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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 THE PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2023 - 2025, FLEXIBLE CAPACITY OBLIGATIONS FOR 2023, AND REFORM TRACK FRAMEWORK

Evelyn Kahl,
General Counsel and Director of Policy
CALIFORNIA COMMUNITY CHOICE ASSOCIATION
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94520
(415) 254-5454
regulatory@cal-cca.org

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SUMMARY OF RECOMMENDATIONS

SPECIFICATION OF ERROR

1. The proposed *Decision Adopting Local Capacity Obligations for 2023-2025, Flexible Capacity Obligations for 2023, and Reform Track Framework* (PD) unjustifiably limits the ability for load serving entities (LSEs) to transact Resource Adequacy (RA) products in the 24-hour slice framework;
2. By not committing to revisit the Maximum Cumulative Capacity (MCC) bucket allocations to account for new resources coming online in the years prior to transitions to the new framework, the PD encroaches on LSEs' ability to utilize their RA portfolios by failing to reexamine the MCC bucket allocations for 2023 and 2024; and
3. The PD fails to allow the opportunity to advance a full unforced capacity methodology in the workstreams.

RECOMMENDED CHANGES

1. The PD should be revised to allow hourly transactions of RA, including both hourly resource trading and hourly RA obligation trading, under the 24-hour slice framework;
2. The PD should be modified to allocate Cost Allocation Mechanism resources to their applicable MCC bucket; and
3. The scope of workstreams two and three should be modified to consider a UCAP-light and a full UCAP methodology.

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON THE PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2023 - 2025, FLEXIBLE CAPACITY OBLIGATIONS FOR 2023, AND REFORM TRACK FRAMEWORK

The California Community Choice Association (CalCCA)[1] submits these comments pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure on the proposed *Decision Adopting Local Capacity Obligations for 2023 - 2025, Flexible Capacity Obligations for 2023, and Reform Track Framework* (PD), issued May 20, 2022.

I. INTRODUCTION

The PD advances both long-term and near-term modifications to the RA program. The long-term modifications adopted within the Reform Track advance the 24-hour slice framework with the 2024 Resource Adequacy (RA) year as a test year and the 2025 RA year as the first compliance year under the new framework. The near-term modifications adopted within the Implementation Track include adoption of the 2023-2025 Local Capacity Requirements and the 2023 Flexible Capacity Requirements, modifications to the Planning Reserve Margin (PRM), and updates to the Effective Load Carrying Capability (ELCC) values for wind and solar resources.

Reform Track

Within the Reform Track, the PD errs by omitting hourly transactions through either hourly load obligation trading or hourly resource trading based on a host of misinformation or perceived barriers that can be easily overcome. The PD must be revised to allow load-serving entities (LSEs) to transact hourly in the 24-hour slice framework. Failure to do this will result in a framework that is unworkable and that fails to meet the important principles outlined by the Commission in Decision (D.) 21-07-014.[2]

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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] D.21-07-014, *Decision on Track 3B.2 Issues: Restructure of the Resource Adequacy Program*, Rulemaking (R.)19-11-009 (Jul. 15, 2021), at 26.

CalCCA supports the proposed timeline in which 2024 would be used as a test year prior to full implementation in 2025. This will allow parties to fully resolve outstanding elements and to work through any implementation details identified during the test year.

During this transition, the Commission should ensure LSEs can fully utilize their portfolios by not artificially limiting their megawatts (MW) allocations in the Maximum Cumulative Capacity (MCC) buckets by taking Cost Allocation Mechanism (CAM) resources off the top of LSEs' RA requirements. The Commission should, therefore, modify the PD to allocate CAM resources to their appropriate MCC buckets. Finally, CalCCA recommends the Commission modify the PD to consider unforced capacity (UCAP) within the RA reform workstreams to advance the transition to a full UCAP mechanism as opposed to only a "UCAP-light" mechanism.

Implementation Track

CalCCA strongly supports the PD's acknowledgment that additional Loss of Load Expectation (LOLE) modeling must be undertaken to inform the PRM. The PD strikes the right balance between the recognized reliability need for 2023 and this need for additional modeling by marginally increasing the PRM to 16 percent in 2023. The PD correctly directs Energy Division (ED) and parties to further vet the modeling inputs and assumptions in ED's LOLE study in the Integrated Resource Planning (IRP) proceeding to inform further updates to the PRM. Because the resource mix and load have changed significantly since the 15 percent PRM was originally adopted in D.04-01-050, a robust modeling process is critical to ensure the PRM results in an RA fleet that meets the 1-in-10 reliability target.

Summary of Recommendations

CalCCA's comments focus on modifications the Commission should make to the PD within the Reform Track to further advance the transactability and affordability of the RA program. In summary, CalCCA recommends the following modifications to the PD:

- The PD should be revised to allow hourly RA transactions under the 24-hour slice framework;
- The PD should be modified to allocate CAM resources to their applicable MCC bucket; and
- The scope of workstreams two and three should be modified to consider a UCAP-light and a full UCAP methodology.

Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs to give effect to these changes are included as Attachment A.

II. THE PD SHOULD BE REVISED TO ALLOW HOURLY RA TRANSACTIONS UNDER THE 24-HOUR SLICE FRAMEWORK

A. The 24-Hour Slice Framework Does Not Meet the Commission's First or Third Principle Without Hourly Transactions

The Commission's first principle of RA reform is: "To balance ensuring a reliable electric grid with minimizing costs to customers."[3] The PD fails to meet this critically important principle by failing to adopt hourly transactability with the 24-hour slice proposal. Prohibiting hourly transactions through hourly load obligation trading or hourly resource trading under a 24-hour slice framework creates serious negative impacts on the affordability of the RA program. The inability to transact hourly would significantly challenge LSEs' ability to meet their RA obligations by artificially constraining the RA market and unnecessarily increasing procurement and ratepayer costs. This is because LSEs would be required to show resources in all hours they are available even if the LSE does not need the resources in each hour to meet the LSE's compliance obligation. This unnecessarily limits LSEs' ability to conduct cost-effective procurement by capturing the diversity inherent in their load shapes and resource portfolios. In many cases, LSEs' portfolios may not perfectly shape to their hourly obligations, leading them to be short or long in certain hours but closely meeting their obligations in others. Hourly trading of either obligations or resources would allow LSEs to transact for the exact hours of need, without creating length where it is not needed to meet their compliance obligations. LSEs must be able either to shape their portfolios to match their obligations or shape their obligations to match their portfolios to (1) take advantage of diverse loads and resources amount LSEs, (2) minimize customer costs, and (3) mitigate against market power in an already constrained RA market. It is critical to build a reliability framework that also minimizes costs for CCAs and other LSEs to accelerate equitable and affordable clean energy for their customers.

The Commission's third principle to address through RA reform is: "To balance granularity and precision in meeting hourly RA needs with a reasonable level of simplicity and transactability."[4] By adopting a 24-hour slice framework without hourly transactability, the PD effectively requires LSEs to transact a monthly RA product when compliance is assessed hourly. This creates a misalignment between the compliance intervals and the trading intervals that will impede on LSEs' ability to shape their RA portfolios to their obligations. By foregoing the

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3 PD at 55.

4 *Id.* at 55.

opportunity for LSEs to trade hourly, the Commission focuses too much on the "simplicity" component of its third principle at the expense of transactability. Under today's RA framework, LSEs can transact products that align with the compliance obligation. Today's RA program is monthly, and LSEs transact monthly products; the Commission does not require LSEs to procure quarterly or annual products to meet a monthly compliance obligation. The compliance intervals correctly drive the trading intervals. Absent such alignment, RA procurement would result in a suboptimal solution that fails to allow LSEs to closely align their procurement with their obligations. When moving to an hourly RA construct, the Commission should not mandate that LSEs procure for periods longer than the compliance obligation which is hourly.

To demonstrate the critical need for hourly trades to enhance the affordability and transactability of the 24-hour slice framework, assume a simplified system with two LSEs: LSE 1 and LSE 2. LSE 1 has a portfolio of firm, wind, solar, and storage resources and has an open position in hours ending (HE) 19, 20, and 21. LSE 2 has a portfolio of firm, solar, and wind resources, has no open positions, and is long in every hour. The total load plus PRM for LSE 1 and LSE 2 is met by the total resources from LSE 1 and LSE 2. However, without hourly transactability, LSE 1 would still need to fill its open position with new capacity. This is demonstrated in Figure 1, Figure 2, and Figure 3 below.

Figure 1

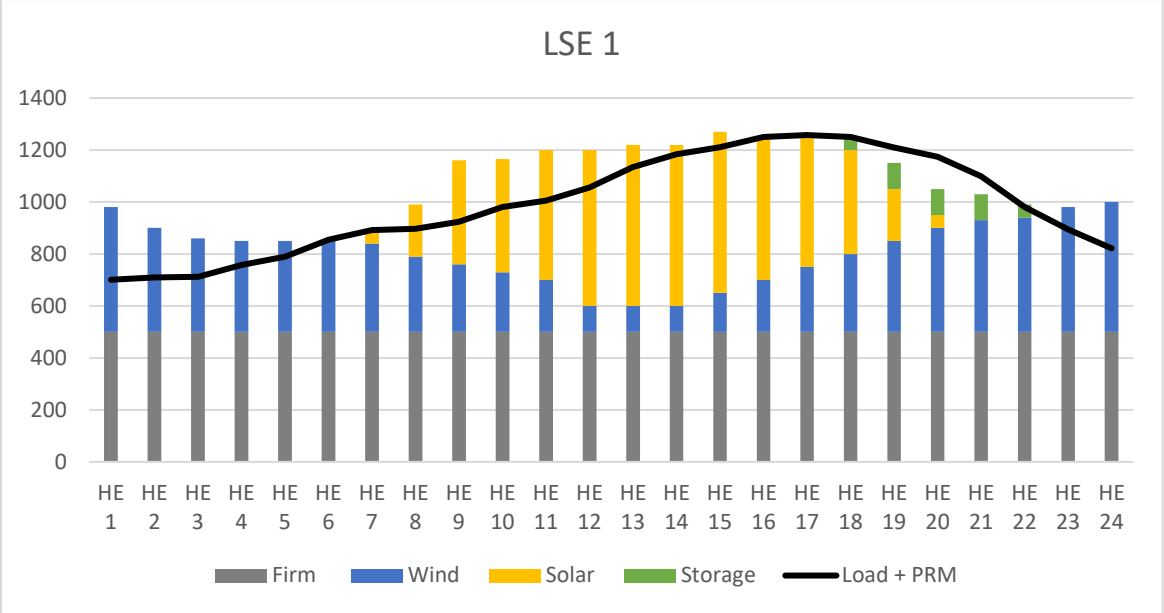


Figure 2

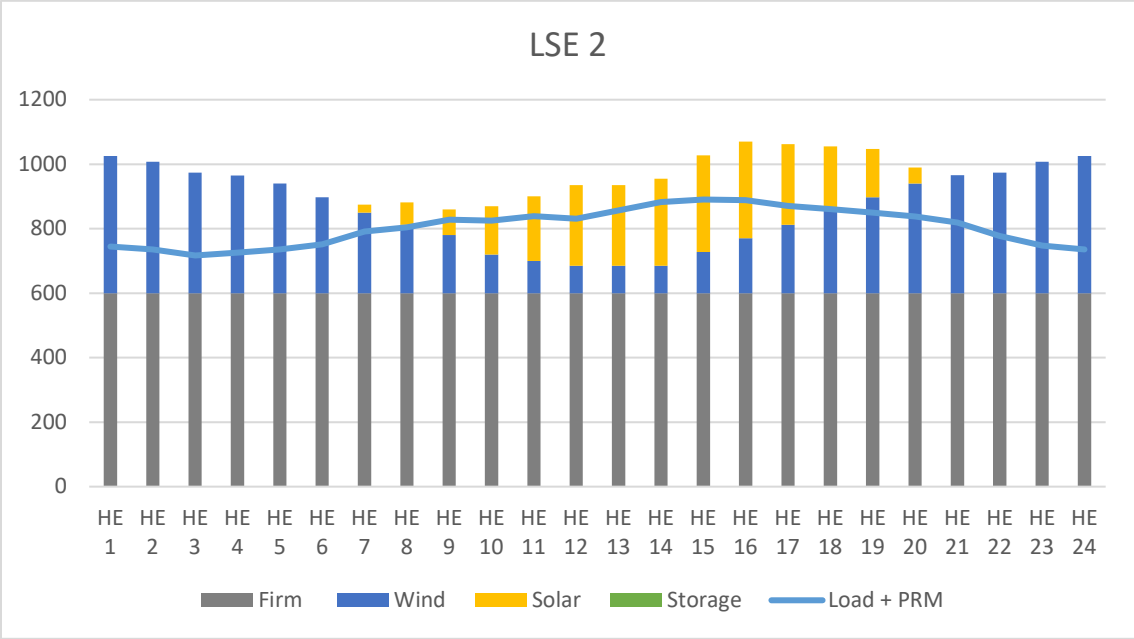
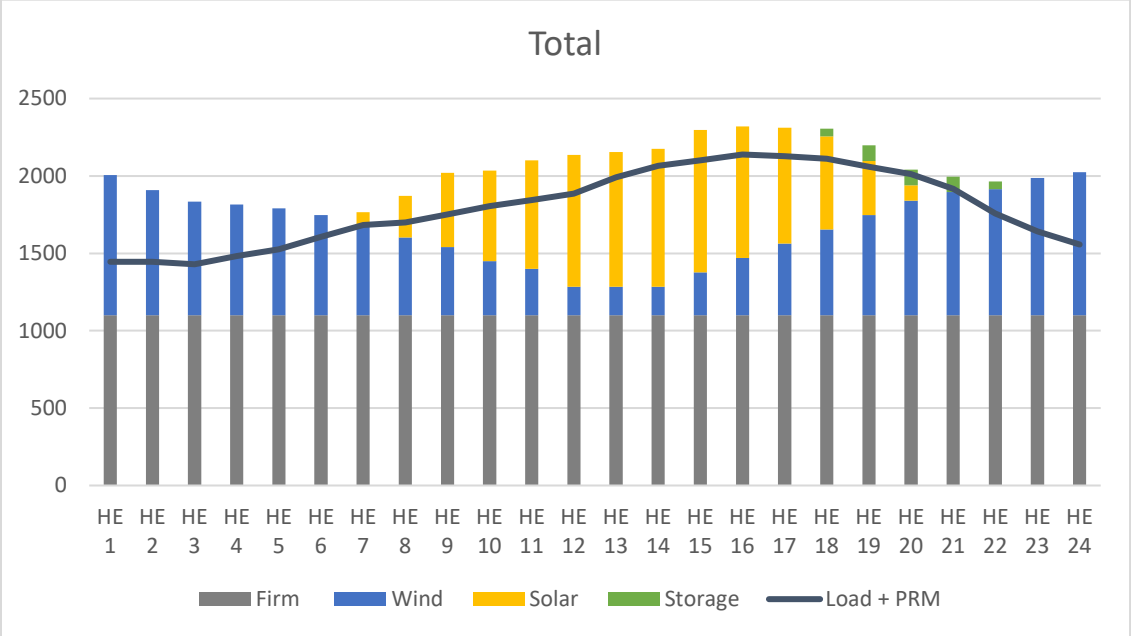


Figure 3



This illustrative example demonstrates that while LSE 1 and LSE 2 meet the total system RA requirements with the resources they have shown (Figure 3), LSE 1 would be found deficient (Figure 1). If LSE 1 had the ability to pay LSE 2 to take on its open position for its open hours, or if LSE 1 had the ability to sell its excess capacity in HE 19, 20, 21 to LSE 2, both LSEs would be found compliant with their obligations and the total system obligation would continue to be met.

As the PD stands, however, such transactions would not be permitted, and LSE 1 would need to procure an entirely new resource to satisfy its open positions, increasing customer costs unnecessarily. Alternatively, if LSE 1 could not procure a new resource, it would face penalties on the largest hour of deficiency for failing to meet its obligations despite total LSE procurement meeting the system needs as a whole. Such penalties would also unnecessarily increase customer costs because while the shown resources met the overall reliability need, the inability to transact properly under a 24-hour framework caused some LSEs to be unable to meet their own hourly need.

While PG&E suggests the ability for LSEs to choose the duration and hours they show storage could obviate the need for hourly transactions,[5] simply relying on LSEs to procure more storage when they have open positions will not result in the most cost-effective solution. Limiting an LSE's ability to transact hourly on the basis of using new storage would not only require procuring an entirely new battery resource and but also additional capacity to charge the battery, even if other LSEs have excess capacity during those hours. This duplicative procurement will increase costs. This should not be the only option available when another LSE or a resource may have excess capacity that it would be willing to trade. This would impede the affordability of the RA program by creating additional artificial RA market scarcity in an already constrained RA market.

While the 24-hour framework without hourly transactions does prevent LSE-leaning by requiring each LSE to procure to meet its own obligations, it does so at the expense of capturing diversity benefits between LSEs' load profile and resource portfolios. As long as LSEs are paying the cost of meeting their obligations by contracting with other LSEs, reliability costs are appropriately allocated to customers and leaning is avoided. Thus, preventing leaning and capturing diversity benefits do not need to be mutually exclusive. Both can be achieved by modifying the PD to allow hourly transactions. The PD must enhance the 24-hour slice framework to allow for hourly transactions in order to fully utilize LSEs' portfolios for RA compliance and maintain an affordable RA program.

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[5] PD at 93.

B. The PD Vastly Overstates the Barriers to Hourly Trading

1. Hourly Obligation Trading and Hourly Resource Trading are Fundamentally Different Mechanisms and Should Not be Conflated

Hourly obligation trading and hourly resource trading are fundamentally different mechanisms and should not be conflated. Hourly resource trading allows each LSE to contract with resources for the hours in which it needs capacity. This would allow generators or an LSE with excess resources to meet the needs of different LSEs by contracting with each. In contrast, hourly obligation trading does not involve generators (or their requirements) at all, but rather allows LSEs to contract for other LSE portfolios to use their resources to meet their obligations, much as IOUs do today through CAM.

The PD highlights a concern from SCE, who states that it is not clear why LSEs need both hourly load trading and hourly resource trading when hourly load trading alone would sufficiently address the need for hourly transactability.[6] While hourly load trading and hourly resource trading are distinct and separate methods for enhancing the transactability of the 24-hour framework, the Commission should adopt both to broaden the opportunities LSEs have to trade with other LSEs or contract with resources. The more opportunities and products LSEs have to meet their obligations, the more competition among providers there will be to sell such product, and hence, the more cost-effectively LSEs can meet their obligations.

2. Hourly Resource Trading is not Unbundling and Should be Coupled With the Existing 24X7 Must Offer Obligation

Hourly resource trading is ***not*** unbundling as the PD and party comments suggest.[7] System, local, and flexible RA attributes would continue to be bundled (*i.e.*, sold together) and the 24x7 must offer obligation would be maintained. In other words, any resource shown for any hour would continue to have a must offer obligation into the CAISO market for all hours subject to its use limitations, even if the resource was shown for only a sub-set of hours. This is not unlike a resource that is shown for capacity less than its minimum operating level (Pmin) today. While the resource would be shown for a value less than its Pmin, the resource's must offer obligation would be set to its Pmin so that the CAISO can operate the resource in its market. With hourly transactions and showings, the resource will offer all 24 hours and the CAISO's market will use the resource in hours the resource is economic and available, as it does today. The hourly RA

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6 PD at 93.

7 *Id.* at 94.

measure is an accounting exercise to validate that load plus a planning reserve margin is met assuming the CAISO operates the grid consistent with the hourly RA showing. The 24x7 must offer obligation quite simply ensures the CAISO market has access to the RA resources all hours of the day, even if LSEs only show a resource or if the resource only operators for a subset of those hours. This can and should be maintained under a 24-hour slice framework with hourly transactability.

Similarly, the hourly obligation trading mechanism also is not "unbundling" because it involves only trading of hourly obligations among LSEs and leaves the obligations and requirements of generators unaffected.

3. The PD Overstates the Complexity Required to Allow Hourly Trading

The PD states that parties oppose hourly resource trading because it would be administratively burdensome to track compliance, require additional showings, and hamper the framework's initial implementation.[8] This administrative complexity is overstated for both hourly resource trading and hourly load obligation trading. Systems can accurately track resources and LSEs' claims to them on an hourly basis. With the correct systems in place, trading load and resources by hour is no more complex than trading today. For example, trading load looks like a resource to the seller and additional load to the buyer. The additional complexity in the showings and validation process is primarily driven by transitioning to a 24-hour framework from the current gross peak framework, and only marginally driven by hourly trading.

Hourly Resource Trading

In opening comments to the working group report, CalCCA described how hourly *resource* trading can be easily tracked through a single showing for each LSE and resource.[9] In these comments, CalCCA outlined an example of a transaction between a resource and two LSEs:

- LSE 1 has procured a 24-hour 50 MW resource, Resource 1, to meet its obligations in HE 1 through HE 18
- LSE 2 needs 50 MW of capacity to meet its obligations in HE 19 through HE 21
- Resource 1 sells its 50 MW of capacity to LSE 1 from HE 1 through HE 18 and to LSE 2 from HE 19 through HE 21

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8 PD at 93.

9 *California Community Choice Association's Comments on Administrative Law Judge's Ruling Seeking Comments on The Future Of Resource Adequacy Working Group Report*, R.21-10-002 (Mar. 24, 2022), at 10-11.

In this example, the Commission would validate compliance by assuring the resource has not been shown for more than its full 50 MW in a single hour as demonstrated in Table 1. This would ensure that no resource is shown for the same capacity in multiple hours. The 24x7 must offer obligation should be maintained as described in Section 1 above such that resources shown in any hour would still have to offer its capacity 24x7 (and not just the hours they were shown in). This approach would ensure no capacity was double-counted and that the CAISO can continue to optimize the dispatch of all RA resources through its market as it does today.

Table 1

	HE 1	…	HE 18	HE 19	HE 20	HE 21	HE 22	HE 23	HE 24
LSE 1 Showing (MW)	50	50	50	0	0	0	0	0	0
LSE 2 Showing (MW)	0	0	0	50	50	50	0	0	0
Resource 1 Supply Plan (MW)	50	50	50	50	50	50	50	50	50
Compliance Check									
Total LSE Showings = Resource 1 Supply Plan	✓	✓	✓	✓	✓	✓	✓	✓	✓

Hourly RA Obligation Trading

Additionally, the California Energy Storage Alliance (CESA), Peninsula Clean Energy (PCE), and San Jose Community Energy (SJCE) (together the Joint Parties) put forth a proposal for load obligation trading with detailed examples of how compliance would be tracked.[10] In summary, the Joint Parties propose "LSEs with short positions in some hours would be allowed to trade with others with long positions in those hours to allow resource sharing between the two LSEs with different loads and RA portfolios."[11] The Joint Parties' proposal provides an example and outlines detailed steps for RA showings.[12] Importantly, hourly RA obligation trading *does not* shift the responsibility of serving customer load, it would only shift the compliance obligation. LSEs that transact their RA obligations are still providing physical generation for their customers by contracting with other LSEs for RA capacity that will be available to the CAISO energy market, and then by bidding their load into that market to serve their customers. These are voluntary transactions and one LSE cannot force another LSE to take on their RA obligation. Rather, a transaction between LSEs would occur to compensate the load buying LSE for the capacity it is

10 *Future of Resource Adequacy Working Group Report*, R.21-10-002 (Mar.1 2022), at 196-205.
11 *Id.* at 202.
12 *Id.* at 204-205.

providing to meet that RA obligation. Effectively, the load selling LSE has procured an "RA resource" via another LSE rather than directly. Community choice aggregators (CCA) or other LSEs who engage in obligation trading would still be responsible for customer load service. Trading of obligations would have no bearing on the energy provided to the customer. This concept is no different than a CCA trading a resource to another CCA, a common practice under today's RA program.

To further illustrate how the Commission would check LSE and resource showings with an *RA obligation* trade for compliance, consider the following transaction:

- LSE 1 has procured a 24-hour 50 MW resource to meet its obligations in HE 1 through HE 18
- LSE 2 needs 50 MW of capacity to meet its obligations in HE 19 through HE 21
- LSE 2 pays LSE 1 to take its 50 MW open obligation

In this example, shown in Table 2 the LSE trading away its obligation would represent the trade as an MW decrease in its hourly obligation profile and the LSE receiving the obligation would show the trade as a MW increase to its RA portfolio. The MW decrease and MW increase on the LSEs' RA showings must sum to zero and the LSE receiving the obligation would accept all responsibilities for the obligation. When validating the showings, the Commission would ensure the total obligation before the trade equals the total obligation after the trade by requiring both LSEs to document the trade on their RA showing.

Table 2

Total Obligations									
	HE 1	…	HE 18	HE 19	HE 20	HE 21	HE 22	HE 23	HE 24
LSE 1 Obligation	50	50	50	0	0	0	0	0	0
LSE 2 Obligation	0	0	0	50	50	50	0	0	0
Total Obligation Before Trade	50	50	50	50	50	50	0	0	0
LSE 1 Purchased/Sold Obligation	0	0	0	50	50	50	0	0	0
LSE 2 Purchased/Sold Obligation	0	0	0	-50	-50	-50	0	0	0
Total Obligation After Trade	50	50	50	50	50	50	0	0	0
Compliance Check									
Total Obligation Before Trade = Total Obligation After Trade	✓	✓	✓	✓	✓	✓	✓	✓	✓

The Commission must not impair LSEs' ability to fully transact to meet their obligations efficiently and cost-effectively on the basis of administrative complexity. Claims that hourly

transactions would be too difficult to track in showings are overstated and clearly do not outweigh the significant affordability and transactability benefits hourly trading would provide LSEs in meeting their hourly obligations.

4. Existing Contracts Can and Should be Preserved in a Framework With Hourly Trading

The PD also states that not allowing for hourly transactions "preserves the value of existing contracts by alleviating the need for contract amendments and provides a simpler product to transact than an hourly product."[13] Maintaining the value of existing contracts is undeniably a critical component of RA reform and can be done simply while also adopting hourly trading. To accomplish this, the Commission should assume for RA showing and counting purposes that for any contract procured before the date of this decision, the resource sold all its hours to the buyer and, therefore, the LSE can show the resource in each hourly slice for the length of the contract unless the LSE chooses to sell a portion of those hours to another LSE under the hourly resource trading construct. This approach is consistent with the RA construct in place when the resource was sold; in which RA resources were procured to meet one hour (e.g., the gross peak hour plus a PRM) but were also required to be available in all other hours subject to use limitations through the must offer obligation such that the CAISO could operate the grid in all hours with the RA fleet.

Of course, since the hourly obligation proposal does not involve the RA generators, trading hourly obligations would not disturb those existing contracts in any way.

5. CAISO Processes can be Made Compatible With Hourly Trading

The PD expresses concern with elements raised by the CAISO over outage substitution, cost allocation and backstop procurement, and deliverability.[14] The CAISO raised these elements in its reply comments to the working group report but does not provide specific details as to why hourly transactions complicate these elements.[15] These elements are complicated by moving to a 24-hour framework in itself; hourly trading is not the primary source of the added complexity the CAISO mentions.

Regarding outage substitution, the CAISO would continue to assess outages and the need for substitution as they do today. When a resource is substituted for another resource on outage,

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13 PD at 94.

14 *Id.* at 93.

15 *Reply Comments on the Future of Resource Adequacy Working Group Report of the California Independent System Operator Corporation*, R.21-10-002 (Apr. 1, 2022), at 3-4.

the resource would continue to have a 24x7 must offer obligation subject to its use-limitations. Regarding cost allocation and backstop procurement, the CAISO systems do not currently recognize a 24-hour requirement. The CAISO systems simply check whether or not LSEs have met their single gross peak requirement. Whether there is hourly trading or not, the CAISO cannot determine cost allocation and backstop need on an hourly basis under its current tariff and processes. The PD instructs the Commission to work with the CAISO in determining changes necessary in the CAISO tariff to effectuate this 24-hour framework. These changes will need to be made regardless of hourly trading. Regarding deliverability, the CAISO currently evaluates deliverability at the time of peak and assigns deliverability during off-peak periods. It is not relevant whether a resource is shown for all off-peak hours or only a subset of off-peak hours. The system as designed will not be able to determine if the resources shown are deliverable in the periods that the CAISO does not currently study. A CAISO stakeholder process should consider changes needed to the deliverability methodology regardless of hourly trading.

Workstream 3 and the CAISO stakeholder process can and should address each of these concerns raised by CAISO to effectuate a 24-hour framework. Parties will largely need to address these issues whether or not the PD adopts hourly trading and, therefore, these issues should not be used as justification to foregoing hourly trading.

C. A Transactable RA Product Cannot be Achieved Through Swaps Alone

The PD states that under the 24-hour framework, "LSEs are not precluded from transacting or swapping with other LSEs to optimize their positions."[16] However, the PD fails to recognize that swaps are made more difficult by the 24-hour framework and may not always be a viable option for LSEs to meet their obligations. Constraining transactions among LSEs to swaps without hourly accounting will unnecessarily increase the likelihood LSEs would need to overprocure to meet their obligations at the expense of customer affordability.

Without hourly resource trading, it may be difficult to sell a resource as part of a swap. Currently, swaps deal with a single hour measure (gross peak load) and LSEs typically use them to swap other attributes like location (*e.g.,* swapping a system resource for a local resource) and ramping capability (*e.g.,* swapping a system or local resource for a flexible resource). Entering into a swap for 24-hour RA requirements means swapping parties will need to ensure the swap addresses their hours of need while not causing a deficiency in other hours since without hourly

[16] PD at 94.

transactions, the swapped resource will have to be sold for all hours of availability. This complicates the swap process making counterparties more difficult to find.

Additionally, swaps contain different risks to different parties. For example, LSE A has a resource with the full replacement obligation on the generator. LSE B has a resource with a full replacement obligation on the buyer. The difference in risk will need to be addressed in the swap transaction, making the swap more difficult. While the differential risk within a swap exists today, it is additionally complicated with the 24 hour nature of the new RA structure. Under the 24-hour slice framework, swaps will become more unlikely to resolve LSE needs. This is because each LSE will need to ensure they have enough capacity in each hour to meet their obligations, and that the swap does not create deficiencies in other hours after the swap.

III. THE PD SHOULD BE MODIFIED TO ALLOCATE CAM RESOURCES TO THEIR APPLICABLE MCC BUCKET

The PD adopts a transition approach to implementing the 24-hour slice framework in which 2024 would be a test year and 2025 would be the first year of compliance with the 24-hour slice framework. CalCCA supports this approach to allow time to resolve outstanding elements in the workstreams and work through implementation challenges identified in the test year. This means, however, that the MCC buckets will remain in place at least through 2024 as the workstreams examine the possibility of removing them. SCE raises in their opening comments to the working group report, a large amount of new storage resources will be coming online in response to the mid-term reliability D.21-06-035 in the IRP proceeding that will have reduced ability to meet RA needs because of MCC bucket restrictions.[17]

For CCAs, this problem is exacerbated by CAM. The Commission currently takes CAM resources "off the top" of LSEs' RA requirements, rather than allocating them to their applicable MCC bucket. As a significant amount of new clean resources come online and LSEs procure new clean resources to meet RPS requirements, resources that could otherwise be used for RA, may become crowded out of their applicable MCC bucket due to the way CAM allocations reduce the overall RA requirement rather than the MWs of MCC buckets they fit in. The Commission should modify the PD to allocate CAM resources to their applicable MCC buckets, rather than taking them off the top of LSEs' RA requirement. If the Commission declines to adopt this approach, the

[17] *Southern California Edison Company's (U 338-E) Opening Comments on Ruling Seeking Comments on the Future of Resource Adequacy Working Group Report*, R.21-10-002 (Mar. 24, 2022), at 13.

Commission should, at minimum, establish a working group on the proper MCC treatment of storage resources as SCE suggests and the proper MCC treatment of CAM resources.

IV. THE SCOPE OF WORKSTREAMS TWO AND THREE SHOULD BE MODIFIED TO CONSIDER A UCAP-LIGHT AND A FULL UCAP METHODOLOGY

In the working group discussions, parties discussed a UCAP and "UCAP-light" mechanism to determine the capacity value of dispatchable resources. UCAP would apply a forced outage rate to the Pmax of dispatchable resources to adjust their capacity values to account for forced outages. UCAP-light would apply a rate that only accounts for ambient derates due to temperature to the Pmax of dispatchable resources (and not other types of forced outages). The Commission states that it sees merit in the UCAP framework, as it better reflects resources' contribution to reliability and more effectively penalizes unavailable resources than the current Resource Adequacy Availability Incentive Mechanism (RAAIM) mechanism. However, given the "breadth of outstanding issues" to resolve prior to implementing the 24-hour framework the Commission defers consideration of the UCAP framework to a later phase of the proceeding.[18] Instead, the PD directs parties to attempt to establish UCAP-light mechanism in the workstreams.[19]

CalCCA supports the Commission's continued commitment to transitioning to a UCAP framework. UCAP provides incentives to perform maintenance that supports reliable operation of the resources by attributing unit-specific forced outage performance metrics into resources' capacity values. If the Commission instead includes forced outage percentages in the PRM, as is done today, an average forced outage rate must be spread uniformly across all resources who may have significantly different levels of reliability. This creates a cost shift where all other LSEs must procure marginally more resources to account for the outage rates of high outage resources in other LSE's portfolios. Unit-specific outage rates also allow LSEs to assess the reliability of resources when making contracting decisions and the CAISO to eliminate its RAAIM tool.

The PD is correct that implementation details must be worked out for both the UCAP-light and UCAP mechanisms. Many of these details overlap between a UCAP and a UCAP-lite. The Commission should therefore expand the scope of workstreams two and three to advance the full UCAP methodology. UCAP-light does not fully capture the benefits of a UCAP mechanism, as UCAP-light only considers a portion of forced outages. If the workstreams cannot advance UCAP

[18] PD at 96.
[19] *Id.* at 82.

far enough to implement with the initial RA reform implementation in 2025, a UCAP-light could instead be implemented as an interim measure while the full UCAP mechanism is finalized. Workstreams two and three are the right places to have this discussion, given the impact of UCAP on resource counting, the PRM, and CAISO processes.

V. CONCLUSION

CalCCA appreciates the opportunity to submit these comments and requests adoption of the recommendations proposed herein. For all the foregoing reasons, the Commission should modify the PD as provided in Attachment A.

Respectfully submitted,

Evelyn Kahl,
General Counsel and Director of Policy
CALIFORNIA COMMUNITY CHOICE ASSOCIATION

June 9, 2022

ATTACHMENT A
TO
CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
COMMENTS ON THE PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2023 - 2025, FLEXIBLE CAPACITY OBLIGATIONS FOR 2023, AND REFORM TRACK FRAMEWORK

PROPOSED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS

FINDINGS OF FACT

11. Given the complexities of implementing a new statewide RA framework, it is prudent to establish a 2024 test year to allow additional time for implementation and potential adjustments, prior to full implementation in the 2025 RA year. Prior to full implementation, CAM allocations should be allocated to LSEs by the applicable MCC bucket to ensure full utilization of new clean RA resources.

CONCLUSIONS OF LAW

None.

ORDERING PARAGRAPHS

27. The following workstreams are adopted for further development of the 24-hour framework:

(1) Workstream 1. Develop 24-hour framework compliance tools:

a. Resource Adequacy (RA) Resource Master Database to be coordinated with California Independent System Operator (CAISO).

b. Load-Serving Entity (LSE) Showing Tool (template to be used by the LSE to make its filing to the Commission), including the ability to transact both resources and obligations hourly, and Commission Verification Tool (tool to be used by Energy Division to verify compliance), including the ability to verify hourly transactions.

c. LSE Requirement Database to be coordinated with the California Energy Commission (CEC). This will utilize outputs generated by the CEC's load

forecast proposal, including a dry run filing that may inform any necessary changes.

d. Cost Allocation Mechanism (CAM) process and RA allocation to consider availability and capability of CAM-eligible resources and LSEs' load share during those slices.

(2) Workstream 2. Determine Planning Reserve Margin (PRM) and Counting Rules:

a. Appropriate exceedance level and hourly profiles for wind and solar at technology and/or location level.

b. Counting rules for hybrid, co-located, and long-duration energy storage resources, as well as development of a Unforced Capacity Evaluation-light (ambient derate) mechanism <u>or full Unforced Capacity Evaluation mechanism (ambient derate and other forced outages)</u> to be applied to dispatchable resources.

c. Elimination of the maximum cumulative capacity buckets.

d. Test year details.

e. Appropriate PRM with single PRM initially for all months and hours informed by a loss of load study, including National Resources Defense Council's calibration tool.

(3) Workstream 3. CAISO and Commission Validation and Compliance as follows:

a. Confirm elements of CAISO and Commission validation and compliance that do not require modification in the near term.

b. Identify and resolve administrative changes to the RA program at both CAISO and the Commission (e.g., must-offer reporting, outage substitution, <u>implementation of UCAP/removal of RAAIM</u>).

c. Elimination of the flexible RA requirements.

New Order:

<u>CAM resources shall be allocated to LSEs in the applicable MCC bucket.</u>

<u>LSEs shall be permitted to transact load obligations or resources on an hourly basis under the 24-hour framework.</u>