainty, compliance, or financial risks.

In July 2021 (a high load month), the IOUs collectively retained 619 MWs of RA capacity. This is sufficient to serve a load of 538 MW with the required 115 percent Planning Reserve Margin (PRM). In August, that total retained capacity was 157 MWs which would serve a 136 MW load with the required 115 percent.[4] These are not insignificant amounts and could have served significant amounts of load for smaller load-serving entities (LSEs). Instead, those LSEs themselves faced the uncertainty, compliance, and financial risks that the IOU seeks to avoid. Retaining capacity of this magnitude accordingly deserves more justification than a simple listing of elements that may cause the need to retain.

In addition, the Commission should be working with the California Independent System Operator (CAISO) to determine if the Resource Adequacy Availability Incentive Mechanism (a financial risk) can be replaced with another mechanism to alleviate one of the forms of risk listed by PG&E in this Advice Letter. Doing so could reduce the need to retain capacity allowing all LSEs to meet their compliance obligations. Failing to do so means having MWs in an IOU portfolio that are not subject to a CAISO must offer to ensure that they are available to serve market reliability needs.

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[3] D.21-05-030 at 44.

[4] https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/resource-adequacy-homepage/resource-adequacy-compliance-materials.

2. PG&E's Proposed Methodology to Retain RA Capacity Does Not Mitigate Unintended Consequences

D.20-05-030 dismissed the WG3 proposal for addressing excess resources on the grounds that:

> This proposal is not properly tailored to minimize the risks that the allocations would create market inefficiencies for RA, raise costs for bundled and unbundled customers alike, or create RA planning and compliance problems when layered with the new CPE and RA compliance requirements.[5]

While the Commission raised concerns with the WG3 proposal and identified unintended consequences, PG&E's retention strategy will have unintended consequences of its own. Any MW in excess of a requirement may never be used for RA (either as substitution or to provide capacity to the CAISO via the Capacity Procurement Mechanism). This will result in a resource not being subject to the CAISO's must-offer obligations, which includes bid insertion if an RA resource fails to offer their energy to the CAISO's markets. Such idle capacity could have been used by an LSE in need of RA and would have been subject to the CAISO's must-offer obligation, ensuring that the energy associated with the capacity is available to reliably serve the market's needs.

3. The Constrained Capacity Market in California Coupled with Significantly Increased RA Penalties is Not a Market in Which Retaining Should be Allowed

With three Commission orders to perform incremental procurement and a proceeding contemplating the acceleration of that procurement to earlier implementation,[6] the strain on availability of capacity is already well documented. During such a constrained capacity environment, the demand for capacity resources can be expected to be high. With RA penalties for the summer of $8.88/kW-month and that penalty amount doubling or tripling dependent on the number of non-compliance events an LSE has had, it is difficult to understand why an LSE should be subject to such penalties while capacity is withheld by the IOUs.

CONCLUSION

For the reasons set forth above, the Commission should require PG&E to provide greater justification on the level of capacity to be retained by demonstrating the risks it describes in its Advice Letter based upon historical experience of those risks being realized. The Commission should also place limits, including firm monthly caps, on the amount of capacity retained so that

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[5] D.21-05-030 at 44.

[6] D.19-11-016 requires 3.3 gigawatts (GW) between the summer of 2021 – 2023, D.21-03-056 requires 1 GW for the summer of 2021, D.21-06-035 requires 11.5 GW between 2023 – 2026, and Rulemaking (R.) 20-11-003 is contemplating accelerating up to 5 GW of procurement from the latter years to the summer of 2022-2023.

all LSEs can meet their compliance obligations and the resources are made available through a CAISO must-offer obligation.

CalCCA thanks the Energy Division for its review of this protest.

Respectfully,

CALIFORNIA COMMUNITY CHOICE ASSOCIATION

Evelyn Kahl

General Counsel and Director of Policy

cc via email:

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pgetariffs@pge.com
Service Lists: R.17-06-026 and R.19-11-009