



FILED
02/14/22
04:08 PM

**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 PHASE 2 WORKSHOP AND PROPOSALS**

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February 14, 2022

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SUMMARY OF RECOMMENDATIONS

- CalCCA supports the Commission conducting an LOLE study to inform the PRM;
 - The Commission should include updated forced outage estimates as inputs into the LOLE;
 - CalCCA supports using LOLE analysis to update the PRM as opposed to ad hoc increases to the PRM that are not based on robust analysis and not officially incorporated into the RA program; and,
 - The PRM should be reviewed after a reasonable period of time or upon significant changes to the inputs.
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The California Community Choice Association¹ (CalCCA) submits these Comments in response to the *Assigned Commissioner's Scoping Memo and Ruling* (Ruling), filed on December 2, 2021.

I. INTRODUCTION

CalCCA supports the California Public Utilities Commission (Commission) conducting a Loss of Load Expectation (LOLE) study to inform modifications to the planning reserve margin (PRM) to ensure it meets a targeted level of reliability. The Commission indicated Energy Division will issue an LOLE study and PRM proposal within this phase of the Resource Adequacy (RA) proceeding in the near future.² The LOLE study issued by Energy Division should provide valuable insight into how the PRM needs to be updated. The California

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 *Email Ruling on Loss of Load Expectation Study*, Feb. 3, 2022 (R.21-10-002).

Independent System Operator (CAISO) and San Diego Gas & Electric Company (SDG&E) also offered proposals related to the PRM. These comments offer recommendations based on the CAISO's and SDG&E's PRM proposals.

In summary, CalCCA supports the Commission conducting an LOLE study to inform the PRM and:

- The Commission should include updated forced outage estimates as inputs into the LOLE;
- CalCCA supports using LOLE analysis to update the PRM as opposed to ad hoc increases to the PRM that are not based on robust analysis and not officially incorporated into the RA program; and,
- The PRM should be reviewed after a reasonable period of time or upon significant changes to the inputs.

II. CALCCA SUPPORTS THE COMMISSION CONDUCTING AN LOLE STUDY TO INFORM THE PLANNING RESERVE MARGIN

A. The Commission Should Include Updated Forced Outage Estimates as Inputs into the LOLE

The CAISO proposes the Commission update the PRM based on an updated LOLE study including an updated forced outage rate of at least 7.5 percent to align with industry observed forced outage rates and account for extreme weather.³ 7.5 percent is generally consistent with the forced outage data presented by the CAISO.⁴ The Commission should use this updated forced outage estimate as an input into the LOLE study to determine the appropriate PRM as the CAISO suggests,⁵ and not as an adder to the PRM. Using the 7.5 percent as both an input on the supply side (to calculate dispatch of generators in the LOLE study) and on the demand side (as

³ *Phase 2 Proposals of the California Independent System Operator Corporation*, Jan. 21, 2022, R.21-10-002 (CAISO Proposal), at 5.

⁴ *Unforced Capacity Evaluation Proposal*, CPUC Track 3B.2 Proceeding: Implementation Workshop, CAISO, Jan. 19, 2021: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacy-homepage/workshop-9-ucap-proposal_caiso.pdf.

⁵ CAISO Proposal at 5.

an adder to the final PRM that load-serving entities (LSEs) must meet in their RA showings) would essentially over-count the effects of outages.

B. CalCCA Supports Using LOLE Analysis to Update the PRM as Opposed to Ad Hoc Increases to the PRM that are not Based on Robust Analysis and not Officially Incorporated into the RA Program

SDG&E explains that recent reliability challenges have resulted in the Commission making interim adjustments to the PRM not supported by LOLE analysis and suggests that going forward, the PRM should be developed in the RA proceeding through an annual LOLE study.⁶ The CAISO also proposes the Commission phase out the use of an “effective” PRM, in favor of an official PRM update because the CAISO cannot exercise its backstop authority to cure for “effective” PRM deficiencies and non-RA capacity used to meet an “effective” PRM is not subject to CAISO RA rules, including the Resource Adequacy Availability Incentive Mechanism (RAAIM) and must-offer obligation.⁷

CalCCA understands the “effective” PRM to be one in which an entity believes that elements that are inputs to reliability have changed and as a result, the level of resources needed to meet reliability have also changed. Such a change can be effectuated by a new LOLE study which would account for the newly observed data. It can also be addressed by simply adjusting the PRM on the basis of the hypothesis without addressing the actual LOLE impact. This is more likely to be done in times when performing the necessary LOLE study may not occur in time for procurement to address the reliability need that may occur. For example, recent summer reliability procurement orders first used an “effective” 17.5% PRM for 2021 and 2022⁸ and then

⁶ *San Diego Gas & Electric Company (U 902 E) Phase 2 Implementation Track Proposal*, Jan. 21, 2022, R.21-10-002 (SDG&E Proposal), at 2.

⁷ CAISO Proposal at 6.

⁸ *Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Take Actions to Prepare for Potential Extreme Weather in the Summers of 2021 and 2022* (R.20-11-003), Mar. 25, 2021.

used an “effective” 20-22.5% PRM for 2022 and 2023⁹ to order IOU procurement. Since this ruling is addressing the reliability need with sufficient time to address a more informed PRM through LOLE, the Commission should do so. This will require fewer “effective” types of decisions to be made.

SDG&E and the CAISO correctly call for the Commission to end the practice of effectively modifying the PRM in the short-term without robust analysis in favor of informing the PRM through advanced planning and well-vetted LOLE studies. This will allow LSEs sufficient lead time to conduct orderly procurement of RA to meet reliability needs. Therefore, CalCCA supports an official PRM update informed by an LOLE study vetted by stakeholders in favor of continuing the practice of “effective” PRM updates.

C. The PRM Should be Reviewed After a Reasonable Period of Time or Upon Significant Changes to the Inputs

SDG&E proposed performing the LOLE study on an annual basis and updating the PRM for each RA compliance year based on the results of the study.¹⁰ If an LOLE study can be easily performed and vetted on an annual basis timely and cost-effectively, the Commission should adopt SDG&E’s proposal for an annual LOLE study and PRM update. However, the Commission must determine if performing an annual LOLE analysis and allowing time for robust vetting will be overly burdensome and if conducting an LOLE study each year will not result in substantial PRM changes year over year. If that is the case, the Commission could either determine a more feasible amount of time to regularly review the PRM (*e.g.*, every two years) or determine a threshold that would trigger a new LOLE study based on changes in inputs (*i.e.*, load

⁹ *Phase 2 Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Take Actions to Prepare for Potential Extreme Weather in the Summers of 2022 and 2023* (R.20-11-003), Dec. 2, 2021.

¹⁰ SDG&E Proposal at 1.

forecast changes, resource retirements, or counting rule changes). These alternatives will ensure the PRM remains up to date in the event an annual PRM review process is not feasible.

As articulated in CalCCA's Comments in this OIR¹¹, the Commission must consider the PRM within the context of the RA reform track as the outcome of the reform track will likely impact the appropriate level of the PRM. For example, resource counting rules proposed in the reform track could impact the level of PRM required to achieve a targeted level of reliability. The PRM would also need to be revisited in the context of UCAP if forced outages are incorporated into resources' capacity values. The PRM must be considered in conjunction with the structural changes in the reform track to ensure the RA program results in the targeted level of reliability under the new structural framework.

III. CONCLUSION

For all the foregoing reasons, CalCCA respectfully requests consideration of these comments and looks forward to an ongoing dialogue with the Commission and stakeholders on the appropriate PRM following the issuance of the Energy Division's LOLE study.

Respectfully submitted,



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¹¹ *California Community Choice Association Comments on 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), Nov. 1, 2021, at 5.