

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Continue
Electric Integrated Resource Planning and
Related Procurement Processes.

R.20-05-003

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY
COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING
COMMENTS ON THE STAFF OPTIONS PAPER**

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SUMMARY OF RECOMMENDATIONS

- The California Public Utilities Commission (Commission) should not adopt a resource-specific approach that requires load-serving entities (LSEs) to procure the specific resource types identified in their Integrated Resource Plan (IRP) plans, either in the interim or the final framework;
 - The Commission should extend its planning horizon to send signals to developers and LSEs of the attributes needed multiple years forward and allow LSEs the flexibility to adjust their plans as the need gets closer;
 - The Commission should conduct workshops to determine if enhancements to the Resource Adequacy program are necessary to retain existing resources under the new IRP procurement framework;
 - The Commission should prioritize a study of the ability for transmission build to eliminate local area constraints and further consider how the new procurement program will direct procurement of new resources in local areas;
 - The Commission should focus on developing the final framework instead of issuing additional procurement orders or developing an interim approach; and
 - Provider of Last Resort (POLR) IRP compliance obligations are best addressed in the POLR proceeding and therefore the Commission should not adopt any changes to POLR IRP compliance obligations in this proceeding.
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I. INTRODUCTION

The California Community Choice Association¹ (CalCCA) submits these Reply Comments in response to *Administrative Law Judge's Ruling Seeking Comments On Electricity Resource Portfolios For 2023-2024 Transmission Planning Process* (Ruling), filed October 7, 2022, on the Staff Options Paper included in the *Administrative Law Judge's Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement* (September Ruling), filed September 8, 2022.

In response to parties' Opening Comments,² CalCCA cautions the California Public Utilities Commission (Commission) against developing an overly prescriptive procurement

¹ California Community Choice Association represents the interests of 24 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, Energy For Palmdale's Independent Choice, 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 All references herein to party Opening Comments are to the December 12, 2022 Comments filed in this Rulemaking (R.) 20-05-003.

program, either by requiring resource-specific procurement or by requiring showings of a significant portion of an identified need several years in advance. In addition, CalCCA recommends the Commission establish a workshop process to discuss (1) enhancements to the Resource Adequacy (RA) program to retain existing resources that are complementary to the Integrated Resource Plan (IRP) procurement program, and (2) how to address the procurement of new resources in local areas to maintain local area reliability and reduce reliance on local area gas resources. CalCCA also recommends that the Commission focus its efforts on a final procurement framework, as opposed to an interim one, and that the Commission avoid making decisions here that instead belong in the Provider of Last Resort (POLR) proceeding. In summary, CalCCA offers the following reply comments:

- The Commission should not adopt a resource-specific approach that requires load-serving entities (LSEs) to procure the specific resource types identified in their IRP plans, either in the interim or the final framework;
- The Commission should extend its planning horizon to send signals to developers and LSEs of the attributes needed multiple years forward and allow LSEs the flexibility to adjust their plans as the need gets closer;
- The Commission should conduct workshops to determine if enhancements to the RA program are necessary to retain existing resources under the new IRP procurement framework;
- The Commission should prioritize a study of the ability for transmission build to eliminate local area constraints and further consider how the new procurement program will direct procurement of new resources in local areas;
- The Commission should focus on developing the final framework instead of issuing additional procurement orders or developing an interim approach; and
- POLR IRP compliance obligations are best addressed in the POLR proceeding and therefore the Commission should not adopt any changes to POLR IRP compliance obligations in this proceeding.

The CalCCA Option,³ coupled with the recommendations described in detail in the sections below, aims to advance the reliable operations of the electric grid throughout the clean energy transition while maintaining affordable electric service for customers.

II. THE COMMISSION SHOULD NOT ADOPT A RESOURCE-SPECIFIC APPROACH THAT REQUIRES LSES TO PROCURE THE SPECIFIC RESOURCE TYPES IDENTIFIED IN THEIR IRP PLANS, EITHER IN THE INTERIM OR THE FINAL FRAMEWORK

The California Independent System Operator Corporation (CAISO) recommends in its Opening Comments that the Commission adopt a resource-specific approach for both the final procurement framework and an interim framework that would require LSEs to show “some significant percentage” of forward contracting to match the resource types in their IRP plans.⁴ The Commission should not adopt this recommendation for several reasons. *First*, as described in section III below, overly prescriptive procurement (either dictating procurement by resource type or dictating how far in advance of an identified need an LSE must enter into contracts) forces LSEs to take on unnecessary levels of risk and uncertainty. As Southern California Edison Company (SCE) correctly notes, “LSE’s IRPs are planning documents which reflect an “optimal” portfolio assuming that all of the of the inputs and assumptions used in the IRP process accurately reflect market availability and cost.”⁵ In reality, this will not be the case. Requiring procurement of specific resource types could result in LSEs entering into high-price contracts or into contracts with technologies that may become obsolete as new technologies advance over time. Affording LSEs the flexibility to adjust the types of resources they procure relative to their IRPs would allow LSEs to continue to meet their compliance obligations as the market evolves. This flexibility should be a foundational element of the program because factors

³ The CalCCA Option is defined and described in detail in CalCCA’s Opening Comments.

⁴ CAISO Opening Comments at 16 and 34.

⁵ SCE Opening Comments at 37.

outside LSEs' control (e.g., supply chain disruptions, transmission limitations, competition/market power, etc.) can impact LSEs' ability to remain consistent with its IRP. LSEs alone cannot ensure projects are built and online consistent with what is planned in its IRP.

Second, LSEs should retain the ability to optimize their portfolios based on how needs evolve as they get closer to compliance in order to achieve reliable and cost-effective procurement. While the CAISO suggests the Commission could perform annual true-ups to adjust need determination to align with actual procurement,⁶ it is not possible to do effective true-ups under a resource-specific approach that results in both reliable and affordable procurement. A resource-specific approach removes LSEs flexibility to adjust their procurement as needs evolve and would only result in optimal procurement if the need has not changed (e.g., the resource mix and load forecasts have not changed). If needs evolve but LSEs do not have the ability to adjust their procurement in response to those needs, LSEs could end up procuring for the wrong need (i.e., a need that is outdated as it evolves closer to the compliance periods). This would be detrimental for reliability because LSEs could end up procuring technologies with the wrong attributes relative to the actual reliability need. A true-up could then require LSEs to procure for the wrong need plus additional procurement to ensure the correct (i.e., updated) need is met. This would be detrimental to customer affordability because LSEs would need to over-procure to ensure they procure the right attributes to meet the reliability need. The resource-specific approach would lock in “significant percentages” of specific technologies out as far as ten years, resulting in either negative reliability outcomes or negative customer affordability outcomes.

⁶ CAISO Opening Comments at 11.

The Commission should strive to incentivize LSEs to time (and size) their procurement to meet their respective need, while maintaining sufficient flexibility in procurement decisions to avoid unintended consequences. Overly prescriptive procurement requirements, which signal to all market participants exactly the resource types and/or quantities an LSE needs and by when, will exacerbate market power issues. CalCCA supports the Commission's and parties' goals to encourage LSE's to procure and develop sufficient new clean energy resources to meet both current and future electricity needs. However, prescriptive orders have the unintended effect of amplifying a seller's market, reducing LSE's negotiating power, and driving up prices – which to date, are not fully reflected in customer rates as most of these projects procured to meet Decision (D.) 19-11-016 and D.21-06-035 have not yet come online. In order to return to a more stable market (moving away from a constrained, seller's market), the Commission should implement a new IRP program that avoids overly prescriptive procurement requirements for LSEs.

Finally, the Commission defines the reliability contribution of different resource types through their counting methodologies (e.g., Effective Load Carrying Capacity (ELCC), exceedance, etc.) such that the qualifying capacity attributes of different resource types should be comparable from a reliability perspective. The CAISO itself acknowledges this fact when it notes: “A marginal ELCC approach will provide insights into whether procurement of particular use- or energy-limited resources provides increasing or decreasing marginal value to the portfolio.” The qualifying capacity, not specific technology types, should dictate the reliability contribution of a resource. The Commission sets qualifying capacity values based on planned resource build, and it would require a significant deviation from planned to actual procurement

to result in increasing or decreasing marginal value.⁷ If the resource mix actually procured does differ dramatically relative to the resource mix that was assumed in the planning assumptions, then the Commission can take actions to modify ELCCs that account for this change, as necessary. While the CAISO suggests a resource-specific approach is necessary because LSEs are “... increasingly dependent on use- and energy-limited resources with very different generation profiles and capabilities,”⁸ these differences should be taken into account through counting methodologies, not through mandating procurement that remains consistent with IRP plans. For these reasons, the Commission should focus on resource attributes and reject the CAISO’s recommendation to develop a procurement framework that requires LSEs to procure the specific resource types identified in their IRPs.

III. THE COMMISSION SHOULD EXTEND ITS PLANNING HORIZON TO SEND SIGNALS TO DEVELOPERS AND LSES OF THE ATTRIBUTES NEEDED MULTIPLE YEARS FORWARD AND ALLOW LSES THE FLEXIBILITY TO ADJUST THEIR PLANS AS THE NEED GETS CLOSER

Several parties suggest the new procurement framework should require LSEs to show some level of contracting up to ten years in advance of a need and/or the procurement framework should consist of two tracks, one for routine procurement and another for long-lead-time procurement.⁹ The Commission should not adopt these recommendations, as they will require LSEs to lock in procurement too far in advance of the need, limiting LSEs’ ability to remain

⁷ *Reliability Filing Requirements for Load Serving Entities’ 2022 Integrated Resource Plans – Results of PRM and ELCC Studies* (Update), July 29, 2022: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/integrated-resource-plan-and-long-term-procurement-plan-irp-ltpp/2022-irp-cycle-events-and-materials/20220729-updated-fr-and-reliability-mag-slides.pdf>. See page 46 (showing solar and battery deployment by year in the 38 MMT portfolio) and page 42 (showing the marginal ELCCs by year). Between 2024 and 2030, solar PV grows by almost 20 GW and its marginal ELCC drops from 10% to 6%, or about a 0.2%/GW-PV decrease in the marginal ELCC of PV. Between 2024 and 2030, storage grows by about 7.5 GW and its marginal ELCC increases from 85% to 89% or about a 0.5%/GW-storage increase in the marginal ELCC.

⁸ CAISO Opening Comments at 16.

⁹ ACP-California Opening Comments at A-1 through A-7, Avangrid Opening Comments at 10-14, CAISO Opening Comments at 18-21.

flexible as needs change and technologies evolve. Requiring showings of significant percentages long into the future reduces flexibility for LSEs to pivot their procurement strategies in response to changing needs and market conditions, which risks undermining customer affordability. Requiring 100 percent showings three years out or further would effectively eliminate LSEs abilities to utilize short-term contracts, a common tool in the market used to optimizing portfolios efficiently. While the Commission may be inclined to adopt requirements far in advance to ensure LSEs make progress towards an identified need, a procurement program that regularly evaluates the need, updates procurement obligations relative to the changing need, and assesses penalties for non-compliance will ensure LSEs make steady progress towards meeting the need without risking affordability by unnecessarily narrowing procurement options several years prior to the need. Informing LSEs of their procurement targets well in advance and incentivizing them to meet those targets to avoid penalties will be more cost effective than requiring showings many years in advance of a need because it ensures procurement targets are met while also allowing LSEs to maintain flexibility and negotiating power over a longer time horizon to optimize procurement.

Requiring showings of significant portions of the need many years forward (e.g., 100 percent five years forward with declining percentages out ten years as proposed by CAISO¹⁰) would result in contracting that carries considerable unnecessary risk. Contracting too far in advance of a need, and therefore in advance of project development, would require developers to price in uncertainty related to costs, changes in technology, and economic drivers over such a lengthy horizon. Experience from D.19-11-016 and Mid-term Reliability (MTR) procurement orders has shown that removing LSE's flexibility in resource types and timelines significantly

¹⁰ CAISO Opening Comments at 18-19.

reduces LSE's negotiating power and results in significant upward pressure on prices.

Additionally, over that same time, unpredictable market disruptions (supply chain interruptions, COVID-19 impacts, permitting and interconnection delays, etc.) further underscored that LSEs need flexibility to adjust their portfolios before locking them in for compliance. Providing sufficient flexibility would result in more resources under contract and online, to help limit unintended consequences such as locking in higher prices, further exacerbating affordability concerns. The Commission should allow LSEs to determine when it is appropriate to execute contracts with projects that have online dates further out than three years.

Additionally, separate procurement tracks for long lead-time resources are unnecessary, as advisory targets will serve as a signal to the market that there is a need for them. As described in CalCCA's Opening Comments, projects that sign contracts too early (i.e., more than two years before its commercial online date) may have equipment costs, interconnection costs and timing, permitting timelines, financing costs, and other major development milestones that are uncertain. Therefore, LSEs may find projects further along in the development process more viable and more certain to come online on a specific timeline. The Commission should instead extend its planning window so that it informs LSEs of the need in the long term with the flexibility to meet the needs in a cost-effective manner as the need evolves closer to compliance. Establishing a robust planning process and programmatic procurement structure will inform the market of the need for long lead-time resources well in advance and LSEs will determine when it makes sense to pursue long lead-time resources considering their share of the need and their existing portfolios.

IV. THE COMMISSION SHOULD CONDUCT WORKSHOPS TO DETERMINE IF ENHANCEMENTS TO THE RA PROGRAM ARE NECESSARY TO RETAIN EXISTING RESOURCES UNDER THE NEW IRP PROCUREMENT FRAMEWORK

CalCCA's Opening Comments explain that the CalCCA Option can be coupled with enhancements to the RA program if necessary to retain existing resources that do not qualify for the net clean procurement requirements.¹¹ CalCCA's Opening Comments do not recommend specific enhancements to the RA program because the Commission is currently in the process of developing a new hourly RA framework in the RA proceeding that will be implemented beginning in RA year 2025. Therefore, it remains unclear whether or not additional enhancements are needed to retain existing resources under an hourly RA framework.

Additionally, several parties propose multi-year forward RA requirements with significant percentages of the need required to be shown multiple years forward in order to ensure retention of existing resources.¹² RA requirements that require LSEs to show significant portions of requirement too many years forward could restrict LSEs ability to optimize their RA procurement with the most cost-effective resources. If the Commission moves forward with multi-year RA requirements for system RA, the Commission must ensure the number of years forward and showing requirements for each year strikes the right balance between retaining existing resources and maintaining LSEs' ability to optimize their RA procurement. For these reasons, the Commission should establish a workshop process to determine whether, and how, the RA program should be enhanced given the new procurement framework that is ultimately adopted in this proceeding. The Commission must also carefully consider how that framework will interact with the new hourly RA framework that will be implemented for RA in year 2025.

¹¹ CalCCA Opening Comments at 7.

¹² AReM Opening Comments at 4, CAISO Opening Comments at 18-19, IEPA Opening Comments at 11, and PG&E Opening Comments at 4-5.

V. THE COMMISSION SHOULD PRIORITIZE A STUDY OF THE ABILITY FOR TRANSMISSION BUILD TO ELIMINATE LOCAL AREA CONSTRAINTS AND FURTHER CONSIDER HOW THE NEW PROCUREMENT PROGRAM WILL DIRECT PROCUREMENT OF NEW RESOURCES IN LOCAL AREAS

CalCCA supports the Commission increasing its focus on local area reliability needs within IRP. As several parties highlight in their Opening Comments, it is important that the IRP's consideration of local area needs be coordinated with the CAISO Transmission Planning Process and Local Capacity Requirement study processes.¹³ As a first step, the Commission and CAISO must begin to assess the cost effectiveness of meeting local reliability needs with new resources or with transmission upgrades that alleviate local constraints. In this assessment, CalCCA continues to support consideration of how to reduce reliance on carbon emitting resources in local areas to ensure continued progress towards GHG-reduction targets.

Some parties suggest that a central entity should be used to procure new resources in local areas.¹⁴ As an initial matter, CCAs support the ability to conduct procurement on behalf of their own customers, as opposed to having a central entity procure on their behalf. Additionally, centralizing procurement of new local resources could result in duplicative procurement or increased costs if individual LSEs simultaneously procure resources in local areas to meet their own system-level needs. Parties must consider a number of other open questions relative to local resource procurement before determining how the new procurement framework would order procurement of new local resources and who would conduct that procurement. These questions include:

- How would the overall need be determined? Any need should be evaluated for cost effectiveness of generation compared to possible transmission upgrades to

¹³ Cal Advocates Opening Comments at 22, CEJA and Sierra Club Opening Comments at 29, New Leaf Energy Opening Comments at 2, SDG&E Opening Comments at 33-34, SEIA Opening Comments at 12.

¹⁴ CAISO Opening Comments at 8 and 20, and SCE Opening Comments at 4.

alleviate local capacity constraints. Any need must be determined as generation that cannot be met with cost effective transmission;

- How should responsibility or incentives for local procurement be allocated? It is critical that local procurement be the responsibility of LSEs in the first instance;
- How would responsibility be addressed efficiently? Assigning fractional responsibility in each local area would be unworkable, so a mechanism needs to exist to ensure an effective procurement across local areas; and
- How can contracted local resources be ensured to come online and what happens if they do not?

Finally, CalCCA cautions against using the existing Pacific Gas and Electric Company (PG&E) and SCE local RA central procurement entities (CPEs) to procure new local resources as suggested by SCE.¹⁵ In its Opening Comments, SCE correctly recognizes that procurement is “a core function of serving load” and that “...each LSE should be expected to self-provide for the procurement needs of its customers.”¹⁶ Yet, SCE contradicts these statements by suggesting that because there are CPEs in place to procure local RA, those CPEs should also procure new resources for long-term local needs identified in the IRP proceeding. The Commission should not default to extending the scope of the existing local RA CPEs to include IRP procurement simply because the CPEs exist. The Commission designed the local RA CPEs for a specific purpose, to procure local RA. Expanding the scope of the existing local RA CPEs would infringe upon LSEs’ ability to conduct procurement on their own behalf.

For all these reasons, CalCCA recommends the Commission reject SCE’s recommendation, and instead establish a workshop process to determine how the new procurement framework should incorporate local area needs before ordering procurement by a central entity. This workshop process should include discussions of how to evaluate the cost

¹⁵ SCE Opening Comments at 20.

¹⁶ SCE Opening Comments at 20.

effectiveness of transmission alternatives compared to new generation and how procurement of new generation could be met when transmission alternatives are found to be infeasible or not cost-effective.

VI. THE COMMISSION SHOULD FOCUS ON DEVELOPING THE FINAL FRAMEWORK INSTEAD OF ISSUING ADDITIONAL PROCUREMENT ORDERS OR DEVELOPING AN INTERIM APPROACH

CalCCA agrees with the multiple parties who suggest the Commission should focus its efforts on developing a permanent procurement framework in a timely manner, rather than diverting its efforts on an interim approach that may not be necessary.¹⁷ LSEs are in the process of procuring 11,500 megawatts through 2026 pursuant to D.21-06-035.¹⁸ The Commission should not disrupt LSEs' ongoing efforts to procure this capacity by issuing additional procurement orders before MTR procurement concludes. Such an approach runs the significant risk of extending the sellers' market and further exacerbating high prices for new build. This risk is very serious, and the Commission should discontinue the practice of previous procurement orders that were unpredictable, based on insufficient analysis, resulting in rushed compliance timelines, and sending clear signals to developers that eliminated significant negotiating power among LSEs. Instead, the Commission should focus its efforts on developing a permanent framework and conducting a needs assessment as soon as possible such that the permanent procurement framework can pick up where MTR procurement leaves off. CalCCA's Opening Comments include an example timeline could be accomplished.¹⁹

¹⁷ Avangrid Renewables Opening Comments at 16, Calpine Opening Comments at 13, CalWEA Opening Comments at 20, Green Power Institute Opening Comments at 31, Middle River Power Opening Comments at 15-16, and SCE Opening Comments at 37.

¹⁸ Decision Requiring Procurement to Address Mid-Term Reliability (2023-2026), R.20-05-003 (June 30, 2021): <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M389/K603/389603637.PDF>.

¹⁹ CalCCA Opening Comments at 11-12.

VII. POLR IRP COMPLIANCE OBLIGATIONS ARE BEST ADDRESSED IN THE POLR PROCEEDING AND THEREFORE THE COMMISSION SHOULD NOT ADOPT ANY CHANGES TO POLR IRP COMPLIANCE OBLIGATIONS IN THIS PROCEEDING

Most parties, including CalCCA, agree that the Commission must address questions related to LSE market exit in the POLR proceeding rather than in the IRP proceeding.²⁰ In the POLR proceeding, parties have discussed at length how the Commission assigns compliance obligations (including IRP, RA, and Renewable Portfolio Standard (RPS) compliance obligations) to the POLR. The Commission should continue that discussion within that proceeding rather than bring it into the IRP proceeding.

SCE proposes that while most issues related to the interactions between the IRP procurement program and LSE bankruptcy would be addressed within the POLR proceeding, the Commission should adopt Cost Allocation Mechanism cost recovery for POLR IRP procurement within this proceeding and allocate the RA value to LSEs, while the investor-owned utility (IOU) retains the IRP value.²¹ The Commission should not adopt SCE's proposal or attempt to make any other decisions relative to the POLR within this proceeding. It has yet to be determined how IRP obligations will be transferred to the POLR after an LSE return, including when the POLR would need to begin complying with IRP obligations for the returned customers. In its Opening Comments, SCE raises a potential issue in which the POLR is left with an insufficient amount of time to conduct IRP procurement for returning customer load, resulting in the POLR having to procure expensive resources. That issue of the timing of customer return relative to compliance

²⁰ AReM Opening Comments at 28, Cal Advocates Opening Comments at 5, CEERT Opening Comments at 9, Middle River Power Opening Comments at 12, and SDG&E Opening Comments at 28-29.

²¹ SCE Opening Comments at 17-19.

deadlines is already being contemplated in POLR proceeding.²² Therefore, the Commission should not address it here. The Commission should decline to adopt SCE's proposal within this proceeding and instead consider how the POLR meets IRP requirements within the POLR proceeding.

VIII. CONCLUSION

For all the foregoing reasons, CalCCA respectfully requests consideration of the Reply Comments herein and looks forward to an ongoing dialogue with the Commission and stakeholders.

Respectfully submitted,



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²² In its Mar. 28, 2022 comments in the POLR proceeding (R.21-03-011), CalCCA has proposed a deferral process, in which the IOUs could request a deferral of IRP obligations if customers return shortly before compliance deadlines. See 11-13 at: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M463/K619/463619721.PDF/>.