



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

FILED

05/16/24

12:56 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
NOTICE OF EX PARTE COMMUNICATION**

Evelyn Kahl,
General Counsel and Director of Policy
Eric Little,
Director of Regulatory Affairs
Lauren Carr,
Senior Market Policy Analyst
CALIFORNIA COMMUNITY CHOICE
ASSOCIATION
1121 L Street, Suite 400
Sacramento, CA 95814
Telephone: (510) 980-9459
E-mail: regulatory@cal-cca.org

May 16, 2024

**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
NOTICE OF EX PARTE COMMUNICATION**

Pursuant to Rule 8.4(a) of the California Public Utilities Commission Rules of Practice and Procedure, California Community Choice Association¹ (CalCCA) hereby gives notice of the ex parte communication in which the participants discussed Resource Adequacy (RA).

DATE AND TIME: Tuesday, May 14, 2024 4:00 PM-4:30 PM

LOCATION: Webex

WHO INITIATED THE COMMUNICATION: Evelyn Kahl, CalCCA

NAMES AND TITLES OF NON-CPUC PERSONS PRESENT: Eric Little, CalCCA - Director of Regulatory Affairs; and Lauren Carr, CalCCA - Senior Market Policy Analyst.

NAMES AND TITLES OF CPUC PERSONS PRESENT: Amanda Singh, Deputy Chief of Staff and Energy Advisor to Commissioner Darcie Houck, and Niki Bawa, Energy Advisor to Commissioner Darcie Houck.

¹ 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.

DESCRIPTION OF COMMUNICATION: CalCCA provided a presentation on four of its RA Track 1 proposals, including its hourly load obligation trading, extended cure period, temporary system and flexible RA waiver, and modified RA import bid cap proposals. In addition to the attached presentation, CalCCA also supported the delay of slice-of-day until 2026 given current market conditions and difficulties expressed by load serving entities in using the tools necessary to perform RA filings.

WRITTEN MATERIALS PROVIDED: RA HOURLY TRANSACTABILITY, COMPLIANCE AND PENALTY STRUCTURE, AND IMPORT BIDDING PROPOSALS, Resource Adequacy Track 1 Proposal Ex Parte, May 14, 2024.

Respectfully submitted,



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

May 16, 2024

**ATTACHMENT
TO
CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
NOTICE OF EX PARTE COMMUNICATION**

**RA HOURLY TRANSACTABILITY, COMPLIANCE AND PENALTY STRUCTURE,
AND IMPORT BIDDING PROPOSALS**

**Resource Adequacy Track 1 Proposal Ex Parte
May 14, 2024**

RA Hourly Transactability, Compliance and Penalty Structure, and Import Bidding Proposals

Resource Adequacy Track 1 Proposal Ex Parte

May 14, 2024

Summary of recommendations

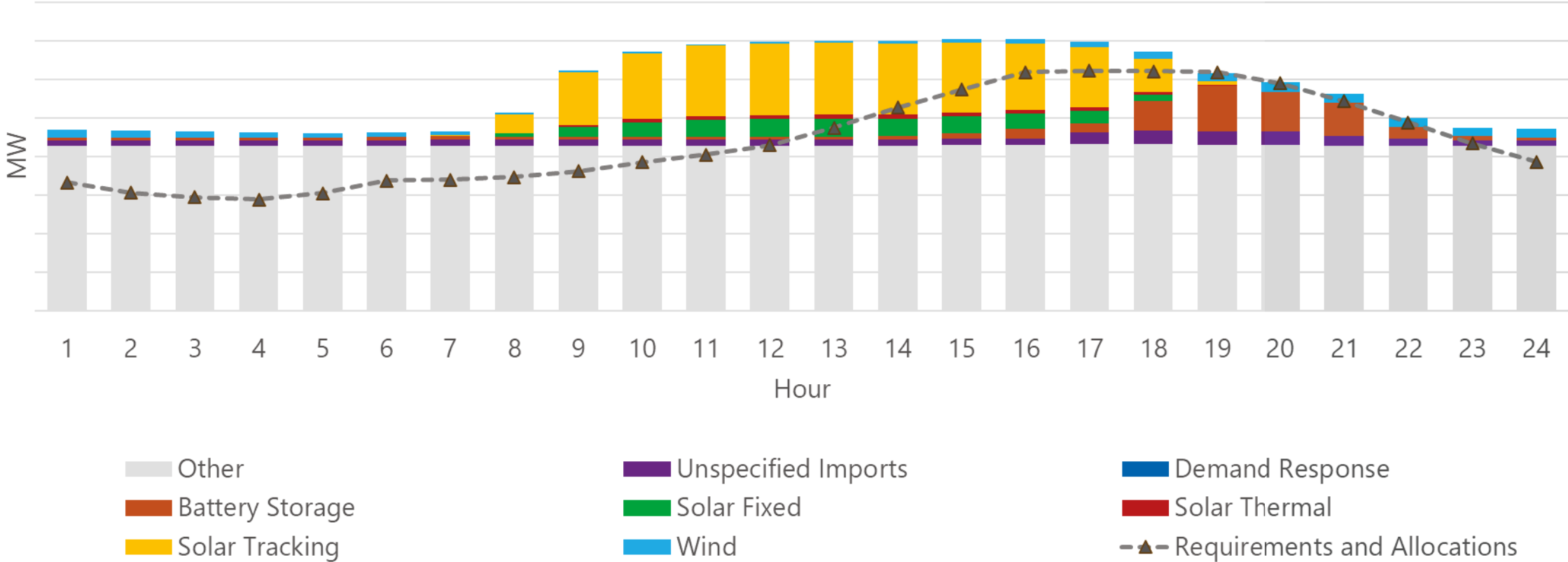
- Permit LSEs to trade load obligations on an hourly basis to match their hourly RA compliance requirements
- Extend the YARA and MARA cure periods to reduce unnecessary penalties
- Adopt a temporary waiver process for system and flexible RA to mitigate unprecedented prices as well as potential shortfalls of available capacity
- Adopt CalCCA's proposal to increase the maximum energy bid price for unspecified import RA from no higher than \$0/MWh to a price based upon the costs of a typical marginal import resource
- Delay the implementation of Slice of Day to 2026

Compliance requirements and procurement obligations are misaligned

- D.22-06-050 requires LSEs to comply on an hourly basis but prohibits them from transacting procurement on an hourly basis
 - × Creates artificial RA market scarcity in an already tight RA market
 - × Further impedes compliance and cost-effective procurement
- 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 load obligation trading

CCA SOD aggregate year-ahead showing, as filed, for September

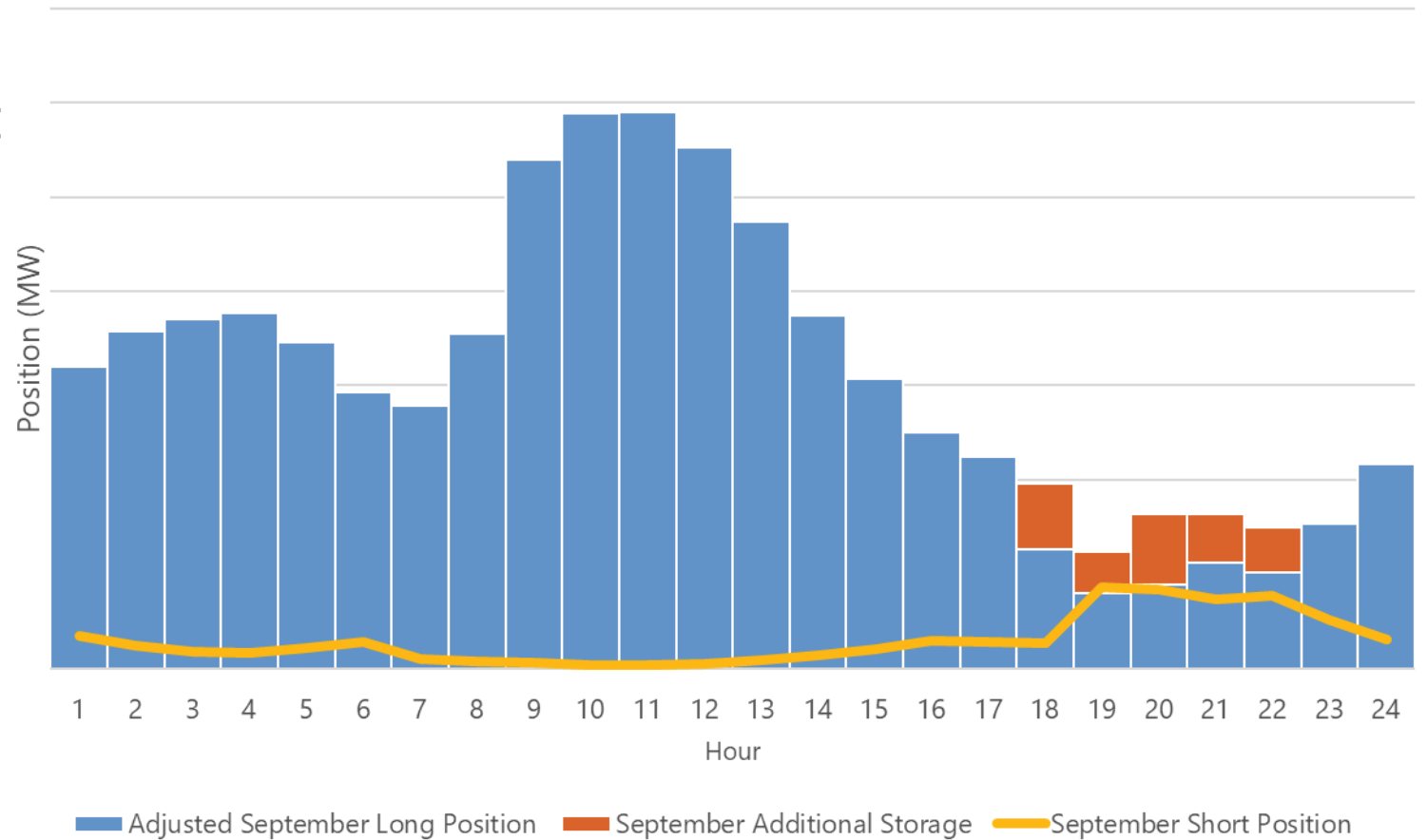
Slice of Day RA Showing: Aggregate Hourly Availability for 9-2024



CCAs could meet requirements in aggregate, even if individual CCAs were short in some hours

SOD Aggregate Short Positions vs Long Positions for CCAs in September

- Short Position shows individual CCAs did not meet requirements in many hours
- Long Position shows other CCAs were long in all hours (blue) and could have shown more storage (red)
- Aggregate of CCA portfolios could meet requirements, implying that trading between CCAs would eliminate shortages



Adopt hourly load obligation trading

Administratively simple

- LSE paying another to take on its obligation would represent the trade as a 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

NOT Unbundling

- Leaves the obligations and requirements of generators unaffected
- Eliminates need to modify CAISO processes like substitution, or must-offer obligations

More effective

- Swaps have too much market friction involved for them to provide significant benefits under SOD
- Swaps may require multiple layers of swaps for each LSE to reach compliance.

Maintains LSE Responsibility

- All LSEs remain responsible for serving their load and providing RA for their customers
- LSEs would compensate those LSEs that take on portions of their load. Both LSEs involved in an hourly load obligation trade would need to submit RA plans documenting the trade

New information requires modification of import RA rules

- D.23-06-029 rejected CalCCA's proposal, stating:
"Should information arise as to why the current RA import bidding requirements warrant modification, Energy Division Staff should present that information to the Commission and stakeholders for consideration"
- New information regarding the availability of RA imports warrants reconsideration of CalCCA's proposal to ensure out-of-state resources have the right incentives to provide RA capacity to California
- Based on this new information, the Commission should adopt CalCCA's maximum import energy bid methodology

Updated analysis shows anticipated energy market losses have increased since 2022

Percent of AAH Where CAISO MCE is Less Than the Estimated Cost @ 12 MMBTU/MWh									
	2022					2023			
	June	July	August	September		June	July	August	September
Low Gas Price	47%	48%	5%	29%		96%	38%	40%	89%
High Gas Price	91%	91%	56%	65%		100%	65%	72%	99%

Loss Where Example Peaker Generation Cost is Greater Than CAISO MCE (\$/MWh)									
	2022					2023			
	June	July	August	September		June	July	August	September
Low Gas Price	\$ 2.31	\$ 2.16	\$ 0.07	\$ 0.89		\$ 5.81	\$ 1.70	\$ 0.94	\$ 4.19
High Gas Price	\$ 8.40	\$ 8.55	\$ 2.79	\$ 4.70		\$ 12.48	\$ 4.77	\$ 4.27	\$ 9.25

CAISO RA data show declining RA imports

Decline occurred after RA rules revised in D.20-06-028

Since the Commission adopted the existing RA import bidding rules in 2020, imports have declined significantly

Year-Ahead (September)						
Year	Non-Resource Specific Imports	Resource Specific Imports	Total RA Shown	MWs of Non-Resource Specific Imports	MWs of Resource Specific Imports	Total RA Imports
2019	9.20%	3.63%	43,996	4,046	1,599	5,645
2020	9.97%	3.65%	42,313	4,218	1,545	5,763
2021	5.18%	5.00%	41,997	2,177	2,101	4,278
2022	3.01%	5.06%	43,041	1,294	2,179	3,473
2023	3.27%	5.33%	45,802	1,499	2,442	3,941

Month-Ahead September						
Year	Non-Resource Specific Imports	Resource Specific Imports	Total RA Shown	MWs of Non-Resource Specific Imports	MWs of Resource Specific Imports	Total RA Imports
2019	13.91%	3.23%	50,111	6,970	1,617	8,587
2020	13.17%	4.19%	48,973	6,450	2,050	8,500
2021	8.75%	4.62%	47,936	4,196	2,213	6,409
2022	7.99%	4.68%	49,201	3,932	2,304	6,236
2023	7.22%	4.77%	53,087	3,833	2,530	6,363

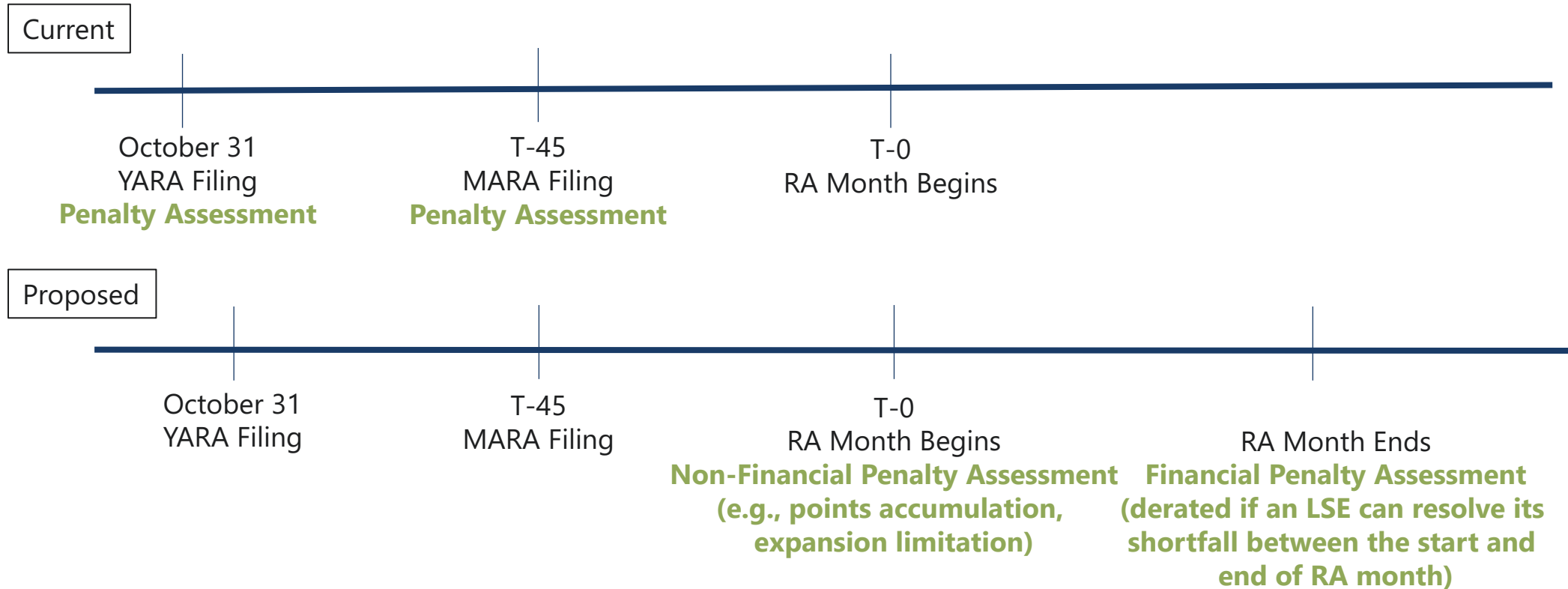
Suppliers indicate inability/unwillingness to sell import RA under current rules

- **BPA Proposal:** *“The ability to economically bid would incentivize Bonneville to potentially commit more of its surplus generation to participate in the California RA market, increasing the RA supply, and ultimately putting downward pressure on the RA prices and the cost to California consumers”*
- **SJCE Declaration:** *“Sellers of import RA have shared their unwillingness to flow power from north to south into California because of the price differential between locations; it is not economically feasible to sell the supply as import RA under the current rules.”*

Adopt CalCCA's maximum import bid proposal

- Unspecified imports allowed to bid up to the cost of a 12 MMBTU/MWh thermal resource based on:
 - Index fuel price in the west
 - GHG costs published by ARB
 - O&M costs as published by the CEC
- Better ensures resources are not expected to operate at a loss, lowering the risk of providing RA
- Does not set the price so high that unspecified imports would be able to avoid dispatch

Modify the timing of penalty assessments by extending the YARA and MARA cure periods



Adopt a temporary waiver process for system and flexible RA

- System and Flexible RA waiver from **2025 through 2027***
- LSEs would be required to demonstrate procurement efforts taken to justify the Commission granting a waiver
- Depending on the justification, LSEs would be eligible for a **full or partial waiver**
 - Full waiver = waiver of financial penalties and non-financial penalties (e.g., points accumulation and expansion limitation)
 - Partial waiver = waiver of non-financial penalties only

* CalCCA does not object to implementing the waiver in 2024 consistent with SCE's proposal