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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 REPLY COMMENTS ON THE PROPOSED DECISION ON PHASE 1 OF THE IMPLEMENTATION TRACK: MODIFICATIONS TO THE CENTRAL PROCUREMENT ENTITY STRUCTURE

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SUMMARY OF RECOMMENDATIONS

- The Commission should reject SCE's recommendation that CPEs have eight weeks from the date of final allocations to complete procurement;
- The PD must be modified to address inadequate incentives to self-show;
- The Commission should reject CEJA/UOCS's request to modify the PD such that justification statements would be publicly evaluated with an opportunity for public comment;
- The PD should be modified such that the same confidentiality provisions that apply to LSE procurement under D.06-06-066 also apply to CPE procurement; and
- The PD should be modified to require CPE procurement plans to go through the Procurement Review Group for procurement done outside the all-source solicitation.

I. INTRODUCTION

The California Community Choice Association (CalCCA)[1] submits these Reply Comments pursuant to Rule 14.3(d) of the California Public Utilities Commission (Commission) Rules of Practice and Procedure on the proposed *Decision on Phase 1 of the Implementation Track: Modifications to the Central Procurement Entity Structure* (PD) issued on February 10, 2022.

II. THE COMMISSION SHOULD REJECT SCE'S RECOMMENDATION THAT CPES HAVE EIGHT WEEKS FROM THE DATE OF FINAL ALLOCATIONS TO COMPLETE PROCUREMENT

The PD adopts a timeline that would give Central Procurement Entities (CPEs) until mid-August to make their local Resource Adequacy (RA) showings to the Commission. The timeline would then give load-serving entities (LSEs) from the end of August through the end of October to complete their procurement of system and flexible RA following allocation of credits from the CPE. Southern California Edison Company (SCE) recommends that the CPE have a full eight weeks from the date it receives final allocations to complete procurement and make showings to the Commission.[2]

The timeline in the PD and SCE's proposed modifications to the timeline should not be adopted. The PD significantly disadvantages LSEs procuring for their system and flexible obligations, especially considering that the three-year local RA program allows CPEs to largely know their local RA obligations three years forward. Because local requirements are known so far in advance, waiting until mid-August, two months prior to the year-ahead filings, to complete procurement is inadequate for LSEs with procurement obligations, and will result in higher customer costs.

As CalCCA proposed, the Commission must require CPEs to finalize their procurement for compliance year 2023 by June 2022 which will allow additional time for the CPE to fill the significant

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[1] California Community Choice Association represents the interests of 23 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, Orange County Power Authority, 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] *Southern California Edison Company's (U 338-E) Opening Comments on Proposed Decision on Phase 1 of the Implementation Track: Modifications to the Central Procurement Entity Structure*, Mar. 2, 2022 (R.21-10-002) (SCE Comments), at 2-3.

shortfall in CPE procurement for 2023.[3] After June 2022, if the 2023 local requirements changed with the June adoption, the CPE should be able to conduct procurement to fill the marginal need. If the CPE does not meet its full local RA obligation by the end of June 2022, when system and local requirements are finalized, the Commission should adopt a system and flexible RA waiver, or at minimum not assign any points, for the 2023 RA compliance year for any LSEs whose procurement deficiencies were impacted by CPE procurement shortfalls. Failure to mitigate LSE damages for shortfalls in the 2023 year will unduly increase customer costs without commensurate benefit, by forcing LSE customers to bear the costs of overprocurement or penalties. This is because the shortened compliance period and lack of certainty regarding CPE procurement amounts forces LSEs to choose between buying supply that may eventually be provided by the CPE (creating excess) or trusting that the CPE will meet its need and risking penalties if the CPE does not fill its entire position – a lose-lose proposition for customers in either case. Beginning for the compliance year 2024, the Commission must require CPE procurement to be completed in late September or early October one year prior to the yearly showings, as originally established in Decision (D.) 20-06-002, and any further procurement should only be for marginal needs resulting from changes between the three-year forward and one-year forward Local Capacity Requirements (LCRs).

III. THE PD MUST BE MODIFIED TO ADDRESS INADEQUATE INCENTIVES TO SELF-SHOW

The California Independent System Operator (CAISO), Pacific Gas and Electric Company (PG&E), and SCE all generally support the PD's modifications to the self-showing process, including the CPM cost allocation methodology that would allocate CPM costs to the self-showing LSE for CPMs resulting from non-performing self-shown resources not on planned outage or outside the CPE's Transmission Access Charge (TAC) area.[4] Parties in support of the proposed CPM cost allocation methodology fail to acknowledge the disincentives created by the PD that will likely discourage LSEs from self-showing local resources to the CPE.

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[3] *California Community Choice Association's Phase 1 Proposals in Response to the Assigned Commissioner's Scoping Memo and Ruling*, Dec. 13, 2021 (R.21-10-002) (CalCCA Proposals), at 8-9.

[4] *Opening Comments on Proposed Decision on Phase 1 of the Implementation Track: Modifications to the Central Procurement Entity Structure of the California Independent System Operator Corporation*, Mar. 2, 2022 (R.21-10-002), at 1-2; *Opening Comments of Pacific Gas and Electric Company (U 39 E) on Proposed Decision on Phase 1 of the Implementation Track: Modifications to the Central Procurement Entity Structure,* Mar. 2, 2022 (R.21-10-002), at 5-7; SCE Comments at 3.

Self-shown resources benefit all LSEs by reducing the overall local procurement obligation of a CPE. An LSE who self-shows a resource only receives a pro-rata reduction of CPE procurement costs provided by the resource. However, the PD would put the entirety of the backstop cost risk on the self-showing LSE. For example, an LSE with a three percent load ratio share that shows a 100 megawatts (MW) resource would receive a reduction in cost allocation from the CPE of three MWs. However, in exchange for this reduction in cost allocation, under the PD the self-showing LSE takes on 100 percent of the CAISO CPM cost risk if the resource is unable to perform in a given month. In addition to the proportional reduction in CPE procurement costs, self-showing LSEs only receive a potentially small payment through the Local Capacity Requirement Reduction Compensation Mechanism (LCR RCM) of $0/ kilowatt (kW) - month to at most $1.78/kW-month. Given the PD would put 100 percent of the CPM cost risk on self-showing LSEs if a self-shown resource is unavailable, LSEs do not receive adequate incentives to self-show.

Under the hybrid framework, LSEs are procuring to meet their own system and local obligations and may procure resources in local areas to meet these obligations. Despite holding these local resources, LSEs may choose not to self-show those resources to the CPE because of the disincentives established in the PD. Resources in a local area may be used to meet LSEs' system and flexible obligations can be substituted with a system resource if they are not self-shown. This is a significant disincentive to self-show because under the PD, self-showing would require LSEs to instead pay a premium cost for a local replacement resource or face CPM costs if they cannot find a replacement resource in the same local area.

To lessen these disincentives the PD must be modified to allow, but not require, self-showing LSEs to substitute for non-performing self-shown resources. If the self-showing LSE does not replace the self-shown resources, the CPE must be allowed to replace the resource and allocate costs to all LSEs. If neither the LSE nor CPE replaces the self-shown resource and backstop procurement is necessary, then backstop costs should be allocated to all LSEs, because all LSEs receive the local benefit of the resource that was self-shown.

IV. THE COMMISSION SHOULD REJECT CEJA/UOCS'S REQUEST TO MODIFY THE PD SUCH THAT JUSTIFICATION WOULD BE PUBLICLY EVALUATED WITH AN OPPORTUNITY FOR PUBLIC COMMENT

The California Environmental Justice Alliance (CEJA) and Union of Concerned Scientists (UOCS) recommended the PD be revised to include a public evaluation of justifications statements submitted by LSEs who elect not to self-show resources.[5] The Commission should not adopt this proposal. The PD correctly states the justification statement should be submitted with the year-ahead RA filing, which is only accessible by the Commission, and notes the purpose of the proposed justification is to improve the CPE framework and inform any necessary adjustments, and that it is not to be used as an enforcement mechanism. The justification statements should be used exclusively as an opportunity for the Commission to understand why LSEs choose not to self-show resources, as justifications may contain confidential market-sensitive information and business strategy. The Commission itself should evaluate justifications statements to analyze if changes are needed to the CPE framework in the future. Within that process, the Commission may find it beneficial to provide summary-level information on the types of justifications provided to inform parties; based on this summary, parties can then make their own recommendations on any further changes necessary to the RA CPE program. It is not necessary for justification statements to be filed in a public document within the proceeding or have parties comment on each justification statement.

V. THE PD SHOULD BE MODIFIED SUCH THAT THE SAME CONFIDENTIALITY PROVISIONS THAT APPLY TO LSE PROCUREMENT UNDER D.06-06-066 ALSO APPLY TO CPE PROCUREMENT

In its opening comments, Shell Energy North America (Shell) recommends the Commission modify the PD to ensure confidentiality rules applicable to the CPE's procurement information not restrict public access any more than the confidentiality rules that apply to LSEs' RA procurement under D.06-06-066.[6] The Commission should adopt this recommendation and clarify confidentiality provisions adopted in D.06-06-066 apply to both LSEs and CPEs. Protecting market-sensitive information related to both CPE and LSE procurement is important in ensuring information is not disclosed that would negatively impact market prices or ratepayer costs. D.06-06-066 appropriately addresses this objective. There is no justification for the Commission to provide CPEs more confidentiality protection than LSEs. For these reasons, the Commission should adopt Shell's modifications to the PD and clarify the confidentiality provisions adopted in D.06-06-066 also apply to the CPEs.

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5 *California Environmental Justice Alliance and Union of Concerned Scientists Comments on the Proposed Decision on Modifications to the Central Procurement Entity Structure*, Mar. 2, 2022 (R.21-10-002), at 1-2.

6 *Opening Comments of Shell Energy North America (UC), L.P. d/b/a Shell Energy Solutions on the Presiding Judge's February 10, 2022 Proposed Decision Addressing Protocols for the Central Procurement Entity*, Mar. 2, 2022 (R.21-10-002), at 3.

VI. THE PD SHOULD BE MODIFIED TO REQUIRE CPE PROCUREMENT PLANS TO GO THROUGH THE PROCUREMENT REVIEW GROUP FOR PROCUREMENT DONE OUTSIDE THE ALL-SOURCE SOLICITATION

SCE recommends modification of Ordering Paragraph (OP) 11, which states that contracts with a five-year term or less shall be deemed reasonable and preapproved if the Cost Allocation Mechanism (CAM) Procurement Review Group (PRG) was properly consulted, as described in OP 13 of D.20-06-002.[7] SCE recommends the Commission clarify the PD such that broker contracts with a term of five years or less do not require consultation with CAM PRG prior to the CPE executing the contract, provided the CPE followed all of the other selection requirements proposed in the PD's OP 11. SCE proposes to notify the CAM PRG as soon as practicable after the execution of such broker transactions, with information evidencing that the other requirements were met.[8]

CalCCA agrees with SCE that there may not be time prior to executing a broker or bi-lateral contract to consult with the PRG when the time between contract negotiation and execution is very compressed and supports its proposal to notify the CAM PRG as soon as practical after contract execution. However, the Commission should also require the CPE to consult with the PRG on its plan for conducting procurement outside the all-source solicitation, including the opportunities it plans to pursue and the criteria with which it plans to evaluate offers. Taken together, this process would ensure that before conducting bi-lateral procurement, the CAM PRG is consulted and afforded the opportunity to provide advice regarding the CPE's plan and after conducting bi-lateral procurement, the CAM PRG is able to evaluate if the CPE's actual procurement was consistent with the plan.

VII. CONCLUSION

CalCCA appreciates the opportunity to submit these Reply Comments and requests adoption of the recommendations proposed herein.

Respectfully submitted,

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7 PD OP 11.

8 SCE Comments at 5.