



**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 COMMENT ON PROPOSED 2023 PREFERRED SYSTEM  
PLAN AND TRANSMISSION PLANNING PROCESS PORTFOLIOS**

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](mailto:regulatory@cal-cca.org)

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## SUMMARY OF COMMENTS AND RECOMMENDATIONS

- The California Public Utilities Commission (Commission) should not adopt a Planning Reserve Margin “adder” or “minimum margin of over-procurement” applied to Integrated Resource Planning procurement requirements as recommended by The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and the Green Power Institute;
  - The Commission’s high gas retirement sensitivity study is the right first step to plan gas retirements;
  - The Commission should decide on the use of central procurement in its respective process, as outlined within the August 21, 2023, *Assigned Commissioner’s Amended Scoping Memo and Ruling*;
  - The Commission should provide additional clarity on import assumptions, as requested by numerous stakeholders;
  - The Alliance for Retail Energy Markets and Cal Advocates highlight the importance of creating alignment between Commission and publicly owned utilities’ planning activities; and
  - The Commission should adopt San Diego Gas & Electric Company’s recommendation to perform Integrated Resource Plan modeling in PLEXOS.
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California Community Choice Association<sup>1</sup> (CalCCA) submits these reply comments in response to the *Administrative Law Judge's Ruling Seeking Comment on Proposed 2023 Preferred System Plan and Transmission Planning Process Portfolio*<sup>2</sup> (Ruling), dated October 5, 2023.

**I. INTRODUCTION**

The Preferred System Plan (PSP) and Transmission Planning Process (TPP) portfolios are critical elements of long-term planning necessary to support the unprecedented amount of procurement necessary between now and 2045 to meet California's ambitious clean energy goals. Robust planning of generation and transmission is needed to reliably serve California

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<sup>1</sup> California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, Energy For Palmdale's Independent Choice, Lancaster 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.

<sup>2</sup> *Administrative Law Judge's Ruling Seeking Comment on Proposed 2023 Preferred System Plan and Transmission Planning Process Portfolios*, Rulemaking (R.) 20-05-003 (Oct. 5, 2023): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M520/K522/520522241.PDF>.

customers and support the clean energy transition. With these points in mind, these reply comments make the following recommendations in response to parties' opening comments:<sup>3</sup>

- The California Public Utilities Commission (Commission) should not adopt a Planning Reserve Margin (PRM) “add” or “minimum margin of over-procurement” applied to Integrated Resource Planning (IRP) procurement requirements as recommended by The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and the Green Power Institute (GPI);
- The Commission’s high gas retirement sensitivity study is the right first step to plan gas retirements;
- The Commission should decide on the use of central procurement in its respective process, as outlined within the August 21, 2023, *Assigned Commissioner’s Amended Scoping Memo and Ruling* (Amended Ruling);<sup>4</sup>
- The Commission should provide additional clarity on import assumptions, as requested by numerous stakeholders;
- The Alliance for Retail Energy Markets (AREM) and Cal Advocates highlight the importance of creating alignment between Commission and publicly owned utilities’ (POU) planning activities; and
- The Commission should adopt San Diego Gas & Electric Company’s (SDG&E) recommendation to perform IRP modeling in PLEXOS.

## **II. THE COMMISSION SHOULD NOT ADOPT A PRM “ADDER” OR “MINIMUM MARGIN OF OVER-PROCUREMENT” APPLIED TO IRP PROCUREMENT REQUIREMENTS AS RECOMMENDED BY CAL ADVOCATES AND GPI**

Cal Advocates suggests that a modest PRM adder could ensure the IRP process provides long-term resource adequacy (RA) liquidity for ratepayers.<sup>5</sup> GPI similarly recommends a “minimum margin of over-procurement” recognizing that not all projects with contracts make it to commercial operation.<sup>6</sup> While CalCCA agrees with Cal Advocates that there is an RA scarcity

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<sup>3</sup> All references herein to party Opening Comments are to parties' opening comments to the OIR, filed in this proceeding, R.20-05-003, on or about November 13, 2023.

<sup>4</sup> *Assigned Commissioner’s Amended Scoping Memo and Ruling*, R.20-05-003 (Aug. 21, 2023) <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M518/K155/518155091.PDF>.

<sup>5</sup> Cal Advocates Opening Comments at 4.

<sup>6</sup> GPI Opening Comments at 1-2.

problem and that the only way to resolve this problem is through the development of new resources, the Commission should not adopt a PRM adder for IRP requirements. Doing so would likely simply transfer the lack of liquidity from the RA market to the market for new resources which is already struggling to keep pace with the demand for new resources.

Load-serving entities (LSE) are already procuring at record paces to meet the mid-term reliability procurement orders issued by the Commission. These procurement orders have created significant demand for the development of new resources at a time when the industry is facing supply chain issues, interconnection delays, and permitting challenges. If the IRP requirement includes a PRM adder, demand for new resources will increase, without a subsequent increase in the available supply of new resources that can interconnect in a timely manner, creating only a price premium for new or queued resources.

Exacerbating scarce conditions in IRP procurement would likely have even greater cost impacts than the scarce conditions LSEs are facing in the RA market. This is because the contracts for new resource development are typically longer term (10 to 20 years in length) than those for RA. The Commission should not create a situation that forces LSEs into long term contracts that lock in high prices reflective of current market scarcity.

To avoid simply shifting scarcity from RA to IRP, the Commission must allow LSEs to build excess capacity above the reliability need on a voluntary basis. This could include excess procurement done by LSEs in advance of a need identified in years further out or excess procurement to mitigate against risk of project delays or contracted projects falling through. Unlike GPI's recommendation which would have the Commission determine how much "over-procurement" to plan for and order, LSEs should be the ones to make decisions on when and how much excess procurement to pursue while accounting for project failure. GPI recognizes

that “LSEs may already be engaging in prudent capacity over-procurement in order to meet their procurement order shares.”<sup>7</sup> LSEs are in the best position to determine when additional procurement should be conducted given their existing or in development portfolios relative to their share of the need, costs they see in the market for new resources, and risks they perceive with projects they have contracted for that are in development.

### **III. THE COMMISSION’S HIGH GAS RETIREMENT SENSITIVITY STUDY IS THE RIGHT FIRST STEP TO PLAN GAS RETIREMENTS**

The California Environmental Justice Alliance (CEJA) and Sierra Club recommend the Commission accelerate planning for gas retirements by (1) requiring LSEs to submit plans in the first half of 2024 that assume 18 gigawatts (GW) of retirements by 2030 and 0 million metric tons (MMT) by 2035, (2) completing a PSP within the second half of 2024, and (3) requiring LSEs to site clean resources in areas that facilitate gas plant retirements.<sup>8</sup> These parties also recommend the Commission exercise its “broad authority to facilitate gas plants retirements in numerous ways,” including requiring LSEs to procure in certain locations and requiring LSEs to not contract with certain gas resources after contracts expire.<sup>9</sup>

The Commission should not adopt these recommendations at this time. CalCCA strongly supports the goal advanced by CEJA and Sierra Club of reducing reliance on the gas resources; however, the Commission appropriately addresses gas retirements through its sensitivity cases, and it is premature to require the steps recommended by CEJA and Sierra Club before the sensitivity is complete. Allowing for the retirement of local gas is much more complicated than requiring LSEs to site new resources, procure new capacity, or refrain from contracting with gas resources. The Commission and the California Independent System Operator (CAISO) will first

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<sup>7</sup> GPI Opening Comments at 2.

<sup>8</sup> CEJA and Sierra Club Opening Comments at 11.

<sup>9</sup> *Id.* at 23-27.

need to determine the most cost-effective and feasible generation or transmission solutions to reduce reliance on gas resources in local areas. It will also require information from the CAISO about system modeling to inform solutions that will maintain local area reliability and information from the California Energy Commission (CEC) land use screens to determine if those solutions are feasible with the land available within local areas. The retirement of gas resources must occur in a coordinated fashion to mitigate affordability and reliability risks and requires information that LSEs do not have on their own to ensure it will be successful. For these reasons, the Commission should take the first step of studying the sensitivity cases in coordination with the CAISO transmission planning process to identify which alternatives are feasible and the most cost-effective.

#### **IV. THE COMMISSION SHOULD DECIDE ON THE USE OF CENTRAL PROCUREMENT IN ITS RESPECTIVE PROCESS, AS OUTLINED WITHIN THE AMENDED RULING**

A few parties recommend the Commission act on central procurement within this track of the proceeding. Brightline Defense Project asks the Commission to take central procurement into account in future analyses.<sup>10</sup> California Wind Energy Association (CalWEA) recommends the Commission provide “procurement assurances” in this PSP for specific offshore wind projects so they can receive transmission plan deliverability (TPD) allocations, assuming the Commission and the California Department of Water Resources will have provided sufficient procurement assurances by the time the TPD is allocated.<sup>11</sup> These parties’ recommendations are premature. In this PSP cycle, the Commission should focus on getting the modeling and portfolios right, before weighing in on whether a portion of the resource need qualifies for central procurement. The Commission will consider the role of central procurement in the Long-Lead Time Resource

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<sup>10</sup> Brightline Defense Project Opening Comments at 4-5.

<sup>11</sup> CalWEA Opening Comments at 25.



Procurement track outlined in the Amended Ruling.<sup>12</sup> This track is the procedurally appropriate place for the consideration of whether central procurement should occur.

**V. THE COMMISSION SHOULD PROVIDE ADDITIONAL CLARITY ON IMPORT ASSUMPTIONS, AS REQUESTED BY NUMEROUS STAKEHOLDERS**

Parties make various recommendations on the import assumptions used in the Commission’s modeling. Some parties, such as AReM, recommend evaluating whether the import cap can be relaxed.<sup>13</sup> Other parties, such as American Clean Power – California (ACP-California), highlight that the need for a 4,000 MW cap signals the need for additional maximum import capability.<sup>14</sup> Others recommend the Commission provide additional clarity on the import patterns seen in the modeling.<sup>15</sup>

Additional clarity on import patterns seen in the modeling is necessary and the Commission should compare what is seen in the modeling to what can reasonably be expected given capacity availability in the West. It is no longer prudent to base import assumptions upon strict, California-specific numbers (e.g., based solely on maximum import capability or solely on historical import levels). As CalCCA demonstrated in its opening comments, capacity characteristics in the West are evolving, potentially resulting in increased competition for capacity and an associated reduction in the amount of imports available for California.<sup>16</sup> The Commission must evaluate capacity conditions in the rest of the West to determine a reasonable amount of imports to assume over the course of a day and over the course of a season.

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<sup>12</sup> Amended Ruling at 7: “Included in [the long lead time resource policies] topic will be consideration of whether a central procurement entity is needed or advisable for efficient and cost-effective procurement of some or all of these resources on behalf of all customers whose retail providers fall under the Commission’s IRP purview.”

<sup>13</sup> AReM Opening Comments at 3-4.

<sup>14</sup> ACP-California Opening Comments at 15.

<sup>15</sup> Bay Area Municipal Transmission Group (BAMx) Opening Comments at 8, Cal Advocates Opening Comments at 13-16, and PG&E Opening Comments at 4.

<sup>16</sup> CalCCA Opening Comments at Figure 1.

## **VI. AReM AND CAL ADVOCATES HIGHLIGHT THE IMPORTANCE OF CREATING ALIGNMENT BETWEEN THE COMMISSION AND POU'S PLANNING ACTIVITIES**

AReM flags a concern with the Commission's lack of inclusion of POU's planned resources that may contribute to a gap in the resources required to meet green-house gas (GHG) reduction targets, even though POU's may be planning to procure those resources.<sup>17</sup> AReM recommends that the modeling assume POU's meet all applicable laws mandating increases in clean energy.<sup>18</sup> Similarly, Cal Advocates recommends the Commission establish a methodology for allocating modeled output to Commission jurisdictional and non-Commission jurisdictional LSEs and include planned resources to represent non-Commission jurisdictional LSEs compliance obligations.<sup>19</sup>

Rather than ignoring planned resources by the POU's, the Commission should assume POU's meet all applicable laws mandating increases in clean energy. This approach would ensure that reliability or GHG reduction needs are not over or underrepresented by recognizing a portion of the need is attributable to other LSEs. Cal Advocates' approach appears that it would result in a similar outcome. Without such a process, the modeling will show a gap in procurement that likely does not exist and is not attributable to CPUC-jurisdiction LSEs. The Commission should avoid that outcome as it would drive over-procurement and jurisdictional LSEs taking on unnecessary procurement costs at a time of crisis for customer affordability. Increased coordination between the Commission and POU's planning activities will ensure that needs attributable to each LSE in the California Independent System Operator (CAISO) balancing authority area are tracked and accounted for accurately.

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<sup>17</sup> AReM Opening Comments at 3.

<sup>18</sup> *Id.*

<sup>19</sup> Cal Advocates Opening Comments at 18.

## **VII. THE COMMISSION SHOULD ADOPT SDG&E'S RECOMMENDATION TO PERFORM IRP MODELING IN PLEXOS**

SDG&E suggests adopting the PLEXOS modeling software for future IRP modeling activity to “significantly enhance the accuracy and efficiency of IRP modeling activities.”<sup>20</sup> The Commission should adopt SDG&E’s recommendation. Adopting PLEXOS would make it easier for stakeholders to follow the Commission’s modeling approach and weigh in with alternative scenarios and suggestions. It is more difficult to provide input and validate the Commission’s results when the Commission uses Strategic Energy Risk Valuation Model (SERVM) and many other stakeholders use PLEXOS, including the CAISO, CEC, investor-owned utilities, and CalCCA. If the Commission opts not to change the modeling software, then the Commission should at minimum build in time between establishing model inputs and assumptions and evaluating the PSP. More time for inter-model comparison would help build confidence and understanding of the Commission's modeling results.

## **VIII. CONCLUSION**

For all the foregoing reasons, CalCCA respectfully requests consideration of the recommendations herein.

Respectfully submitted,



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

December 1, 2023

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<sup>20</sup> SDG&E Opening Comments at 2-3.