BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Reforms and Refinements, and Establish Forward Resource Adequacy Procurement Obligations.

R.21-10-002

CALIFORNIA COMMUNITY CHOICE ASSOCIATION’S COMMENTS ON ASSIGNED COMMISSIONER’S SCOPING MEMO AND RULING

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January 4, 2022
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SUMMARY OF RECOMMENDATIONS

• More information should be provided for parties to understand the underlying causes of the central procurement entities’ (CPEs’) failure to meet local Resource Adequacy (RA) requirements for 2023;

• The implementation steps for self-shown resources should not create additional disincentives to self-show local resources;

• The California Public Utilities Commission (Commission) should adopt Pacific Gas and Electric Company’s (PG&E’s) proposal to remove certain selection criteria and data submittal requirements;

• The Commission should not remove the requirement that utilities bid in at their levelized fixed costs;

• The Commission should ensure load-serving entities (LSEs) are aware of their system and flexible Cost Allocation Mechanism (CAM) allocations by the time the system and flexible requirements are established in June;
  
  o The Commission should allow the CPE to solicit local resources outside the all-source solicitation process so long as the procurement is complete and allocated by the time system and flexible RA requirements are finalized in June;

  o The Commission should not adopt PG&E’s proposed timeline; and,

• CPE confidentiality provisions should be consistent with Decision (D.) 06-06-066.
CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON ASSIGNED COMMISSIONER’S SCOPING MEMO AND RULING

The California Community Choice Association1 (CalCCA) submits these comments in response to the Assigned Commissioner’s Scoping Memo and Ruling (Ruling), issued on December 2, 2021, requesting comments on Phase 1 proposals and workshop.

I. INTRODUCTION

CalCCA appreciates the opportunity to comment on parties’ proposals submitted on December 13, 2021 and December 23, 2021, and parties’ presentations at the December 14, 2021 workshop on the CPE framework. Publicly available information provided in this process thus far is insufficient to develop a problem statement for the failure of the CPE to meet its 2023 local RA requirements. This shortfall has left other LSEs with a high level of uncertainty about the amount CAM-allocated resources they can expect to receive, significantly complicating their

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2023 system and flexible RA procurement. In these comments, CalCCA expands on the information needed to fully evaluate the failure of CPE procurement for 2023 and responds to several parties’ proposals, including those on implementing the self-showing process, removing the requirement for utilities to bid in resources at their levelized fixed costs, and allowing the CPE to solicit local resources outside the all-source solicitation process. In summary, CalCCA provides the following recommendations:

- More information should be provided for parties to understand the underlying causes of the CPEs’ failure to meet local RA requirements for 2023;
- The implementation steps for self-shown resources should not create additional disincentives to self-show local resources;
- The Commission should adopt PG&E’s proposal to remove certain selection criteria and data submittal requirements;
- The Commission should not remove the remove requirement that utilities bid in at their levelized fixed costs;
- The Commission should ensure LSEs are aware of their system and flexible CAM allocations by the time the system and flexible requirements are established in June;
  - The Commission should allow the CPE to solicit local resources outside the all-source solicitation process so long as the procurement is complete and allocated by the time system and flexible RA requirements are finalized in June;
  - The Commission should not adopt PG&E’s proposed timeline; and,
- CPE confidentiality provisions should be consistent with D.06-06-066.

II. MORE INFORMATION SHOULD BE PROVIDED FOR PARTIES TO UNDERSTAND THE UNDERLYING CAUSES OF THE CPES’ FAILURE TO MEET LOCAL RA REQUIREMENTS FOR 2023

The significant shortfall of CPE procurement for 2023 clearly demonstrates a failure of the CPE framework. This is not to say each CPE did not take reasonable actions to procure to meet its full local RA requirement but rather that the CPE framework itself has failed given it does not
provide the right incentives to ensure that the CPEs’ procurement obligations can be met. In order to identify solutions to this failure, additional information is needed to inform how the incentives and disincentives of the current framework inhibit the CPE from meeting its procurement targets. CalCCA’s proposal included a list of information that is needed to determine the source of the CPEs’ procurement deficiencies 2023. Without this information, it is unclear whether proposed solutions will resolve the challenges faced by the CPE procuring local RA and other market participants offering or self-showing local RA.

In its workshop presentation and Response to the Motion for Extension of Time of the Joint Movants, PG&E indicated that its CPE did not receive enough offers through self-showings or bids to meet its 2023 local RA obligations. Its response also included a summary of total procured and self-shown resources obtained by the CPE for 2023 and 2024, as well as total non-self-shown and self-shown resources offered to the CPE for 2023 and 2024. This additional information is useful in understanding the current local RA landscape in PG&E’s territory. However, it does not fully explain the shortfall of over 6,000 megawatts (MW), or roughly half the total requirement, in some months. The information provided by PG&E indicates the CPE did not accept all offers bid in or self-shown. However, it is not clear how many offers or self-showings were either withdrawn by the entity offering the resource or rejected by the CPE and the reasons for the withdrawal or rejection. Further, it is not clear the amount of capacity in the local

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2 California Community Choice Association’s Phase 1 Proposals in Response to the Assigned Commissioner’s Scoping Memo and Ruling, Dec. 13, 2021 (CalCCA Proposals), at 4 and 12-14.
4 Response of Pacific Gas and Electric Company (U 39 E) to the Motion for Extension of Time of the Joint Movants, Dec. 21, 2021 (PG&E Response).
5 PG&E Response, Attachment 1.
area that was not offered at all and the type of entities that control that capacity (e.g., generator owner, LSE, marketer). The information proposed by CalCCA in its Phase 1 Proposals is needed to understand:

- What offers were not acceptable to the CPE to evaluate whether such rejection was appropriate;
- What offers were withdrawn and what incentive created the need for the withdrawal; and
- What alternatives were available to resources that were not offered, including doing nothing with the resource, and what incentives caused this to occur noting that such incentives may be different depending on the party controlling the offer from the resource.

PG&E’s response to the motion indicates any non-market participant can obtain access to confidential information upon execution of a non-disclosure agreement. However, market participants are the parties best suited and most inclined to solve the problems with the CPE framework. For this reason, the additional information proposed by CalCCA can and should be provided in an aggregated manner to provide parties with enough information to fully understand the reasons for the shortfall while still protecting confidentiality.

Typically, parties will choose not to enter into a contract for a large variety of reasons (e.g., price too high, term length too long, unacceptable other terms and conditions). PG&E’s response to the joint parties’ motion states, “In addition to the lack of offers received, PG&E also recognizes that there was offered capacity that remained unprocured due to the CPE and some counterparties not being able to agree on terms during the procurement process.” This is an important consideration, as the conflict in terms not only prevented offered MWs from being

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6  PG&E Response at 8-9.
7  PG&E Response at 10.
accepted, but may have contributed to resources not being offered at all. Without assessing the information CalCCA has suggested, making changes to the CPE procurement is guessing at the cause with no reasonable assurance that the changes to the solicitation process will lead to an outcome that procures the required amount of local RA.

III. THE IMPLEMENTATION STEPS FOR SELF-SHOWN RESOURCES SHOULD NOT CREATE ADDITIONAL DISINCENTIVES TO SELF-SHOW LOCAL RESOURCES

The California Independent System Operator (CAISO), PG&E, and Southern California Edison Company (SCE) offer proposals aimed at improving the self-showing process and ensuring self-shown resources are shown to the CAISO and Commission in RA plans. The CAISO proposes modify D.20-06-002 to allow the Commission to assign local capacity obligations to LSEs that have agreed to self-show resources to the CPE to allow the CAISO to first assign any local Capacity Procurement Mechanism (CPM) costs directly to the LSE that fails to show its self-shown resources to the CAISO.8 PG&E proposes a process in which LSEs first voluntarily commit their self-procured local resources to the CPE. Then, the CPE provides its RA plan to the Commission including all self-showings and procured resources. The CPE then submits its showings to the CAISO while LSEs also submit their self-shown resources to the CAISO with the CPE as the benefitting entity. If an LSE does not submit their self-shown resources, that LSE’s CAM credits would be revised, and any costs associated with CAISO backstop procurement would be directly allocated to the non-performing self-showing LSE.9

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CalCCA does not support the CAISO’s or PG&E’s proposals, as either one will further disincentivize LSEs from self-showing. If a self-showed resource goes on outage after an LSE elects to self-show it in the year-ahead RA showing process, the LSE could face backstop costs for events outside its control. While this was the case under an LSE based local RA mechanism, the showing LSE directly benefited from the showing as each MW of the shown resource met their own RA requirement rather than the requirement of all LSEs. It was also known ahead of time that if the resource did not show up in an individual month, the LSE would be required to provide and alternative resource or pay the CAISO backstop costs since the obligation was on the individual LSE from the start.

Under the CAISO’s or PG&E’s proposals, if a self-showing LSE wanted to mitigate the risk of backstop costs being paid by the LSE in the event a self-showed resource becomes unavailable, it would need to procure additional local area resources that it holds for this purpose, assuming the CPE contract allows the LSE to provide a replacement resource when on outage. If the CPE does not allow such a replacement, then the LSE self-showing may not want to take the risk that the outage of the resource will have the LSE pay backstop costs when the original showing mitigated CPE cost risk for all LSEs serving load in the local area. Simply put, the incentive to self-show and the potential consequences for self-showing would not align.

In the case that the CPE allowed an LSE to provide a replacement resource, the LSE would now need to procure additional local area resources potentially at a premium. Even if the replacement resource is not charging a premium, the LSE would need to procure the local resource and not show it as local, instead holding it as a potential replacement resource in the event another self-showed resource is on outage. This will then create additional scarcity of local
area resources that may further the difficulty for the CPE in procuring sufficient resources within the local area to meet the local need. Therefore, CAISO’s and PG&E’s proposals would likely reduce the amount of self-shown resources offered to the CPE. Given this, the Commission should not adopt either proposal.

SCE proposes a process in which LSEs elect to self-show their resources to the CPE with an attestation and backstop costs due to not submitting self-shown resources on RA plans due to planned outages would be charged to the CPE and paid by all customers in the CPE’s service territory. It appears SCE proposes any backstop costs not due to planned outages submitted between the annual and monthly RA showings without replacement would be charged directly to the LSE that did not show its self-shown resources in its RA plan.\textsuperscript{10} SCE should clarify if outages within this timeframe is the intended proposal, given the CAISO also accepts planned outages after the monthly showings until seven days prior to the outage if substitute capacity is provided. While SCE’s proposal creates less disincentives to self-show than PG&E’s proposal, at the current rate of the local capacity requirement (LCR) reduction compensation mechanism (RCM) of at most $1.78/kW-month, any backstop risk from self-showing could disincentivize entities from self-showing.

The Commission must consider a market participant’s alternatives in making a rule such as that proposed by SCE. An LSE has three options; 1) self-show and potentially receive LCR RCM if applicable; 2) offer the entire resource for sale to the CPE; or 3) not self-show or offer to sell to the CPE. In the case of the third option, while the LSE would be allocated its share of CPE costs which would not be reduced by the self-shown resource, the LSE would also not take on

\textsuperscript{10} \textit{Phase 1 Proposals of Southern California Edison Company (U 338-E)}, Dec. 13, 2021 (SCE Proposals), at 3-5.
any risk of CPM backstop costs individually from the CAISO. Further, LSE’s may not be eligible for LCR RCM either because there is no premium or because the resources does not qualify for the premium. In this case, the LSE is balancing a load ratio share of reduced CPE costs against a potential for backstop costs on a MW-for-MW self-shown basis at the CAISO CPM rate which is likely to be $6.31/kW-Month but could be higher or lower. It is evident that for a small LSE, the potential savings in CPE costs by self-showing are minor compared to the potential for CPM costs to be allocated to them directly. Even in cases where the LCR RCM is available at a rate higher than $0, the incentive is still minimal as the highest LCR RCM value is $1.78/kW-month. With the CPM likely at $6.31/kW-month, that means that even in the highest paying LCR RCM area, a probability of outage greater than 28 percent yields an expected value lower than not self-showing due to the expected CPM costs that would be incurred.

Effectively, the SCE proposal makes the self-provision of a local resource carry a liquidated damages provision. While the LSE may be able to successfully replace the resource for its system showing, it may not be able to do so for the local attribute. Given that LSEs procuring local resources at this point are only doing so for system needs, it is unlikely that the LSE would have similar provisions in its contract with the supplier since the local risk would not have been a subject of the negotiation since the LSE did not have a local obligation. Without understanding the incentives or disincentives LSEs have for self-showing, it is not clear if SCE’s proposal will reasonably resolve the existing issues with the self-showing process while not disincentivizing LSEs from self-showing.

11 The CAISO CPM has a soft-offer cap of $6.31/kW-Month but offerors may bid lower and are eligible for compensation in excess of this cap if they demonstrate to the Federal Energy Regulatory Commission that their costs are higher than the soft-offer cap.
Finally, even if this issue can be solved for the current instant, the Commission must keep
in mind the incentives for the development of new local area resources. If any new resource
procurement in a local area comes with the same risks discussed above, there will be significant
disincentive for LSEs to develop new resources in local areas. This is because the LSE will have
significant risk of realizing the local value of the resource through the LCR RCM given the risk
of backstop costs that currently outstrips the LCR RCM value by a factor of three or more.

IV. THE COMMISSION SHOULD ADOPT PG&E’S PROPOSAL TO REMOVE
CERTAIN SELECTION CRITERIA AND DATA SUBMITTAL REQUIREMENTS

CalCCA supports PG&E’s proposal to revise the selection criteria in Ordering Paragraph
(OP) 14 of D.20-06-002, and the data submittal requirements in OP 15 of D.20-06-002. PG&E’s
proposal would remove certain selection criteria and data submittal requirements that may create
unnecessary barriers to offering resources to the CPE. Certain operational characteristics
requested by the CPE in the last solicitation are not accessible to LSEs. Further, these
requirements may have contributed to LSEs and CPEs being unable to reach agreement on
contract terms and conditions. For these reasons, the Commission should adopt PG&E’s proposal.

V. THE COMMISSION SHOULD NOT REMOVE THE REQUIREMENT THAT
UTILITIES BID IN AT THEIR LEVELIZED FIXED COSTS

PG&E and SCE propose to remove the requirement that investor-owned utilities
(IOUs) must bid their resources at their levelized fixed costs. The Commission should not adopt
this proposal. Allowing the IOUs to bid their resources at a value other than their levelized fixed
costs would mean allowing the IOUs to charge CAM customers a different cost than the cost
charged to PCIA customers, effectively transferring costs from one set of customers to another.

12 New Phase 1 Proposals of Pacific Gas and Electric Company (U 39 E) Regarding Central
13 PG&E Proposals at 8-9.
14 SCE Proposals at 6-8.
In addition, the Commission originally approved the resource costs as reasonable for the IOUs customers to incur to serve their needs and hedge their future price risk. The PCIA then has retail access load pay for the above market costs of this hedge. Removing the levelized fixed cost requirement would provide the IOUs with the ability to bid their resources at prices that are unrestricted. For these reasons, the Commission should not remove the requirement that the IOUs to bid their resources at their levelized fixed costs. If the Commission does decide to remove this restriction, it should not allow the IOUs to bid above the levelized fixed cost of the resource effectively capping the bids to ensure that the IOU stated intent of procuring local RA by the CPE at a lower cost is realized.

PG&E indicates the levelized fixed cost requirement is incompatible with the products being procured by the CPE and how the bundled procurement arm’s portfolio is comprised, presenting a barrier to participating in the CPE process. This implies that the IOU should be allowed to bid below the levelized fixed cost in order to reflect the only the RA value to compete with others that are offering on the RA value to the CPE. However, the Commission has long recognized that the IOUs may need to evaluate bids that are on a different basis included length of term and products offered. All source solicitations do exactly this. While PG&E notes the issue surrounding the allocation of RPS through CAM, this is not a sufficient reason to allow a tier 2 advice letter to formulate a new process for the costs that the IOU is allowed to bid in a CPE solicitation. If the Commission believes that a change from the levelized fixed cost is

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15 While SCE at page 8 sites to potentially lower costs for customers from allowing bids that are not based upon the levelized fixed cost, SCE’s proposal does not cap the IOU bids at levelized fixed costs meaning in times of scarcity, the IOU could bid above the levelized fixed cost and there is a possibility that the CPE would procure that resource causing customers to pay through CAM a level higher than what they otherwise would have paid in PCIA eliminating the hedge that was believed to have been procured by the IOU within the original contract.
16 PG&E Proposals at 8.
17 Id. at 8.
warranted, such a decision must be delivered through this OIR so that it is reasonably contemplated and so that proposals to address the concerns can be offered by more than just the IOU bundled procurement arm as suggested by PG&E.

VI. THE COMMISSION SHOULD ENSURE LSES ARE AWARE OF THEIR SYSTEM AND FLEXIBLE CAM ALLOCATIONS BY THE TIME THE SYSTEM AND FLEXIBLE REQUIREMENTS ARE ESTABLISHED IN JUNE

A. The Commission Should Allow the CPE to Solicit Local Resources Outside the All-Source Solicitation Process So Long as the Procurement is Complete and Allocated by the Time System and Flexible RA Requirements are Finalized in June

SCE proposes to allow the CPE to procure local resources outside the annual CPE solicitation, including “allowing the CPE to conduct procurement through other means, such as the broker markets or bilateral transactions, and on different timelines to meet local sub-area needs or other local needs that arise beyond the typical timeline for local capacity requirements.”\textsuperscript{18} CalCCA supports allowing the CPE to procure local resources outside the annual CPE solicitation. However, this procurement must be completed and RA quantities for system and flexible must be allocated to LSEs by the time the system and flexible RA requirements are finalized in June, so that LSEs know their system and flexible CAM allocations in time for them to complete their own procurement. CalCCA’s proposal outlined a modified timeline for 2023 that would reach this objective.\textsuperscript{19} Any procurement outside of an all-source solicitation should follow this proposed timeline and be communicated in supplemental compliance reports prior to the finalization of system and flexible RA requirements in June 2022.

\textsuperscript{18} SCE proposals at 8.
\textsuperscript{19} CalCCA Proposals at 10-12.
B. The Commission Should Not Adopt PG&E’s Proposed Timeline

PG&E recognizes LSEs need sufficient time to incorporate CPE procurement into their planning of their own system and flexible procurement.\textsuperscript{20} However, its proposed timeline in which LSEs would receive their CAM credits for system and flexible RA procured by the CPE in mid-August does not allow LSEs enough time to effectively plan to meet their year-ahead obligations. CalCCA proposed that to fill the gap in local RA procurement for 2023, the timeline should allow the CPE to complete its all-source solicitations for 2023 by June so that allocations can be completed by the time LSEs receive their system and flexible requirements. Even this timeline encroaches on LSEs’ ability to plan their system and flexible procurement, as many LSEs will begin procurement of 2023 system and flexible RA soon, if they have not already. For this reason, CalCCA proposed this timeline only to fill the significant gap in local procurement for 2023; in future years, local RA procurement should be completed by October, two years prior to the operational year.

Therefore, instead of adopting PG&E’s proposal, the Commission should allow the CPE to conduct procurement outside the all-source solicitation process to speed up the procurement process for 2023 and adopt the timeline proposed by CalCCA that would communicate system and flexible credits to LSEs by the time their RA requirements are finalized in June. If the CPE cannot effectively conduct another all-source and complete the solicitation by June to procure for 2023, the CPE should instead solicit additional procurement outside the all-source solicitation process as discussed in section A above.

\textsuperscript{20} New PG&E Proposals at 5.
VII. CPE CONFIDENTIALITY PROVISIONS SHOULD BE CONSISTENT WITH D.06-06-066

In its proposal, PG&E provides a table summarizing its proposal for confidential treatment of CPE information which deviates from D.06-06-066 in some areas. Under the category of “Contract Terms and Conditions,” PG&E proposes contracts and power purchase agreements be confidential for a period of the later of three years from delivery start or one year after execution. This should be clarified, consistent with D.06-06-066, to specify that contract summaries are public, including counterparty, resource type, location, capacity, expected deliveries, delivery point, length of contract and online date.

Under the category “Forecast,” PG&E proposes “Forecasted RA Requirements” and “Allocations (MW)” be confidential for three years. PG&E’s justification for keeping this information confidential is, “Disclosure of the capacity that is forecasted to be sold in each local area could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants’ future bidding behavior for capacity that has not yet been procured.” This justification is not clear given the description of the item is related to forecasted requirements and allocations rather than capacity sales. Forecasted requirements are published by the Commission three years forward, and the CPE is allocated all the local RA requirements. Additionally, aggregate CAM allocations are published and should continue to be published so LSEs are aware of their own procurement obligations. Therefore, it is not clear what the forecasted requirements and allocations are that PG&E is proposing to keep confidential. The Commission should ensure CPE confidentiality provisions are consistent with those outlined in D.06-06-066.

21 PG&E Proposals at A-1.
22 D.06-06-066 at Appendix 1, p 15.
23 PG&E Proposals at A-3.
VIII. CONCLUSION

For all the foregoing reasons, CalCCA respectfully requests consideration of these comments and looks forward to continuing the dialogue with the Commission and stakeholders around the CPE framework.

Respectfully submitted,

[Signature]

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CALIFORNIA COMMUNITY CHOICE ASSOCIATION

January 4, 2022