

**DOCKETED**

<b>Docket Number:</b>	21-IEPR-01
<b>Project Title:</b>	General Scope
<b>TN #:</b>	241060
<b>Document Title:</b>	California Community Choice Association Comments - on the Draft 2021 IEPR
<b>Description:</b>	N/A
<b>Filer:</b>	System
<b>Organization:</b>	California Community Choice Association
<b>Submitter Role:</b>	Public
<b>Submission Date:</b>	12/21/2021 4:54:29 PM
<b>Docketed Date:</b>	12/21/2021

*Comment Received From: California Community Choice Association  
Submitted On: 12/21/2021  
Docket Number: 21-IEPR-01*

**on the Draft 2021 IEPR**

*Additional submitted attachment is included below.*



## **CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON THE DRAFT 2021 INTEGRATED ENERGY POLICY REPORT (IEPR)**

### **Docket 21-IEPR-01 General Scope, TN# 240868**

#### **I. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS**

The California Community Choice Association (CalCCA)<sup>1</sup> submits these comments on the *Draft 2021 Integrated Energy Policy Report (IEPR), Volumes I, II, IV, and Appendix (Report)*.<sup>2</sup> CalCCA appreciates the significant efforts of the California Energy Commission (Commission) in its analysis and preparation of the Report.

While many important issues are raised in the Report, the comments herein provide recommendations with respect to Volume II regarding actions needed to increase the reliability and resiliency of California's energy system.<sup>3</sup> As set forth more fully below, CalCCA provides the following recommendations to build on the proposals set forth in the Report:

- The Commission should ensure the appropriate use by state agencies of the annual near-term Summer Stack Analyses (SSA) and the longer-term California Reliability Outlook (CRO);
- Considerations of climate change and the social cost of carbon should be incorporated in Commission modeling; and

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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, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

<sup>2</sup> As noted in the Notice of Availability of the Draft 2021 IEPR, Volume III related to the role of gas in California's energy system will be available for comment later and under separate notice. *Notice of Availability and Request for Comments on the Draft 2021 Integrated Energy Policy Report (IEPR), Docket No. 21-IEPR-01* (Dec. 7, 2021), at 2.

<sup>3</sup> *Erne, David, Mark Kootstra, Tom Flynn, Chris McLean, Angela Tanghetti, and Stephanie Bailey. 2021. Draft 2021 Integrated Energy Policy Report, Volume II: Ensuring Reliability in a Changing Climate.* California Energy Commission. Publication Number: CEC-100-2021-001-V2.

- The Commission correctly recognizes its role in encouraging, but not mandating, the establishment by community choice aggregators (CCA) of dynamic rates for load management.

## II. COMMENTS

### A. **The Commission’s Summer Stack Analyses and California Reliability Outlook are Both Valid Tools for Assessing Reliability Needs, but Must be Used Appropriately**

CalCCA supports the Commission’s plan to annually perform *both* the SSA and a CRO to inform energy agency decision-making as instrumental to ensuring future system reliability. However, information gleaned from these analyses must be used appropriately. The Report distinguishes the purpose of these two tools proposed by the Commission to assess reliability conditions on an annual basis. First, the SSA will provide a near-term snapshot of a worst-case, extreme weather scenario on the California Independent System Operator (CAISO) system. This snapshot will enable preparation of contingency reserve needs (i.e., reduction of demand by industrial customers, use of backup generators, deployment of temporary mobile generators).<sup>4</sup> The CRO, on the other hand, will assess procurement needs in the mid-term (five-year period) through a loss-of-load-expectation (LOLE) analytical framework.<sup>5</sup> The Commission distinguishes the SSA from the CRO by stating that “the intention of a stack analysis is *not* to determine whether traditional procurement is needed.”<sup>6</sup> The necessity of additional resource procurement (i.e., renewables and storage) to address system reliability needs would be informed only by the CRO.<sup>7</sup>

CalCCA agrees with the Commission’s intended use of information gleaned from the SSA and CRO, and recommends the following additional principles. First, emergency

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<sup>4</sup> Report, Vol. II, at 48-49.

<sup>5</sup> *Id.* at 53-54.

<sup>6</sup> *Id.* at 49 (emphasis added).

<sup>7</sup> *Id.* at 53.

procurement orders for new-build resources in the short-term should be avoided. Any new-build system need beyond contingency resources (as identified in the SSA) should only be identified in the CRO, and LSEs should be given adequate time to procure the needed resources. Rushing procurement timelines imposes costs on ratepayers that should be avoided with adequate planning. Second, as CalCCA has advocated in the Integrated Resource Planning (IRP) proceeding at the California Public Utilities Commission (CPUC), the Commission should not recommend changing the Planning Reserve Margin (PRM) without a robust record that includes LOLE analysis.<sup>8</sup> Third, the Commission should make the data inputs and outputs of each SSA and CRO available for stakeholder review and input.

With the above caveats, CalCCA supports the Commission’s proposed roles for its SSA and CRO. Through these annual analyses, the Commission can balance the timely, agile identification of the need for contingency responses to near-term grid issues under extreme conditions via the SSA. The Commission can also ensure a systematic, data-driven approach to medium-term procurement and planning of new build resources via the CRO. The ultimate goal

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<sup>8</sup> See *California Community Choice Association’s Reply Comments on Administrative Law Judge’s Ruling Seeking Comments on Proposed Preferred System Plan*, Rulemaking (R.) 20-05-003 (Oct. 11, 2021), at 9 (quoting *California Community Choice Association’s Comments on Administrative Law Judge’s Ruling Seeking Feedback on Mid-Term Reliability Analysis and Proposed Procurement Requirements*, CPUC R.20-05-003 (Mar. 26, 2021), Appendix A, at A-2) (“A PRM should be calculated using a robust stakeholder process, employing the following high-level steps. First, decide on a “target” of grid reliability that can be achieved at a reasonable cost. Historically, this has been one loss-of-load event every ten years (often referred to as “0.1 LOLE,” which is a count of the expected number of loss-of-load events in a given year). However, the CPUC may want to revisit this number (and the underlying weather and load data) to account for climate change or affordability impacts, as well as the increased renewable and battery penetration in the grid relative to when the 0.1 target was first established. Second, calculate the amount of generating resources that are required to achieve this target using a production cost model. Third, divide that amount by the load forecast, incorporating an operating reserve margin adder. The result will be the PRM that should be used”), located at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M410/K467/410467139.PDF>.

of this balancing will be to ensure system reliability while avoiding imposing unnecessary long-term costs on customers through emergency procurement orders.<sup>9</sup>

**B. The CEC Should Consider Climate Change and the Social Cost of Carbon in any New Reliability Analysis, Including its Next California Reliability Outlook**

CalCCA appreciates the Commission's acknowledgement of the need to incorporate climate change into grid planning, and recommends that considerations of climate change and the social cost of carbon be incorporated into its next CRO.<sup>10</sup> As it has previously commented before the Commission and the CPUC, CalCCA agrees that climate-driven changes in the electric system should be studied including the effects on hydroelectric, wind, solar, and thermal generation, as well as on load.<sup>11</sup> CalCCA has analyzed both historical daily maximum temperature data (including 30 years of historical data)<sup>12</sup> and projected future temperature data (next 15 years) for summer days.<sup>13</sup> The chart below shows the probability density functions of

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<sup>9</sup> See *Reply Comments of California Community Choice Association on the Proposed Decision and Alternate Proposed Decision Requiring Procurement to Address Mid-Term Reliability (2023-2026)*, CPUC R.20-05-003 (June 15, 2021), at 1 (advocating that the cost and time necessary to conduct a robust LOLE study prior to ordering procurement beyond the mid-need scenario is worth ensuring any reliability benefits given the potential significant costs), located at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M388/K397/388397136.PDF>.

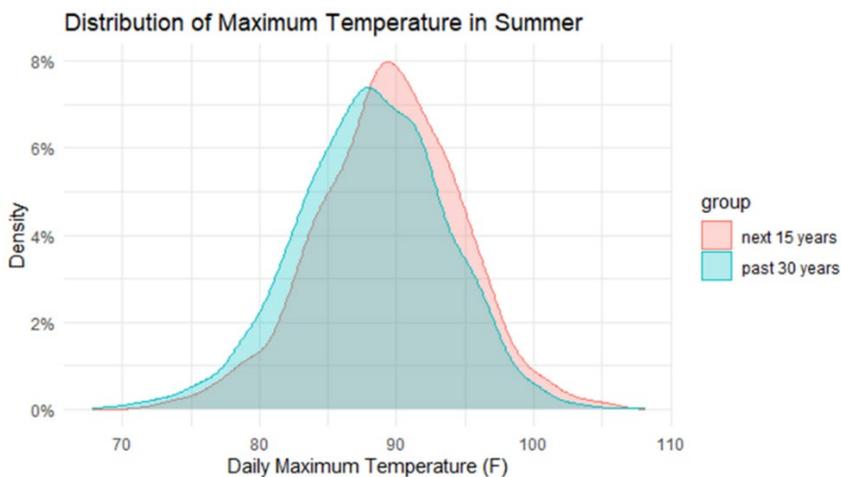
<sup>10</sup> Report Vol. II, at 74 (“[t]he CEC, CPUC and California ISO should develop a common approach to incorporating climate change into system planning, including a set of climate scenarios to be considered”).

<sup>11</sup> See *Comments of the California Community Choice Association to the California Energy Commission on the November 1 Joint Agency Workshop on Planning for SB 100 Analysis of Non-Energy Benefits, Social Costs & Reliability*, CEC Docket No. 19-SB-100 (Nov. 9, 2021), at 2-3, located at <https://efiling.energy.ca.gov/GetDocument.aspx?tn=240533&DocumentContentId=73853>; see also *California Community Choice Association’s Comments on Administrative Law Judge’s Ruling Seeking Comments on Proposed Preferred System Plan*, CPUC R.20-05-003 (Sept. 27, 2021), at 7-9 (recommending that any future CPUC SERVM analysis take into account climate change, include potential future prolonged hydro years and the social costs of carbon emissions), located at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M410/K467/410467139.PDF>.

<sup>12</sup> Historical temperature data is from PRISM Climate Data Daily Summaries, located at <https://prism.oregonstate.edu/historical/>.

<sup>13</sup> Future data is from Rasmussen, D. J., Holloway, T., & Nemet, G. F. (2011). Opportunities and challenges in assessing climate change impacts on wind energy—a critical comparison of wind speed projections in California. *Environmental Research Letters*, 6(2), 024008. Located at <https://iopscience.iop.org/article/10.1088/1748-9326/6/2/024008>.

the historical data (in blue) and the future data (in red). The data clearly demonstrates a future substantial increase in the frequency of high-temperature summer days.



CalCCA looks forward to engaging with Commission staff on further analysis of these data, and incorporation of the results into system modeling and the IEPR more generally.

CalCCA also proposes that any future Commission modeling consider the social cost of carbon. As CalCCA has advocated before the CPUC, “cost-optimized energy portfolios must include all costs borne by customers, not just portfolio costs, including the costs of wildfires, drought, heat waves and heat-related outages induced by emissions from the electricity sector.”<sup>14</sup> As all of these are climate-related, and the Commission should take them into account when modeling for grid planning purposes.

**C. The Commission’s Recommendations Regarding Expansion of Dynamic Rate Plans to Support Load Management Goals Correctly Recognize the CEC’s Role to Encourage, Rather Than Mandate, Such Rates for CCAs**

The Report provides recommendations concerning the Commission’s and CPUC’s efforts regarding the state’s demand response program to take advantage of flexible-demand appliances

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<sup>14</sup> See California Community Choice Association’s Comments on Administrative Law Judge’s Ruling Seeking Comments on Proposed Preferred System Plan, CPUC R.20-05-003 (Sept. 27, 2021), at 7, footnote 14, located at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M410/K467/410467139.PDF>.

and the market-informed demand automation server (MIDAS).<sup>15</sup> Among the recommendations are that the Commission and CPUC “should work to expand dynamic rate plans and encourage the rollout of automated devices.”<sup>16</sup> The recommendation regarding expansion of dynamic rates correctly states that “the CPUC and [Commission] will need to *coordinate with* . . . [CCAs] to *encourage* these entities to implement similar rate plans and automate access to them”.<sup>17</sup> Given the lack of jurisdiction of the Commission and the CPUC over CCA ratemaking, the Commission correctly recognizes that the adoption of any rate structure cannot be mandated for CCAs, but rather can only be encouraged.<sup>18</sup> CCAs appreciate the Commission’s efforts to encourage the development of rates that can result in decreased electricity use in peak hours. However, the adoption of such rates by a CCA would be dependent on the cost-effectiveness of such a rate, and how such a rate fits within the CCA’s unique local needs.<sup>19</sup>

### III. CONCLUSION

CalCCA appreciates Commission’s staff’s efforts in Docket Number 21-IEPR-01 and looks forward to further collaboration on this topic.

Date: December 21, 2021

*(Original signed by)*

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<sup>15</sup> Report at 75.

<sup>16</sup> *Id.*

<sup>17</sup> *Id.* (emphasis added).

<sup>18</sup> *See Comments of the California Community Choice Association to the California Energy Commission on the Draft Staff Report*, CEC Docket No. 10-OIR-01, Rulemaking to Consider Updates to the Load Management Regulations (June 4, 2021), at 3-6 (requesting revisions to draft Load Management Regulations to ensure that the regulations do not improperly subject CCAs to prescriptive ratemaking mandates that would infringe upon each CCA’s exclusive ratemaking authority), located at <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=19-OIR-01>.

<sup>19</sup> *See id.* at 5-6 (encouraging the Commission to adopt flexible rate recommendations to allow each CCA Board to determine whether such a rate, including the resources and technology necessary to implement the rate, would be cost-effective for its customers or class of customers).