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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 THE PROPOSED DECISION

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SUMMARY OF REPLY COMMENTS

- ✓ The California Public Utilities Commission (Commission) must adopt hourly trading of resources and load obligations is critical to maintaining an affordable Resource Adequacy (RA) program;
- ✓ The timeline established in the PD provides sufficient time to incorporate hourly trading into the 24-hour framework;
- ✓ Hourly trading is compatible with other proceedings, including the Power Charge Indifference Adjustment (PCIA) and Energy Rate Recovery Account (ERRA) proceedings;
- ✓ The California Independent System Operator Corporation's (CAISO) comments on deliverability highlight that party concerns around complexity are not driven by hourly trading;
- ✓ The Commission should continue to include flexible RA in the workstreams;
- ✓ The California Environmental Justice Alliance correctly requests the Commission to consider how to align the Integrated Resource Planning (IRP) proceeding with Local Capacity Requirement (LCR) needs;
- ✓ The PD correctly declines to update the Planning Reserve Margin (PRM) based on disputed study results; and
- ✓ Regular updates to the PRM require a balance that maintains regulatory certainty.

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY COMMENTS ON THE PROPOSED DECISION

I. INTRODUCTION

The California Community Choice Association (CalCCA)[1] submits these Reply Comments pursuant to Rule 14.3(d) of the Commission's 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 on May 20, 2022.

II. HOURLY TRANSACTIONS OF LOAD OBLIGATIONS AND RESOURCES

A. The Commission Must Recognize Hourly Trading of Resources and Load Obligations is Critical to Maintaining an Affordable RA Program

PG&E opposes hourly trading of obligations or resources.[2] Precluding hourly trading will drive-up RA costs by ignoring diversity effects and artificially constraining the RA market. As PCE, SJCE, and the CESA correctly note in their comments, giving load serving entities (LSEs) the option to either (1) procure 24-hour strips of RA capacity or (2) procure new storage capacity to cure shortfalls in individual hours will raise RA costs and prohibit LSEs from optimizing the full value of existing RA capacity and new clean resources.[3]

PG&E's position fundamentally ignores the affordability impacts of restricting hourly trading. PG&E asserts that hourly resource and load obligation trading would, "…create a disincentive to create innovative clean energy technologies and products because a [LSE] that might fill a requirement gap, in the middle of the night for example, with a new DR program or a storage technology under a no trading scenario could simply fill that need via a contract with an existing gas plant under an hourly resource or obligation trading scenario."[4] First, the IRP proceeding, not the RA program, should incentivize new clean resource build and has done so ordering significant procurement by 2026 that will be met with

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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 Pacific Gas and Electric Company (PG&E) Opening Comments at 3-4.

3 Peninsula Clean Energy (PCE), San José Clean Energy (SJCE), and California Energy Storage Alliance CESA) Opening Comments at 4 (all references to party Opening Comments are to the comments filed in this Docket in response to the PD on June 9, 2022).

4 PG&E Opening Comments at 4.

storage and other clean energy resources.[5] The RA program, on the other hand, is in place to ensure those clean resources built through the IRP are under contract and available to meet reliability targets. Artificially constraining the RA market by not allowing hourly load obligation trading and hourly resource trading will simply result in over-procurement of RA, which will drive up market prices at the expense of ratepayers. Contrary to PG&E's assertions, duplicative procurement necessitated by restricting transactability may result in the inability to retire polluting resources, not the creation of clean technologies, because the resources must be maintained simply to satisfy a compliance obligation rather than a reliability need.

B. The Timeline Established in the PD Provides Sufficient Time to Incorporate Hourly Trading Into the 24-Hour Framework

PG&E,[6] SCE,[7] and MRP[8] incorrectly suggest that incorporating hourly trading of either resources or load obligations would introduce significant additional complexity and would delay implementation of the 24-hour framework.[9] Multiple parties including CalCCA have outlined detailed proposals for both hourly load obligation trading and hourly resource trading. Any additional mechanical details needed to implement these proposals can be addressed in the workstreams and further refined as needed during the test year in 2024. Hourly trading is a critically important *and* readily achievable component of a 24-hour framework and should be prioritized in the workstreams to ensure its implementation for the 2025 RA year with the rest of the 24-hour framework.

C. Hourly Trading is Compatible with Other Proceedings, Including the PCIA and ERRA

PG&E's comments suggest the PD should reject hourly resources and load obligation trading because hourly trading would require changes in other rate-making proceedings, such as updating the RA market price benchmarks (MPBs) to hourly within the PCIA and ERRA proceedings.[10] As an initial matter, concerns around impacts to the PCIA and ERRA proceedings were not raised in this proceeding until PG&E's opening comments.[11] Setting aside the procedural defect, PG&E's concerns are not well

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5 Decision (D.) 21-06-035, *Decision Requiring Procurement To Address Mid-Term Reliability (2023-2026)*, Rulemaking (R.) 20-05-003 (June 30, 2021).

6 PG&E Opening Comments at 3-4.

7 Southern California Edison Company (SCE) Opening Comments at 4.

8 Middle River Power LLC (MRP) Opening Comments at 13-14.

9 PG&E and MRP express concern with both hourly obligation trading and hourly resource trading, while it appears SCE's concerns are limited to hourly resource trading only.

10 PG&E Opening Comments at 3.

11 *Reply Comments of Pacific Gas and Electric (U 39 E) on the RA Reform Working Group Report*, R.21-10-002 (Apr. 1, 2022), at 8.

grounded. Currently, RA is traded on a monthly basis while the RA MPB is based upon an annual value for both the forecast and true-up. Therefore, it is not clear that it is immediately necessary to update the RA MPBs for hourly trading.

D. The CAISO's Comments on Deliverability Highlight that Party Concerns Around Complexity are not Driven by Hourly Trading

The PD declines to adopt hourly trading in part to concerns around added complexity to the CAISO processes. The CAISO's opening comments, however, demonstrate that the source of added complexity is *not* hourly trading, as the PD suggests, but rather the 24-hour framework in itself. The CAISO supports further exploration of how deliverability would work under a 24-hour framework in workstream three because it is not clear to the CAISO whether considering a single hour when assessing deliverability is sufficient under a 24-hour framework. While the CAISO and the PD attempt to justify foregoing hourly trading by citing changes that would be needed to deliverability, the CAISO itself suggests changes may be needed to its deliverability methodology to consider more hours under the 24-hour framework, even if hourly trading is not adopted.[12] Therefore, the Commission must not reject transactability on this basis.

III. SCOPE OF THE WORKSTREAMS

A. The Commission Should Continue to Include Flexible RA in the Workstreams

The CAISO recommends the Commission remove the discussion of flexible capacity from the scope of workstream three.[13] CalCCA disagrees with this recommendation. The original flexible RA program was designed in close coordination between the CAISO and the Commission. Upon completion of the CAISO stakeholder process, the CAISO's proposal was brought to the Commission for its adoption.[14] This collaborative approach should be taken when considering the need for the flexible RA under the new framework.

Public Utilities Code section 380 gives the Commission the authority, in consultation with the CAISO, to establish the resource adequacy requirements for LSEs.[15] The PD acknowledges the CAISO's current tariff and processes will need to align with the removal of the flexible RA requirements, and appropriately puts the elimination of flexible RA in the "CAISO Coordination" workstream to ensure that the discussion around the future of flexible RA can be coordinated with the

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12 CAISO Opening Comments at 7.

13 *Id.*

14 D.14-06-050, *Decision Adopting Local Procurement and Flexible Capacity Obligations For 2015, and Further Refining the Resource Adequacy Program*, R.11-10-023 (July 1, 2014).

15 Cal. Pub. Util. Code § 380.

CAISO's own stakeholder process. [16] For these reasons, the Commission should maintain discussion around the need for flexible RA in the workstream.

IV. LOCAL CAPACITY REQUIREMENTS

A. CEJA Correctly Requests the Commission to Consider How to Align the IRP Proceeding with LCR Needs

The PD indicates that the LCR working group process resulted in no recommendations to modify the LCR criteria or process.[17] This statement is in error. CalCCA's comments to the LCR working group report recommended the Commission consider how to better align the IRP and RA processes such that new resource build aligns with the local RA need.[18] CEJA states, "Increased coordination between LCR evaluations and IRP procurement is critical to ensure that new resources are located in areas where they are most effective."[19] CalCCA agrees with CEJA. The disconnect between IRP and the LCR process will lead to inefficient procurement given the lack of information around the effectiveness factors of new resources. The Commission should consider how its IRP and RA processes can provide a means to assess the effectiveness of new resources at meeting local needs.

V. PLANNING RESERVE MARGIN

A. The PD Correctly Declines to Update the PRM Based on Disputed Study Results

Several parties[20] suggest the PD be revised to increase the PRM beyond the 16 percent for 2023 and at least 17 percent for 2024 adopted in the PD. These parties cite to the 22.5 percent PRM adopted in the IRP proceeding or the Energy Division (ED) Loss of Load Expectation (LOLE) Study results in the RA proceeding that resulted in a roughly 20 percent PRM. <u>First</u>, the 22.5 percent number adopted in the IRP proceeding resulted in an LOLE that was far lower than the 1-in-10 standard typically used for reliability planning.[21] <u>Second</u>, as the PD correctly notes, numerous parties express concern around the inputs and assumptions used in the LOLE study within the RA proceeding and request additional information or adjustments be made prior to the adoption of the study results.[22]

The PD strikes the right balance by adopting a small increase in the PRM for 2023 and 2024, with the ability to modify the PRM for 2024 following the additional modeling taking place in the IRP

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16 PD at 99.

17 *Id.* at 9.

18 CEJA Opening Comments at 2.

19 *Id.*, at 1.

20 Calpine Corporation, Western Power Trading Forum, Vistra Corps., and MRP.

21 D.22-02-004, *Decision Adopting 2021 Preferred System Plan*, R.20-05-003 (Feb. 15, 2022).

22 PD at 17-18.

proceeding. A robust modeling process that allows parties to fully understand and vet the results is critical in adopting a PRM that meets the 1-in-10 reliability standard. The PD establishes the appropriate steps for ensuring this process can take place before taking further steps to modify the PRM.

B. Regular Updates to the PRM Require a Balance that Maintains Regulatory Certainty and Avoids Excess Procurement While Meeting Reliability Targets

Vistra Corps' comments reiterate its support for establishing the RA requirements through an annual LOLE study.[23] CalCCA supports a regular LOLE study process to assess the PRM's ability to meet the 1-in-10 reliability target. To accomplish this, LOLE studies should be updated regularly to reflect changes to study inputs. As discussed in CalCCA's comments to ED's LOLE study, an annual LOLE study should only result in updates to the PRM if there are significant changes to the results and with enough time for parties to vet the results and for LSEs to plan and conduct orderly procurement to meet the new PRM.[24] This will provide needed certainty to LSEs in their planning and procurement. Additionally, NRDC recommends the Commission modify the PD to require workstream two to develop monthly PRM values.[25] This recommendation merits further discussion within the workstreams to examine the applicability of monthly differentiated PRMs to avoid excess procurement.

VI. CONCLUSION

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

Respectfully submitted,

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23 Vistra Opening Comments at 6.

24 *California Community Choice Association's Comments on the Local Capacity Requirement (LCR) Final Working Group Report And Energy Division's Loss Of Load Expectation Study*, R.21-10-002 (March 14, 2022), at 10-11.

25 Natural Resources Defense Council (NRDC) Opening Comments at 2.