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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
Reforms and Refinements, and Establish Forward
Resource Adequacy Procurement Obligations.

R.21-10-002

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY COMMENTS
ON ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING**

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SUMMARY OF RECOMMENDATIONS

- Proposals to modify the self-showing process exacerbate disincentives and should therefore be rejected;
 - The CPE timeline must provide sufficient time for orderly procurement by both CPEs and LSEs;
 - System and flexible RA waivers are needed when CPE credits are not finalized in a timely manner;
 - Parties provide compelling justification for CPEs to provide additional information regarding procurement activity; and,
 - Before removing the levelized fixed cost bidding requirement, the Commission should provide time to further evaluate the impacts of such a change.
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California Community Choice Association¹ (CalCCA) submits these reply 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. PROPOSALS TO MODIFY THE SELF-SHOWING PROCESS EXACERBATE DISINCENTIVES AND SHOULD THEREFORE BE REJECTED

Alliance for Retail Energy Markets (AREM), Pacific Gas and Electric Company (PG&E), and Middle River Power LLC (MRP) each comment on the multiple proposals in the record to modify the process for self-showing. As an initial matter, CalCCA disagrees with PG&E's² and MRP's³ assertion that the California Independent System Operator's (CAISO's) proposed self-showing process is essentially a residual model.

¹ California Community Choice Association represents the interests of 22 community choice electricity providers in California: Apple Valley Choice Energy, 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.

² *Opening Comments of Pacific Gas And Electric Company (U 39 E) On Phase 1 Proposals And Workshop Regarding Central Procurement Entity Structure And Process [Public Version – Appendix A Contains Confidential Information]*, Jan. 4, 2022 (PG&E Opening Comments), at 10-12.

³ *Middle River Power LLC Comments On Phase 1 Proposals*, Jan. 4, 2022 (MRP Opening Comments), at 14-16.

The residual model as originally proposed would have had the California Public Utilities Commission (Commission) determine how much of the local requirement was attributable to each load-serving entity (LSE) and to the extent that the LSE provided part or all of that need, the LSE would have their share of central procurement entity (CPE) procurement costs reduced commensurately. In exchange, the LSE would then be responsible for ensuring that resource is shown in each applicable monthly showing and if unavailable would either provide an alternate resource meeting the CAISO local need or incur the CAISO backstop costs.

Based upon a discussion between the CAISO and CalCCA, this is not the mechanism the CAISO is describing. The CAISO proposed that the Commission “assign the local capacity obligation to LSEs that have agreed to self-show resources under the hybrid procurement framework commensurate with the amount of local capacity they have agreed to show.”⁴ The CAISO is simply proposing that in the event of a CAISO backstop for local Resource Adequacy (RA) where self-shown RA is not available, the CAISO would allocate the costs of such backstop to the self-showing LSE. The CAISO does not recommend any changes to the initial allocation of local requirements including that of a residual model.

AREM’s suggestion that the utilities’ and CAISO’s proposed modifications to the self-showing process diminish concerns related to risks associated with self-showing is misguided.⁵ Risks of self-showing are not improved, rather they are made worse by PG&E’s or the CAISO’s self-showing proposals because the proposals place additional risk on the self-showing entity by assigning the local obligation and associated backstop costs to the self-showing LSEs. These risks are offset only by a payment for Local Capacity Requirements Reduction Compensation

⁴ *Phase 1 Proposals of the California Independent System Operator Corporation*, Dec. 23, 2021 (CAISO Phase 1 Proposals), at 4.

⁵ *Comments Of The Alliance For Retail Energy Markets On Phase 1 Proposals To Address Issues Regarding The Central Procurement Entity*, Jan. 4, 2022 (AREM Comments), at 5.

Mechanism (LCR RCM) which is very low, including \$0, and a pro-rata reduction in the costs incurred by the CPE. Given the CAISO soft offer cap for Capacity Procurement Mechanism (CPM) at \$6.31/kW-month, the offsetting revenues and cost reductions are likely to be insufficient for an LSE to self-provide a resource.

The following incentives and disincentives exist under the current framework and would be exacerbated if local obligations were shifted to self-showing LSEs under a hybrid model:

Inadequate Incentives

- LCR RCM is no higher than \$1.78 per kW-month, which is likely too low to incentivize self-showings given CPM soft-offer cap of \$6.31/kW-month and system RA prices.
- LCR RCM is not available to thermal resources and pre-LCR RCM resources, meaning many resources LSEs self-show would not be eligible for any compensation at all.

Disincentives

- Self-shown resources' system and flexible RA value is spread across all LSEs in a constrained market where LSEs may need those resources to meet their system obligations.
- CPE contracts for self-showing in many cases do not allow substitution of a self-shown resource, leaving the self-showing LSE responsible for the full backstop costs when they do not receive the full RA benefit the resource provides.
 - Even if the CPE did allow for substitution of self-shown resources, there is no incentive for the LSE to procure local substitute capacity since it is only self-realizing the system and flexible RA value of the resource and as such, system and flexible obligations represent their substitution risk.
- If substitution is allowed, as proposed in Southern California Edison Company's (SCE's) proposal, LSEs self-showing could mitigate risks of resource unavailability by holding onto other resources for substitution rather than using them for self-showing or their own RA obligations.

LSEs must consider these incentives and disincentives to evaluate the risks associated with self-showing. When the risks of self-showing outweigh the benefit an LSE receives by self-showing, the result will be fewer resources shown to the CPE. Additionally, when many local areas are extremely tight, such that most or all local resources are needed to meet the local RA

requirement, it may be impossible for the CAISO to backstop to fill deficiencies. This is because all local resources not shown by the CPE are likely already under contract and being used by other LSEs to meet their system obligations or provide substitution. For these reasons, the Commission should not adopt modifications that would create further disincentives for LSEs to self-show.

II. THE CPE TIMELINE MUST PROVIDE SUFFICIENT TIME FOR ORDERLY PROCUREMENT FOR BOTH CPES AND LSES

CalCCA's proposal to modify the CPE timeline would extend CPE procurement (either through all-source solicitation or bi-lateral contracting) to the end of June 2022 for the 2023 RA compliance year given the significant open position left unprocured for 2023. In future years, the Commission must ensure CPEs complete their procurement activity at least a year in advance as originally contemplated to allow LSEs to adequately plan and conduct their own procurement.

PG&E proposed a CPE showings deadline of mid-August with a stated goal of striking a reasonable balance between clarifying activities and moving up the CPE timeline.⁶ However, this proposal does not strike a reasonable balance when it comes to time allotted for CPE procurement and LSE procurement. Giving LSEs two and a half months to conduct their system and flexible RA procurement after CPEs have three years to conduct their procurement is not balanced and should not be adopted. Instead, the Commission should adopt CalCCA's proposed timeline to allow CPEs to conduct additional procurement through June 2022 for RA compliance year 2023, and for future compliance years, direct CPEs to conclude procurement at least one year prior to the start of the RA compliance year to allow adequate time for LSEs to conduct their procurement.

SCE states that its CPE largely met its procurement for 2023 and believes the small residual amount it did not procure can be met in the next annual all-source solicitation.⁷ If this

⁶ PG&E Opening Comments at 3-4.

⁷ *Opening Comments of Southern California Edison Company (U 338-E) on Phase 1 Proposals and Workshop*, Jan. 4, 2022 (SCE Opening Comments), at 6.

procurement is done in the next annual solicitation, LSEs will not be aware of this procurement and their associated credits until late October 2022 for 2023. This timeline is unacceptably late. While CalCCA understands SCE's open position is small for 2023, the Commission should not establish a precedent that credits for CPE procurement be finalized in October for the next compliance year. Instead, SCE should attempt to fill its open position by June 2022 outside of an all-source solicitation, as supported by SCE in its Phase 1 Proposals⁸ and supported by CalCCA in Opening Comments.⁹

Finally, in response to comments from AREM¹⁰ regarding CalCCA's proposed timeline in which final CAM credits are issued to LSEs in late September, CalCCA clarifies here that its proposal would not leave CPE credits to be allocated until late September. Rather, credits related to CPE procurement would be allocated in July 2022 following the completion of CPE procurement and adoption of RA requirements. Only modifications to Cost Allocation Mechanism (CAM) credits based on changes to coincident peak load shares would be left until the late September timeframe.

III. SYSTEM AND FLEXIBLE RA WAIVERS ARE NEEDED WHEN SYSTEM AND FLEXIBLE CPE CREDITS ARE NOT FINALIZED IN A TIMELY MANNER

CalCCA proposed a penalty waiver for system and flexible RA shortfalls caused by the CPE's failure to finalize its portfolio by June 2022 for RA year 2023. The Public Advocates Office (Cal Advocates) does not support a system RA waiver option and suggests if the CPE timeline is modified to allow for earlier certainty of the amounts of CPE credits LSEs will receive, a waiver would not be necessary as the problem of uncertainty would decrease. Cal

⁸ *Phase 1 Proposals of Southern California Edison Company (U 338-E)*, Dec.13, 2021, at 8-9.

⁹ *California Community Choice Association's Comments on Assigned Commissioner's Scoping Memo and Ruling*, Jan. 4, 2022 (CalCCA Opening Comments), at 11.

¹⁰ AREM Comments at 2.

Advocates further recommends that if the Commission decides to adopt a waiver process, it should consider a onetime waiver if the CPE timeline is not modified.¹¹

CalCCA agrees that if the timeline provides enough certainty in advance of CPE credit volumes, a system waiver would not need to be approved on the basis of CPE credit volume uncertainty. However, for RA year 2023, CPE credit volumes are still unknown and are significantly below the expected amount given the local requirement. Therefore, a waiver is necessary for the 2023 RA year if CPE procurement is not complete and credits allocated by June 2022. If for future RA years, CPE credits are known more than one year in advance as originally contemplated and there is not a significant change in local RA requirements year to year, CalCCA agrees with Cal Advocates that a system RA waiver would not be needed on the basis of CPE credit volume uncertainty.

IV. PARTIES PROVIDE COMPELLING JUSTIFICATION FOR CPES TO PROVIDE ADDITIONAL PROCUREMENT ACTIVITY INFORMATION

CalCCA¹², MRP¹³, and WPTF¹⁴ each propose the CPES provide additional information around CPE procurement activities that would help parties better understand the source of the challenges faced by CPES under the existing framework and provide informed proposals. PG&E asks the Commission reject these, citing concerns around confidentiality, negative impacts to the CPE process in a constrained local RA market, and necessity of the information requested.¹⁵ Confidentiality protections for market participants are crucial. However, each party proposes

¹¹ *Comments of the Public Advocates Office on Phase 1 Proposals*, Jan. 4, 2022, at 6.

¹² *California Community Choice Association's Phase 1 Proposals in Response to the Assigned Commissioner's Scoping Memo and Ruling*, Dec. 13, 2021 (CalCCA Phase 1 Proposals), at 4-5.

¹³ *Middle River Power LLC Phase 1 Proposals*, Dec. 23, 2021, at 6-7.

¹⁴ *Western Power Trading Forum Phase 1 Proposals*, Dec. 23, 2021.

¹⁵ PG&E Opening Comments at 14-16.

information that could be easily aggregated to protect the confidentiality of market participants. Further, none of the information proposed by parties would reveal information on prices.

In response to PG&E's suggestion that CalCCA did not explain why its proposal for additional information is required to understand how the CPE structure is functioning,¹⁶ these reply comments reiterate CalCCA's position in Opening Comments regarding why additional information is needed. CalCCA's Opening Comments state additional information is required because without such information, "...it is impossible for parties to know and understand the source of the challenges with procurement in order to develop specific proposals," and "As a result of the CPE uncertainty, LSEs face immediate and significant challenges in securing their own system RA positions."¹⁷ For these reasons, the Commission should adopt parties' proposals for additional information regarding CPE procurement activity.

V. BEFORE REMOVING THE LEVELIZED FIXED COST BIDDING REQUIREMENT, THE COMMISSION SHOULD PROVIDE TIME TO FURTHER EVALUATE THE IMPACTS OF SUCH A CHANGE

SCE proposes the Commission remove the requirement the utilities bid their resources in at their levelized fixed costs and suggests in its Opening Comments that if the Commission feels the investor-owned utilities (IOUs) have a competitive advantage over other LSEs, the IOUs should be able to bid in a monthly shaped price to allow bids to be more competitive with offers from other LSEs.¹⁸ To the extent the levelized fixed cost bidding requirement is inhibiting bids the IOUs otherwise would have submitted to the CPE, considerations should be made to ensure IOUs fully bid their available resources to the CPE. However, in order to fully evaluate the impacts of removing the levelized fixed cost bidding requirement, the Commission should take

¹⁶ PG&E Opening Comments at 15.

¹⁷ CalCCA Phase 1 Proposals at 4-5.

¹⁸ SCE Opening Comments at 8.

additional time before modifying the levelized fixed cost bidding requirement. Such impacts include the flow of costs between Power Charge Indifference Adjustment and CAM and impacts to the RA market. Rather than adopting SCE's proposal in this phase, the Commission should reconsider it in Phase Two, when parties have additional time to consider the impacts of the proposal.

VI. CONCLUSION

For all the foregoing reasons, CalCCA respectfully requests consideration of these reply comments.

Respectfully submitted,



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