



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

**FILED**

02/23/24

04:59 PM

R2310011

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Reforms and Refinements, and Establish Forward Resource Adequacy Procurement Obligations.

R.23-10-011

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S TRACK 1  
REVISED SLICE-OF-DAY (SOD) PROPOSALS**

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)

February 23, 2024

**TABLE OF CONTENTS**

I. INTRODUCTION .....1

II. THE COMMISSION SHOULD ADOPT HOURLY LOAD OBLIGATION TRADING IN TIME FOR THE FIRST SOD COMPLIANCE YEAR .....2

    A. Hourly Load Obligation Trading Will Promote RA Affordability .....4

    B. Hourly Load Obligation Trading Can Leverage Existing Showings, Validation, and Dispute Resolution Processes.....5

    C. Swaps May be Feasible Technically But Are Not Practical .....6

    D. CalCCA Does Not Object to Hourly Resource Trading but Acknowledges Hourly Load Obligation Trading is Much Easier to Implement .....7

    E. Existing Reporting Requirements Would Apply to Hourly Load Transactions .....7

III. THE COMMISSION SHOULD UPDATE ITS STACK ANALYSIS TO INCLUDE THE EFFECTIVE PRM AND DEFINE THE EFFECTIVE PRM FOR SOD .....7

IV. THE COMMISSION SHOULD IMPLEMENT SLICE-OF-DAY NO EARLIER THAN RA YEAR 2026, OR AFTER EXIT CRITERIA HAVE BEEN MET .....9

V. CONCLUSION.....12

## **SUMMARY OF RECOMMENDATIONS**

- The California Public Utilities Commission (Commission) should adopt hourly load obligation trading in time for the first slice-of-day (SOD) compliance year;
  - The Commission should update its stack analysis to include the effective Planning Reserve Margin (PRM) and define the effective PRM that will be used under SOD; and
  - The Commission should implement SOD for Resource Adequacy year 2026.
-

**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.23-10-011

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S TRACK 1  
REVISED SLICE-OF-DAY (SOD) PROPOSALS**

California Community Choice Association<sup>1</sup> (CalCCA) submits these Track 1 Revised Slice-of-Day (SOD) proposals pursuant to the *Assigned Commissioner's Scoping Memo and Ruling*<sup>2</sup> (Ruling), dated December 18, 2023. The Ruling seeks party proposals on Track 1 Revised SOD proposals (excluding FCR and LCR issues).

**I. INTRODUCTION**

The California Public Utilities Commission's (Commission) resource adequacy (RA) program is critical to ensuring sufficient supply is under contract to maintain reliability in the California Independent System Operator (CAISO) balancing authority area. The Commission is in the process of transitioning its RA program from one that evaluates a single peak hour to one that evaluates 24 individual hours. This process has taken years of development to ensure the

---

<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> *Assigned Commissioner's Scoping Memo and Ruling*, Rulemaking (R.) 23-10-011 (Dec. 18, 2023): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M521/K589/521589385.PDF>.

SOD structure accomplishes the principles laid out in Decision (D.) 21-07-014<sup>3</sup> and the compliance tools allow for successful submittals of load-serving entity (LSE) showings.

CalCCA greatly appreciates Energy Division’s *Report on Resource Adequacy Slice of Day Implementation and Year Ahead Showings* (SOD Report)<sup>[1]</sup> issued on February 5, 2024. The Report is an extremely helpful source for summarizing progress made on key SOD implementation activities, presenting aggregate test year showings, and issuing stack analyses demonstrating the supply and demand balance under the current RA framework and the SOD framework. The SOD report revealed three major takeaways. *First*, year-ahead RA (YARA) test year filings demonstrated that hourly transactability of load obligations has the potential to reduce compliance deficiencies, create efficiencies, and promote affordability. *Second*, the RA market is extremely tight, even without considering the additional demand created by the effective planning reserve margin (PRM). *Third*, additional work is needed before SOD is ready for implementation. With these considerations in mind, CalCCA makes the following SOD proposals:

- The Commission should adopt hourly load obligation trading in time for the first SOD compliance year;
- The Commission should update its stack analysis to include the effective PRM and define the effective PRM for SOD; and
- The Commission should implement SOD no earlier than RA year 2026, after ensuring exit criteria are met.

CalCCA puts forth these recommendations with the intent of ensuring a transactable and affordable RA program, a recognition of RA market tightness, and a successful SOD implementation.

## **II. THE COMMISSION SHOULD ADOPT HOURLY LOAD OBLIGATION TRADING IN TIME FOR THE FIRST SOD COMPLIANCE YEAR**

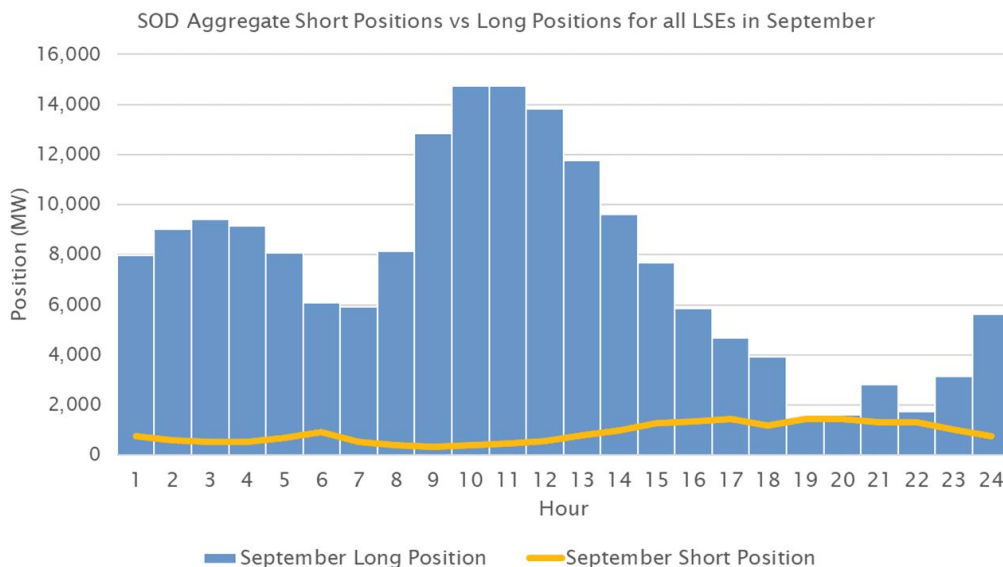
---

<sup>3</sup> D.21-07-014, *Decision On Track 3B.2 Issues: Restructure of The Resource Adequacy Program*, R.19-11-009 (July 15, 2021): <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M393/K334/393334426.PDF>.

<sup>[1]</sup> *Report on Resource Adequacy Slice of Day Implementation and Year Ahead Showings*, R.23-10-011 (Feb. 5, 2024): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M524/K929/524929806.PDF>.

CalCCA’s January 19, 2024 proposal<sup>4</sup> demonstrated analysis of its members’ test year YARA showings and found that the ability for its members to transact load obligations on an hourly basis would have increased compliance with the test year SOD YARA requirements. In fact, on an aggregated basis, long positions could have fully covered short positions for all CCAs. Accomplishing the same coverage by swapping resources without hourly transactions of resources would have been complicated, potentially involving multiple layers of swaps to cure a single deficiency to the point that it becomes impractical, and would likely be more costly than allowing hourly load transactions. CalCCA also requested that the Commission evaluate the need for hourly transactability and adopt hourly load obligation trading for the initial SOD compliance year.

The SOD Report documents the results of LSE year-ahead RA (YARA) test year filings, and its findings are consistent with CalCCA’s analysis of its members’ test year filings. That is, aggregate long positions exceeding individual LSEs’ short positions in nearly all hours, as shown in the figure below.



<sup>4</sup> *Public Version California Community Choice Association’s Comments on Assigned Commissioner’s Scoping Memo and Ruling, R.23-10-011 (Jan. 19, 2024), at 25-26: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M524/K571/524571013.PDF>.*

The data presented in the SOD Report shows that aggregate LSE long positions exceeded short positions in aggregate for all hours except hour ending 19. Consistent with CalCCA’s findings, trading between LSEs could eliminate nearly all deficiencies. If the Commission reoptimized storage to minimize deficiencies, as CalCCA did in its analysis, the deficiency in hour ending 19 could potentially be eliminated. These findings demonstrate that the hourly load transactability has the potential to minimize or eliminate LSE deficiencies and, therefore, CalCCA re-submits its January 19, 2024 proposal on hourly load trading along with the following responses to the discussion that took place at the February 14, 2024 workshop<sup>5</sup> (Workshop).

In short, the system reliability needs are covered in aggregate by the showings of all LSEs even though individual LSEs had deficiencies. Artificial barriers to compliance should be eliminated to avoid the perverse outcome of penalizing LSEs while the system reliability has been met. Allowing hourly load transactions would go a long way in removing this artificial barrier.

**A. Hourly Load Obligation Trading Will Promote RA Affordability**

Hourly load obligation trading is especially critical during tight supply conditions. When all or nearly all RA resources are needed to meet aggregate RA requirements as CalCCA and Energy Division’s stack analyses suggest, LSEs need the ability to shape resource portfolios to obligations at the same granularity. Under the supply and demand balance LSEs are currently facing, hourly load obligation trading could make the difference between an LSE being compliant or deficient. Hourly load obligation trading should not sunset after the supply and demand balance returns to one with sufficient excess. Hourly load obligation trading should be a permanent feature of SOD because it can promote a more affordable RA program – an objective the Commission should strive for whether under scarce RA conditions or not. The ability for

---

<sup>5</sup> *Id.* at 25-26.

LSEs to shape their portfolios to match their obligations will minimize procurement costs ultimately borne by customers. The inability to do so will result in over-procurement by LSEs who cannot shape their portfolios hourly but need to procure an entire resource to meet a one- or two-hour need rather than pay an LSE that is long in just those hours.<sup>6</sup>

During the Workshop, parties asked if there would be a limit on how much of an LSE's obligation that LSE could pay another to assume. This proposal does not place a limit on how much of an LSE's obligation is tradable. Hourly load obligation trading is a compliance mechanism and market participants should be able to choose any compliance mechanism available to it to meet its needs in the most cost-effective manner. If it is more cost-effective for an LSE to pay another to meet its obligations, it should be able to do so.

Through comments in the Workshop, it appears that some parties considered it an incorrect result to allow another LSE to procure excess and then take on another LSE's obligations for payment. This mechanism does nothing to undermine LSE load obligations; the obligation to serve its customers and the associated costs remain with the original LSE. Moreover, there is no difference between an LSE procuring excess and making that excess available to another LSE through a load transaction than selling the resource itself. The mechanism will operate to trade a long position in a commercial transaction, likely for compensation.

#### **B. Hourly Load Obligation Trading Can Leverage Existing Showings, Validation, and Dispute Resolution Processes**

Hourly load obligation trading is an administratively simple way to allow transactions at the same granularity as LSE requirements. Such trades can be documented in the existing SOD

---

<sup>6</sup> The inability to transact hourly under scarce conditions could result in additional customer costs associated with penalties assessed to LSEs who could not meet their requirements due to a lack of the ability to pay an LSE long in hours they were deficient to cover its open position.



showing tool. The LSE paying another to take on its obligation would represent the trade as a megawatt (MW) increase to its RA resource portfolio. The LSE receiving payment to take on the obligation would represent the trade as a MW decrease in its RA resource portfolio. This is demonstrated in Attachment A, slides 7 and 8. The Commission could validate hourly load obligation trades by filtering for load sales and purchases, aggregating them, and ensuring the total across all LSEs equals zero. If this validation reflects a discrepancy in how a load obligation trade is documented between LSEs, the Commission should follow the same resolution process as it does today. That is, if an LSE indicates it paid another LSE to take on its obligation, that LSE has the obligation of resolving any discrepancies. We anticipate LSEs will have contracts with each other to effectuate the trade. The contract should define how LSEs resolve discrepancies. In practice, this is no different than the processes used today to validate RA showings and supply plans. There is simply one more type of “resource” through a load obligation trade than can be shown at present.

### **C. Swaps May be Feasible Technically But Are Not Practical**

While it may be technically feasible for all LSEs to meet their SOD requirements relying only on swaps (i.e., LSEs trading resources at the monthly level rather than hourly), swaps are not a practical solution. There is too much market friction involved with swaps for them to provide the same benefits as hourly load obligation trading. Swaps require the involvement of suppliers, and thus increase transaction costs. LSEs may also require many iterations of swaps to reach compliance for all parties involved. One-for-one swaps between two LSEs and two resources are more likely to simply transfer compliance from one LSE to another, leaving one LSE compliant and the other short due to the inability to transact a subset of the resources’ hours of availability.

**D. CalCCA Does Not Object to Hourly Resource Trading but Acknowledges Hourly Load Obligation Trading is Much Easier to Implement**

CalCCA does not object to hourly resource trading. In fact, CalCCA proposed hourly resource trading *and* hourly obligation trading in its initial SOD proposals.<sup>7</sup> CalCCA understands, however, that hourly load trading is significantly easier from a compliance and tracking standpoint for the reasons described in II.C. above. It also minimizes, or avoids completely, impacts to the CAISO – an objective CalCCA strives to maintain. In addition, D.22-06-050 found that if “transactability and inefficiency” issues arise due to the inability to transact hourly, then the Commission may consider *hourly obligation trading*.<sup>8</sup> For these reasons, at this time, CalCCA is focused solely on ensuring hourly load obligation trading is implemented for the initial SOD compliance year.

**E. Existing Reporting Requirements Would Apply to Hourly Load Transactions**

During the Workshop, a representative from Vistra asked whether load obligation trades would be publicly reported like capacity transactions are reported through the Federal Energy Regulatory Commission (FERC) Electronic Quarterly Reports (EQRs). This question is not one the Commission needs to answer in order to adopt hourly load obligation trading, nor should it. The FERC is responsible for establishing the rules for reporting transactions for the EQRs and will continue to do so. If allowed, entities participating in load obligation trading will need to determine whether they are obligated under FERC’s EQR rules to report those transactions.

**III. THE COMMISSION SHOULD UPDATE ITS STACK ANALYSIS TO INCLUDE THE EFFECTIVE PRM AND DEFINE THE EFFECTIVE PRM FOR SOD**

---

<sup>7</sup> California Community Choice Association’s Comments on Administrative Law Judge’s Ruling Seeking Comments on the Future of Resource Adequacy Working Group Report, R.21-10-002 (March 24, 2022): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M462/K250/462250112.PDF>.

<sup>8</sup> D.22-06-050, Decision Adopting Local Capacity Obligations for 2023 - 2025, Flexible Capacity Obligations for 2023, and Reform Track Framework, R.21-10-002 (June 24, 2022), at 97: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M488/K540/488540633.PDF>.

The SOD Report includes 2024 stack analyses under the SOD framework and the current framework. CalCCA greatly appreciates Energy Division developing the stack analyses and including them in the SOD Report for stakeholder review. The stack analyses provide useful insight into the supply outlook under both frameworks. Energy Division’s stack analyses yield similar results to CalCCA’s,<sup>9</sup> despite some differences in inputs and assumptions. That is, the RA market is extremely tight, especially in September. While Energy Division concludes that “there is sufficient capacity on the system to meet estimated Month Ahead hourly SOD obligations,”<sup>10</sup> the month of September shows significant tightness, with an apparent need to rely on optimistic import assumptions to meet the load plus PRM used to set the 2024 requirements.<sup>11</sup>

Energy Division’s stack analysis underrepresents the severity of the RA market tightness by failing to include any assumptions about procurement that will take place by the IOUs to meet their effective PRM targets. D.23-06-029 adopted a 1,700 to 3,200 MW effective PRM for RA year 2024 and 2025.<sup>12</sup> This procurement adds additional demand for RA capacity that should be reflected in the stack analyses. The effective PRM can be met with RA and non-RA eligible resources, and while these resources were intended to be incremental to supply available to LSEs to meet their own requirements, a significant amount appears to erode existing supply.<sup>13</sup> This erosion occurs because many of the resources are qualified to provide RA and, were it not for the

---

<sup>9</sup> *Public Version California Community Choice Association’s Comments on Assigned Commissioner’s Scoping Memo and Ruling*, R.23-10-011 (Jan. 19, 2024): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M524/K571/524571013.PDF>.

<sup>10</sup> SOD Report at 53.

<sup>11</sup> *Id.* at 57 and 58.

<sup>12</sup> D.23-06-029, *Decision Adopting Local Capacity Obligations for 2024-2026, Flexible Capacity Obligations for 2024 and Program Refinements*, R.21-10-002 (June 29, 2023): <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M513/K132/513132432.PDF>.

<sup>13</sup> The additional resources procured under this authorization are described in the CPUC’s RA materials with additional detailed provided in advice letters filed by the IOUs. 2022 IOU Excess Resource reports: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-powerprocurement/resource-adequacy-homepage/resource-adequacy-compliance-materials>.

IOU procurement, could provide RA to other LSEs to meet their RA compliance requirements. CalCCA reflected the effective PRM in its stack analysis by including the resources shown on the three IOUs' supply plan as filed in the IOU 2023 Excess Resources Report<sup>14</sup> as negative supply in its stack.<sup>15</sup> The Commission should do the same in its stack analyses to better reflect the impact the effective PRM has on the supply and demand balance.<sup>16</sup>

Additionally, as the Commission works to finalize the PRM for 2025, the Commission should also provide clarity to parties about what the effective PRM will be for 2025, considering D.23-06-029 adopted an effective PRM through 2025. It should be noted that the effective PRM may be less under SOD on a percentage basis than it is under the current RA structure. This is due to the fact that resource counting is more accurate to the anticipated output of the resource, thus eliminating the counting of resources in RA Net Qualifying Capacity in hours in which they are not expected to produce any output.

#### **IV. THE COMMISSION SHOULD IMPLEMENT SLICE-OF-DAY NO EARLIER THAN RA YEAR 2026, OR AFTER EXIT CRITERIA HAVE BEEN MET**

The SOD Report asks parties to consider:

Should the Commission consider delaying full implementation of the SOD Framework until 2026, to allow more time for development of compliance tools and other key aspects of the framework? If so, which aspects of the framework, if any, could be implemented for 2025 compliance?<sup>17</sup>

---

<sup>14</sup> Excess Resources Reports: <https://www.cpuc.ca.gov/industries-and-topics/electricalenergy/electric-power-procurement/resource-adequacy-homepage/resource-adequacy-compliancematerials>.

<sup>15</sup> *Public Version California Community Choice Association's Comments on Assigned Commissioner's Scoping Memo and Ruling*, R.23-10-011 (Jan. 19, 2024), Exhibit A to Declaration of Andrew Mills: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M524/K571/524571013.PDF>.

<sup>16</sup> This proposal should be adopted in conjunction with CalCCA's proposal for increased transparency into the effective PRM procurement as filed in its January 19, 2024 proposals. This would allow for Energy Division and stakeholders to improve their assumptions about effective PRM procurement by better reflecting only the supply that truly "eroded" the RA supply stack.

<sup>17</sup> SOD Report at 60.

The Commission should delay the implementation of SOD to the 2026 RA compliance year at the earliest, or until exit criteria have been met. Outstanding uncertainties fundamental to SOD must be resolved in order to have a successful implementation.

CalCCA and its members have identified several issues with the SOD showings tool that require resolution before the SOD framework becomes binding. A subset of such issues can be summarized as:

- Inconsistencies in CalCCA’s assessment of CCA’s test year showings and Energy Division’s test year showings (e.g., less CCAs were found “deficient” under CalCCA’s validation than Energy Division’s);
- Untraceable or unfixable errors (e.g., showing as the wrong resource type, showing with infeasible energy quantities, unexplainable reductions in NQC values, etc.), many that arise after template revisions are provided to LSEs too close to test showings to resolve;
- Excel frequently times out when running the storage optimization and validation runs;
- Future year allocations - queries are dependent on Month instead of Year then Month. LSE cannot use the tool to include future years to manage positions;
- No restrictions on storage’s hourly charge to prevent infeasible charging showings;
- No methodology for storage charging overnight;
- Inability to accurately reflect grid charging restrictions in the state-of-charge model and validation test; and
- Unidentified Master Resource Database criteria (e.g., criteria LSEs should use to determine whether a storage resource (1) can grid charge and/or (2) how many daily cycles it is capable of).

In addition, the Commission has yet to adopt a PRM for RA year 2025, adding uncertainty to LSEs procuring to meet their requirements under the new SOD framework. Energy Division staff put forth two different options for the 2025 PRM in its January 19, 2024 proposals, either a 15.43 percent PRM or a 17 percent PRM.<sup>18</sup> Other parties have proposed modifications to the PRM that would more drastically change the PRM(s) LSEs would be

---

<sup>18</sup> *Administrative Law Judge’s Ruling on Energy Division’s Track 1 Proposals*, R.23-10-011 (Jan.19, 2024), Attachment 1, at 5:  
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M523/K965/523965910.PDF>.

required to meet, like the adoption of monthly PRMs,<sup>19</sup> or push out the timeline for adopting a new PRM.<sup>20</sup> The Commission should not leave LSEs uncertain of their PRMs and associated RA obligations for the first SOD compliance year. Doing so hinders the ability for LSEs to properly plan and procure to meet their first set of binding requirements under a drastically new RA framework, and potentially drastically different PRM or set of PRMs.

In order to determine whether the Commission and stakeholders are ready for a 2026 implementation, the Commission will need to define “exit criteria” that would allow for a successful exit from a test environment to a binding compliance environment. These criteria should include, at minimum:

- Showing template issues have been fully documented and resolved to Energy Division and LSEs’ satisfaction;
- Showing template has been finalized one year prior to the first binding showing (e.g. October 2024 for 2026 compliance year);
- LSEs have been trained on the final template and have successfully used the final template to make a test year filing; and
- A PRM for the initial compliance year has been adopted with sufficient time for LSEs to procure to meet it.

The SOD framework has the potential to achieve the five key principles outlined in D.21-07-014. Care must be taken, however, to ensure the SOD program is not implemented before it is ready. Otherwise, the Commission risks exacerbating uncertainties and compliance risks associated with implementing an RA program that is not fully developed and tested. For these reasons, the Commission should (1) delay implementation of SOD until 2026, (2) continue to refine and test the RA showings tools in 2025 to ensure they meet the exit criteria, and (3)

---

<sup>19</sup> *American Clean Power – California Track 1 Proposals*, R.23-10-011 (Jan.19, 2024): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M524/K571/524571042.PDF>.

<sup>20</sup> *Track 1 Proposals of the Western Power Trading Forum*, R.21-10-011 (Jan.19, 2024): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M524/K578/524578889.PDF>.

continue to allow LSEs to show storage in the maximum cumulative capacity (MCC) bucket four in 2025 by showing excess capacity to charge storage. The Commission should not attempt to implement some elements of SOD in 2025 and the rest in 2026, as contemplated in the SOD Report's question to parties. Doing so at such a late stage would create additional uncertainty that is unnecessary and take away from prioritizing resolving issues that will allow for a timely implementation of SOD in its entirety. The Commission should focus on finalizing the SOD framework for 2026 implementation once all outstanding issues have been addressed.

## **V. CONCLUSION**

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

Respectfully submitted,



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

February 23, 2024