FILED
06/16/23
04:59 PM
R2110002

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

Evelyn Kahl,
General Counsel and Director of Policy
Lauren Carr,
Senior Market Policy Analyst
Eric Little,
Director of Regulatory Affairs

CALIFORNIA COMMUNITY CHOICE ASSOCIATION
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94520
Telephone: (510) 980-9459
E-mail: regulatory@cal-cca.org

June 16, 2023

TABLE OF CONTENTS

SUMMARY OF RECOMMENDATIONS

- The California Public Utilities Commission (Commission) should reject parties' recommendations to increase the Planning Reserve Margin (PRM) above available resource adequacy (RA) supply;
- The Commission should retain the requirement that the investor-owned utilities (IOUs) publicly report on the capacity they have procured for the effective PRM;
- The Commission should adopt the formula proposed by Central Coast Community Energy (3CE) to avoid overcharging a load-serving entity (LSE) for penalties when the LSE drops from a higher penalty tier in the year-ahead RA showing (YARA) to a lower tier for month-ahead (MARA) deficiencies;
- The Commission should retain the monthly RA load forecast updates or, at minimum, retain them for updates above a threshold; and
- The Commission should explore multi-year RA in conjunction with the Integrated Resource Plan (IRP) procurement track and only after the market has stabilized following its transition to slice-of-day.

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

The California Community Choice Association[1] (CalCCA) submits these reply comments pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure on the proposed *Decision Adopting Local Capacity Obligations For 2024 - 2026, Flexible Capacity Obligations For 2024, and Program Refinements*[2] (PD), dated May 25, 2023. These reply comments respond to comments filed on June 14, 2023 by (1) the CAISO, Microsoft Corporation (Microsoft), Middle River Power LLC (MRP), and Pacific Gas and Electric Company (PG&E) on the PRM; (2) 3CE on the RA penalty clarifications; (3) Shell North America U.S. LP (Shell) on the monthly load forecast true ups; and (4) the Alliance for Retail Energy Markets and the Regents of the University of California (AReM/UC) and Microsoft on multi-year RA.

I. THE COMMISSION SHOULD REJECT PARTIES' RECOMMENDATIONS TO INCREASE THE PRM ABOVE AVAILABLE RA SUPPLY

The CAISO, Microsoft, and MRP recommend the Commission modify the PD to set the PRM to meet the 1-in-10 reliability standard and discontinue the use of the effective PRM.[3] The Commission should reject this recommendation for several reasons.

---

1 California Community Choice Association's members are identified here: https://cal-cca.org/about/members/.

2 Proposed *Decision Adopting Local Capacity Obligations For 2024 - 2026, Flexible Capacity Obligations For 2024, and Program Refinements*, Rulemaking (R.) 21-10-002: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M509/K800/509800450.PDF.

3 CAISO Comments at 3-5; Microsoft Comments at 3-10; MRP Comments at 2-8.

First, if the state simply does not have enough RA capacity to meet a PRM based upon a 1-in-10 reliability standard, increasing the PRM without a waiver process for LSEs who make reasonable efforts to comply will just increase RA costs without any incremental reliability benefit. This is the case if the Commission increases the binding PRM above available RA supply, as these parties suggest, or if the Commission allows RA-eligible resources to count towards an effective PRM above available RA supply, as is proposed in the PD.

Second, capacity insufficiency arises from the failure to replace retired resources and keep up with increasing demand. It is not a function of the PRM being set too low. The CAISO correctly acknowledges that "…the concerns about insufficient capacity to meet resource adequacy requirements that prompted discussion regarding continued use of 'effective' PRMs indicate a need to enhance the Commission's forward capacity procurement framework."[4] However, ignoring market realities and insisting that the Commission increase the PRM will not bring new capacity online faster. It will simply raise demand for RA capacity above available supply, increasing RA prices and penalizing LSEs who had no way to comply.

Finally, when there is insufficient capacity to meet reliability needs, reliability risks are not mitigated by an effective PRM *or* a binding PRM. The CAISO opposes the effective PRM for two reasons: its tariff does not permit effective PRM backstop, and non-RA eligible capacity procured for the effective PRM would not be subject to CAISO must-offer obligations and substitution requirements. Given the uncertainties around the availability of RA capacity, it is uncertain if there would be any capacity left to backstop after LSEs make their RA showings. If the CAISO anticipates reliability issues after LSEs make their RA showings, including IOU efforts to achieve the effective PRM, and there is capacity available for the CAISO to procure, the CAISO can exercise its CPM

[4] CAISO Comments at 4.

authority for reasons other than RA deficiencies. For example, in August and September 2021 the CAISO backstopped 775 megawatts (MW) through its significant event CPM in anticipation of extreme weather, reduced hydro supply, and project delays.[5] Unlike in the bi-lateral RA market where prices can rise exponentially if demand exceeds supply, the summer 2021 significant event CPM capacity was all capped at the CPM soft-offer cap of $6.31/kilowatt-month; this price is less than the latest Commission market price benchmark established before the current run-up in RA prices and considerably lower than current prices.

For these reasons, the Commission should reject parties' recommendations to increase the PRM above levels that can be reached with available RA supply. Instead, the Commission should retain the 17 percent PRM, allow non-RA eligible resources and RA-eligible resources procured by the IOUs after the MARA showings to count towards the effective PRM, and set the effective PRM to meet the 1-in-10 reliability standard.

II. THE COMMISSION SHOULD RETAIN THE REQUIREMENT THAT THE IOUS PUBLICLY REPORT ON THE CAPACITY THEY HAVE PROCURED FOR THE EFFECTIVE PRM

PG&E recommends the Commission eliminate the non-binding RA filing required in D.21-12-015 for the IOUs' effective PRM procurement.[6] CalCCA does not oppose PG&E's recommendation as long as IOUs are still required to publicly report on the capacity they have procured for the effective PRM through the Excess Resources Reports.[7] The transparency provided by Excess Resources Report relative to effective PRM procurement - including resources procured, resource types, and amount procured - is extremely valuable to stakeholders and their understanding

---

5 http://www.caiso.com/Documents/AugustandSeptember2021SignificantEventCPMReport.pdf.

6 PG&E Comments at 2.

7 *See* PG&E's 2022 Excess Resources Report: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacy-homepage/resource-adequacy-compliance-materials/oct-2022pge-template-for-excess-resource-reporting-d2112015-public-083122.xlsx.

of overall RA market dynamics. The Commission should accept PG&E's recommendation but clarify that the Excess Resources Reports will still be posted publicly in the same format as they have been for D.21-12-015 procurement.

III. THE COMMISSION SHOULD ADOPT THE FORMULA PROPOSED BY 3CE TO AVOID OVERCHARGING AN LSE FOR PENALTIES WHEN THE LSE DROPS FROM A HIGHER PENALTY TIER IN THE YARA TO A LOWER TIER FOR MARA DEFICIENCIES

CalCCA and 3CE both recommend the Commission modify the RA penalty clarifications to include provisions that would prevent overcharging LSEs that move from a higher tier in the YARA to a lower tier in the MARA showing.[8] 3CE included a formula that would result in the Commission charging all YARA penalties at the Tier 1 price, then in the MARA charging the difference between the LSE's MARA tier penalty and the Tier 1 penalty it already paid on its YARA deficiency, plus its current tier price on any incremental MARA deficiency. The Commission should adopt this formula to avoid overpayment when LSEs move down a tier between the YARA and MARA showings.

IV. THE COMMISSION SHOULD RETAIN THE MONTHLY RA LOAD FORECAST UPDATES OR, AT MINIMUM, RETAIN THEM FOR UPDATES ABOVE A THRESHOLD

CalCCA continues to recommend the Commission modify the PD to maintain the monthly load forecast updates to avoid cost shifts among LSEs when load migration occurs.[9] If the Commission maintains that the monthly load forecast updates are too administratively burdensome to continue, however, the Commission must adopt Shell's recommendation to set a threshold of 50 MW for any monthly load true-ups.[10] This threshold should be cumulative across months so that if any individual LSE's load changes by more than 50 MW over the course of the year, the Commission would perform the update. For example, if an LSE's load increases 30 MW in June and

---

8 CalCCA Comments at 15; 3CE Comments at 8.
9 *Id.* at 14-15.
10 Shell at 13-14.

20 MW in July, the Commission would perform the update for all LSEs that contributed to the total 50 MW load migration at that time. This approach would protect against major cost shifts.

V. THE COMMISSION SHOULD EXPLORE MULTI-YEAR RA IN CONJUNCTION WITH THE IRP PROCUREMENT TRACK AND ONLY AFTER THE MARKET HAS STABILIZED FOLLOWING ITS TRANSITION TO SLICE-OF-DAY

AReM/UC and Microsoft recommend the Commission modify the PD to prioritize the development of multi-year RA.[11] CalCCA agrees with the PD's conclusion that multi-year RA is one way of implementing a programmatic approach to procurement that parties are considering in the IRP proceeding.[12] Given the significant shift from a single peak requirement to 24 hourly requirements under slice-of-day, however, the Commission should consider multi-year RA only after the RA market has stabilized following its transition to the slice-of-day framework.

VI. CONCLUSION

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

Respectfully submitted,

Evelyn Kahl

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

June 16, 2023

---

11 AReM/UC Comments at 12-13; Microsoft at 15-16.

12 PD at 27.