



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

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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 REPLY COMMENTS ON
ASSIGNED COMMISSIONER'S AMENDED SCOPING MEMO AND RULING**

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SUMMARY OF RECOMMENDATIONS

- The California Public Utilities Commission (Commission) should ignore the investor-owned utilities' (IOU) baseless support for limiting load-serving entity (LSE) expansion;
 - The Commission should not allocate costs of effective Planning Reserve Margin (PRM) procurement first to deficient LSEs;
 - The Commission should reject Pacific Gas and Electric Company's (PG&E) and Southern California Edison Company's (SCE) objections to the central procurement entity (CPE) transparency proposals;
 - SCE's objection to California Community Choice Association's (CalCCA) CPE timeline proposal misrepresents CPE procurement practices allowed in Decision 22-03-034;
 - SCE ignores risks to self-showing that likely outweigh the benefits;
 - The Commission should not require LSEs to be their own scheduling coordinators (SC) for Resource Adequacy (RA) imports and should adopt Alliance for Retail Energy Markets' (AREM) proposal to have LSEs declare who the SC is for the transaction to help Energy Division staff verify transactions;
 - PG&E's "caution" on CalCCA's RA imports bidding proposal ignores the state of capacity conditions west-wide and the inefficiencies created by a must-flow requirement; and
 - Local area reliability solutions require comprehensive review between the RA and Integrated Resource Plan (IRP) proceeding and the Transmission Planning Process (TPP).
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CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S REPLY COMMENTS ON ASSIGNED COMMISSIONER'S AMENDED SCOPING MEMO AND RULING

I. INTRODUCTION

California Community Choice Association (CalCCA) submits these Reply Comments in response to the *Assigned Commissioner's Amended Scoping Memo and Ruling*¹ (Ruling), dated September 2, 2022, on the workshop and all proposals filed. These Reply Comments are timely filed based on the *E-mail Ruling Granting Western Power Trading Forum's Request for Extension to File Comments on Phase 3 Proposals*,² dated February 13, 2023. These Reply Comments respond to select party Opening Comments³ filed on February 24, 2023 related to requirements for LSE expansions, the planning reserve margin (PRM), the central procurement entity (CPE) structure, resource adequacy (RA) import bidding rules, and the local RA process. In summary:

- The California Public Utilities Commission (Commission) should ignore the investor-owned utilities' (IOU) baseless support for limiting load-serving entity (LSE) expansion;
- The Commission should not allocate costs of effective PRM procurement first to deficient LSEs;
- The Commission should reject Pacific Gas and Electric Company's (PG&E's) and Southern California Edison Company's (SCE) objections to the CPE transparency proposals;
- SCE's objection to CalCCA's CPE timeline proposal misrepresents CPE procurement practices allowed in Decision (D.) 22-03-034;⁴
- SCE ignores risks to self-showing that likely outweigh the benefits;

¹ *Assigned Commissioner's Amended Scoping Memo and Ruling*, R.21-10-002 (Sept. 2, 2022) (Ruling): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M496/K684/496684932.PDF>.

² *E-mail Ruling Granting Western Power Trading Forum's Request for Extension to File Comments on Phase 3 Proposals*, R.21-10-002 (Feb. 13, 2023): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M502/K200/502200464.PDF>.

³ All references herein to party Opening Comments are to the February 24, 2023 Comments filed in this Rulemaking (R.) 21-10-002.

⁴ D.22-03-034, *Decision on Phase 1 of the Implementation Track: Modifications to the Central Procurement Entity Structure*, R.21-10-002 (Mar. 17, 2022): <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M460/K580/460580209.PDF>.

- The Commission should not require LSEs to be their own scheduling coordinators (SC) for RA imports and should adopt Alliance for Retail Energy Markets’ (AReM) proposal to have LSEs declare who the SC is for the transaction to help Energy Division staff verify transactions;
- PG&E’s “caution” on CalCCA’s RA imports bidding proposal ignores the state of capacity conditions west-wide and the inefficiencies created by a must-flow requirement; and
- Local area reliability solutions require comprehensive review among the RA and integrated resource planning (IRP) proceedings and the Transmission Planning Process (TPP).

II. THE COMMISSION SHOULD IGNORE THE IOUS’ BASELESS SUPPORT FOR LIMITING LSE EXPANSION

Energy Division staff proposes that a community choice aggregator (CCA) or electric service provider (ESP) must have not had any RA deficiencies greater than 2.5 percent of its system RA month ahead filings during the previous two calendar years for that CCA or ESP to expand and take on any new customer load.⁵ CalCCA strongly opposes this proposal and provided extensive arguments in its Opening Comments explaining why the proposal (1) violates the Commission’s legal authority, and (2) does not result in increased reliability.⁶ The three IOUs support this proposal but provide no explanation as to why the proposal falls within the Commission’s legal authority or how the proposal would increase reliability. The Commission should ignore the IOUs’ unsubstantiated support for Energy Division’s proposal to limit LSE expansions based on RA compliance and reject the proposal on the legal and policy grounds explained in CalCCA’s opening comments.

⁵ Administrative Law Judge’s Ruling on Energy Division’s Phase 3 Proposals Appendix A: *Energy Division Proposals for Proceeding R.21-10-002* (Jan. 20, 2023) (Energy Division Proposal), at 34: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M501/K407/501407493.PDF>.

⁶ CalCCA Opening Comments at 19-27.

III. THE COMMISSION SHOULD NOT ALLOCATE COSTS OF EFFECTIVE PRM PROCUREMENT FIRST TO DEFICIENT LSES

In its proposal, Energy Division asks parties to comment on whether the Commission should allocate costs associated with effective PRM procurement first to LSEs with RA deficiencies.⁷ The Commission should not allocate effective PRM procurement costs first to deficient LSEs. As PG&E notes:

“...having deficient LSEs pay a larger share of the emergency procurement costs does not follow cost-causation principles. Since emergency procurement is to increase the level of reliability for all customers above that reflected in the PRM, deficient LSEs should only be responsible for any increase in emergency procurement caused by their deficiency, and not a greater share of the entire emergency procurement itself.”⁸

As described in CalCCA’s opening comments, the effective PRM should be met exclusively by non-RA resources.⁹ Because a deficient LSE would not have been able to procure resources used to meet the effective PRM to resolve its own individual deficiency, it does not make sense for a deficient LSE to take on additional costs associated with effective PRM procurement. If the effective PRM were to be met with RA resources, the Commission should not allocate costs to deficient LSEs because doing so could create perverse incentives to further cannibalize the RA stack for effective PRM procurement.

IV. THE COMMISSION SHOULD REJECT PG&E’S AND SCE’S OBJECTIONS TO THE CPE TRANSPARENCY PROPOSALS

CalCCA proposes that in addition to the reporting requirements adopted in D.22-03-034, the Commission also requires CPEs to report publicly:

- If any offers or self-showings were not selected by the CPE, why were they not selected (price, inability to negotiate contract terms, other); and

⁷ Energy Division Proposal at 8.

⁸ PG&E Opening Comments at 3.

⁹ CalCCA Opening Comments at 29-31.

- Total Net Qualifying Capacity (NQC) of local RA not offered or self-shown.¹⁰

PG&E opposes the first item, stating that CalCCA's proposal would require a non-aggregated breakdown that may expose confidential market-sensitive information.¹¹ CalCCA clarifies that its proposal is not for the CPE to provide non-aggregated information but rather for the CPE to provide aggregated megawatts (MW) that were not selected by the CPE by reason they were not selected (including price, inability to negotiate contract terms, or other reasons). This is consistent with Energy Division's transparency proposal, which PG&E supports.¹²

SCE opposes various elements of CalCCA's and Energy Division's CPE transparency proposals. SCE states that it does not have the information necessary to determine which resources were not offered or self-shown to the CPE. This is untrue. The NQC list posts all RA-eligible resources online and under development by local area.¹³ The CPE can use the NQC list and information on which resources did participate in its solicitations or self-showing process to easily determine which local resources were not offered or self-shown. While it is true that the CPE would not have any additional information on whether those resources not offered or self-shown were sold to other LSEs or market participants, the volume of resources not offered or self-shown would still provide valuable information to market participants about the state of local RA capacity.

Additionally, while SCE agrees to provide Energy Division with the resources that bid into its CPE solicitation and the reason they were not selected (including unreasonably high pricing, interconnection viability, or other reasons), SCE opposes providing such information to market

¹⁰ *California Community Choice Association's Proposals in Response to Assigned Commissioner's Amended Scoping Memo and Ruling*, R.21-10-002 (Jan. 20, 2023) (CalCCA Proposals), at 11: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M501/K418/501418731.PDF>.

¹¹ PG&E Opening Comments at 8.

¹² PG&E Opening Comments at 5.

¹³ The CAISO NQC List is updated regularly and posted here: <http://www.caiso.com/planning/Pages/ReliabilityRequirements/Default.aspx>.

participants. SCE claims that the information would not help LSEs better manage their procurement and that the information is market sensitive. CalCCA disagrees. First, this information would be useful to market participants, including LSEs who complete their system RA procurement after CPEs conduct their local RA procurement. Additionally, it would help stakeholders better understand how the CPE framework is functioning, including the sources of any CPE deficiencies. This information would not be market sensitive because CPEs would report it at an aggregated level in MW by reason the CPE did not select those MW. CPEs would *not* publicize any price information, just aggregated MW. The Commission should, therefore, require public reporting of aggregated MW not selected by reason they were not selected.

V. SCE’S OBJECTION TO CALCCA’S CPE TIMELINE PROPOSAL MISREPRESENTS CPE PROCUREMENT PRACTICES ALLOWED IN D.22-03-034

CalCCA proposes that CPEs complete their procurement after year two, the first year the CPE has a 100 percent obligation.¹⁴ This proposal would avoid the uncertainty experienced when CPE procurement did not complete until August 2022 for RA year 2023. In its comments, SCE suggests this proposal is unnecessary because the Commission already requires CPEs to procure 100 percent of their year two local RA obligation. While it is true that CPEs have a 100 percent obligation in year two, the timeline adopted in D.22-03-034 allows CPEs to essentially forego that obligation and procure until the August prior to the compliance year. This creates unworkable amounts of uncertainty for LSEs needing to do their own system and flexible RA procurement.

SCE also objects to CalCCA’s recommendation that the Commission direct CPEs to stop procurement for 2024 upon issuance of a Decision in June 2023.¹⁵ SCE’s objection fails to recognize that, as CalCCA’s proposal states, this would only apply for procurement done for 2024

¹⁴ CalCCA Proposals at 8-10.

¹⁵ SCE Opening Comments at 15.

because the timing of the decision comes out too late to implement CalCCA's proposed timeline change for compliance year 2024. CalCCA proposed this solution as a transitional mechanism because if the CPEs did not complete 100 percent of their year two obligation for RA year 2024, then the CPEs would still be procuring for 2024 by the time the Decision comes out.

For all years after 2024, CPE procurement should end after the year two obligation (including 2025 and 2026, in which the CPE has a 100 percent and 50 percent obligation this year). If the SCE CPE procures 100 percent of its year 2 obligation as it suggests is the requirement, then its procurement for 2024 would already be complete and this proposal would not affect its procurement. If, however, the CPE was short in its 2022 procurement to meet its 100 percent obligation for 2024, then it is unreasonable to continue to allow the CPE to perform procurement through August as was done in 2022. CPE procurement for 2024 should therefore stop as CalCCA proposed in June of 2023. The CPE should have already been attempting to meet its short position at the end of its 2022 RFO cycle to meet any unmet needs for 2024. If the CPE has not done so, that should not place the burden on LSEs by allowing the CPE to continue to procure through August. This places the LSEs under significant uncertainty with regard to CPE-allocated procurement that meets the LSEs' obligations.

VI. SCE IGNORES RISKS TO SELF-SHOWING THAT LIKELY OUTWEIGH THE BENEFITS

As CalCCA describes in its opening comments, an LSE faces significant risks to self-showing its resources to the CPE because if it self-shows, the LSE must, in each month-ahead RA showing, include the self-shown resource for those months it was shown in the year-ahead showing.¹⁶ This limits the LSE's flexibility to manage its portfolio, because it cannot sell the resource for months it is long or use the resource for substitution if another resource in its portfolio

¹⁶ CalCCA Proposals at 12-13.

goes on outage. SCE suggests, "...CalCCA ignores the fact that LSEs use 100 percent of their self-shown resource towards their own system requirements and self-showing local resources reduces the need of the CPE to procure additional local RA from third parties thereby reducing costs that are passed on to all LSEs, including the self-showing LSE."¹⁷ CalCCA did not ignore this fact. However, that fact is offset by a constraint self-showing places on an LSEs portfolio that can be avoided by retaining the resource, not self-showing it, and using 100 percent of the LSEs procured resource towards its own obligations without any of the added risks associated with self-showing. This is likely a better use of the resource for the LSE in many cases, particularly when system RA is scarce. The Commission should therefore adopt CalCCA's proposal to remove some of the risks of self-showing by allowing LSEs that are either not receiving the local capacity requirement reduction compensation mechanism (LCR-RCM) or who choose to forfeit the LCR-RCM to self-show without the current restrictions placed upon the self-showing LSE which require the self-showing LSE to show the resource in all months it was shown in the year-ahead.

VII. THE COMMISSION SHOULD NOT REQUIRE LSES TO BE THEIR OWN SC FOR RA IMPORTS AND SHOULD ADOPT AREM'S PROPOSAL TO HAVE LSES DECLARE WHO THE SC IS FOR THE TRANSACTION TO HELP ENERGY DIVISION STAFF VERIFY TRANSACTIONS

Energy Division proposes that the Commission require LSEs to be the SC for their non-resource-specific RA contracts. With this proposal, Energy Division aims to ensure LSEs meet Commission requirements associated with RA imports.¹⁸ A number of parties recommend the Commission reject this proposal because many LSEs do not perform their own SC functions and requiring them to take on this role could be overly burdensome and costly.¹⁹ CalCCA agrees with

¹⁷ SCE Opening Comments at 15.

¹⁸ Energy Division Proposals at 37.

¹⁹ AREM Opening Comments at 13, Bonneville Power Administration Opening Comments at 3, California Independent System Operator Corporation (CAISO) Department of Market Monitoring

these parties. The additional costs and administrative burdens this requirement creates could effectively prohibit LSEs from using RA imports to meet their RA obligations. CalCCA also agrees with parties that the Commission could adopt more efficient solutions to reach Energy Division’s aims of tracking RA imports to ensure LSEs follow Commission requirements. AReM proposed one such solution: that the Commission require LSEs to identify who their SC is in their RA showings to allow staff to verify import RA transactions.²⁰ CalCCA supports this proposal with one clarification, which is for the LSE to identify the SC associated with their import RA transaction in their RA showings, as the LSE’s SC scheduling its load may be different from the SC scheduling the import.

VIII. PG&E’S “CAUTION” ON CALCCA’S RA IMPORTS BIDDING PROPOSAL IGNORES THE STATE OF CAPACITY CONDITIONS WEST-WIDE AND THE INEFFICIENCIES CREATED BY A MUST-FLOW REQUIREMENT

CalCCA proposes to revise the RA import bidding rules to attract additional imports RA offers to Commission-jurisdictional LSEs. CalCCA’s proposal would allow RA imports to bid up to a bid cap set based on estimated fuel, GHG, and variable operations and maintenance costs.²¹ PG&E cautions that this proposal may not increase the overall volume of imports because imports can receive capacity and energy payments to make them whole.²² While it is true that imports can recover their costs through both capacity and energy payments, PG&E’s comments fail to recognize that the entire West is experiencing capacity constraints and suppliers have many prospective buyers they can choose to contract with. Under these conditions, the existing bidding

(DMM) Opening Comments at 5-6, PG&E Opening Comments at 10-11, Vistra Corp. (Vistra) Opening Comments at 26.

²⁰ AReM Opening Comments at 13.

²¹ CalCCA Proposals at 22-25.

²² PG&E Opening Comments at 11.

requirements on RA imports may result in suppliers contracting with non-jurisdictional entities that do not have such onerous requirements.

Additionally, requiring RA imports to flow during the availability assessment hours creates market inefficiencies that the Commission should avoid. Requiring energy to flow during the availability assessment hours means the CAISO will dispatch the resource whether it needs it or not, and regardless of whether or not less expensive resources are available to serve the same need. This essentially puts a mandatory hedge on LSEs, where the value of the hedge is unknown and the cost of such an arrangement is incorporated into RA contracts.

As the CAISO DMM explains:

“...an appropriately low import RA bid cap could provide many of the same reliability benefits as the current \$0/MWh bid requirement or self-schedule requirement. Meanwhile, increasing the import RA bid cap above \$0/MWh as suggested by CalCCA could provide the benefit of increasing the overall efficiency of CAISO market schedules... This increased efficiency could presumably be passed along to load serving entities through lower resource adequacy contract costs.”²³

CalCCA’s proposal sets the RA import bid caps at levels that do not allow suppliers that bid in a manner that nearly guarantees they will not be dispatched but also ensures they cover their costs under most conditions. This change will ensure RA imports are incented to provide RA to Commission-jurisdictional LSEs over non-jurisdictional LSEs and improve market efficiencies.

IX. LOCAL AREA RELIABILITY SOLUTIONS REQUIRE COMPREHENSIVE REVIEW AMONG THE RA AND IRP PROCEEDINGS AND THE TRANSMISSION PLANNING PROCESS

Currently, if insufficient generation exists in a local area to meet the local RA requirement, the Commission will set the local RA requirement at the total NQC of the existing generation in the local area. Vistra proposes to modify this practice such that if insufficient generation exists in local

²³ CAISO DMM Opening Comments at 9.

areas to meet the year two and year three requirements, the Commission require CPEs to procure new generation in the local areas to cover the insufficiency.²⁴ The CAISO opposes this proposal, given it does not consider the interaction between generation and transmission in local areas.²⁵

CalCCA agrees with the CAISO that the Commission should reject this proposal. As the CAISO correctly points out, local deficiencies are often resolved through transmission solutions, rather than new generation. Furthermore, the Commission and CAISO must work together to form a coordinated approach to RA, IRP, LCR, and the TPP that evaluates the most cost-effective local area reliability solutions that can reduce reliance on GHG emitting resources.²⁶ The Commission should reject Vistra's proposal as it fails to recognize that new generation in local areas is not always the best solution to resolve local reliability needs.

X. CONCLUSION

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

Respectfully submitted,



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March 3, 2023

²⁴ *Implementation Track Phase 3 Proposals of Vistra Corp.*, R.21-10-002 (Jan. 20, 2023), at 6-9.

²⁵ CAISO Opening Comments at 12.

²⁶ CalCCA has explained the need for coordinated planning for local reliability needs in the IRP proceeding here: *California Community Choice Association's Comments on Administrative Law Judge's Ruling Seeking Comments on Staff Paper on Procurement Program*, R.20-05-003 (Dec. 12, 2022), at 46-48: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M499/K887/499887293.PDF>.