



**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.23-10-011

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
COMMENTS ON THE PROPOSED DECISION**

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

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SUMMARY OF RECOMMENDATIONS

- The Proposed Decision puts customer affordability at risk by failing to adopt hourly transactability and dismissing proposals to delay slice-of-day (SOD) implementation and implement system resource adequacy (RA) waivers;
- The California Public Utilities Commission (Commission) should revise the Proposed Decision to adopt hourly load obligation trading such that it is in place for the first SOD compliance year;
- If the Commission fails to adopt hourly load obligation trading, it must delay SOD implementation or allow for system RA waivers to provide guardrails against excessive RA costs to customers; and
- The Proposed Decision errs by maintaining the 17 percent planning reserve margin under a SOD compliance framework.

**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
COMMENTS ON THE PROPOSED DECISION**

The California Community Choice Association (CalCCA)¹ submits these comments pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure² on the Proposed *Decision Adopting Local Capacity Obligations for 2025-2027, Flexible Capacity Obligations for 2025, and Program Refinements*³ (Proposed Decision), mailed May 17, 2024.

I. INTRODUCTION

The Commission's resource adequacy (RA) program is in turmoil. Supply is scarce, prices are unprecedentedly high, and the Commission expects load-serving entities (LSE) to comply at any cost, administering significant penalties if they do not. At the same time, the Commission and its LSEs are scrambling to test a new RA framework with uncertain compliance tools and obligations. Despite these challenges, the Proposed Decision makes several decisions

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.

² *State of California Public Utilities Commission, Rules of Practice and Procedure, California Code of Regulations Title 20, Division 1, Chapter 1* (May 2021).

³ *Proposed Decision Adopting Local Capacity Obligations for 2025-2027, Flexible Capacity Obligations for 2025, and Program Refinements*, Rulemaking (R.) 23-10-011 (May 17, 2024).

that neither account for these conditions nor adequately address underlying supply constraints. As a result, it fails to recognize current RA market dynamics, risks RA program affordability, and obstructs LSEs' ability to meet hourly requirements in a cost-effective manner.

The Proposed Decision errs in several respects. First and foremost, the Proposed Decision completely ignores CalCCA's proposal for hourly load obligation trading under the slice-of-day (SOD) framework. It does so despite compelling evidence that hourly transactability will aid in LSE compliance and customer affordability at a time when the Commission should be doing everything it can to help temper electric rates that are overwhelming customers. The proposal garnered significant discussion in the working group and support from a broad range of parties. Still, it is completely absent from the Proposed Decision. The Commission then exacerbates risks to customer affordability by (1) failing to delay SOD implementation or provide for system RA waivers despite its complete disregard for the need to transact at the same level of granularity as the requirement, and (2) adopting a planning reserve margin (PRM) that is higher than the demonstrated need under SOD.

The Commission must remedy the Proposed Decision, which exacerbates RA compliance and affordability barriers. In summary:

- The Proposed Decision puts customer affordability at risk by failing to adopt hourly transactability and dismissing proposals to delay SOD implementation and implement system RA waivers;
- The Commission should revise the Proposed Decision to adopt hourly load obligation trading such that it is in place for the first SOD compliance year;
- If the Commission fails to adopt hourly load obligation trading, it must delay SOD implementation or allow for system RA waivers to provide guardrails against excessive RA costs to customers; and
- The Proposed Decision errs by maintaining the 17 percent PRM under a SOD compliance framework.

Failure to address the extensive issues in the Proposed Decision will perpetuate the dysfunction in the RA program, making it difficult, if not impossible, for all LSEs to comply and driving exorbitant RA prices.

II. THE PROPOSED DECISION PUTS CUSTOMER AFFORDABILITY AT RISK BY FAILING TO ADOPT HOURLY TRANSACTABILITY AND DISMISSING PROPOSALS TO DELAY SOD IMPLEMENTATION AND IMPLEMENT SYSTEM RA WAIVERS

The Proposed Decision completely omits any discussion of CalCCA’s hourly load transaction proposal filed on January 19, 2024,⁴ presented at the February 14, 2024, workshop,⁵ and refined in its February 23, 2024, revised track one proposal⁶ and March 8, 2024, comments⁷ by incorporating feedback from workshop participants and the California Independent System Operator (CAISO). The Commission must correct its omission by adopting hourly load transactability in time for the first binding SOD RA showing.

A. If Two Compliance Mechanisms are Equally Effective and One is More Cost-Effective than the Other, the Commission Must Choose the Option that is More Cost-Effective

CalCCA’s January 19, 2024, proposal included a discussion of the unprecedentedly high RA prices LSEs have paid in recent years.⁸ CalCCA is not the only party expressing affordability concerns driven by the RA market. The Commission, the investor-owned utilities (IOU), and the Public Advocates Office of the California Public Utilities Commission (Cal Advocates) have also raised affordability concerns driven by (1) the supply and demand balance, (2) changes in resource counting methodologies, which will change once again under SOD, (3) price increases possibly indicative of market power, and (4) a “comply at any cost” regulatory framework:

- Energy Division (ED): “**Citations and penalties have increased in recent years, likely driven by issues related to supply and demand balances due to resource retirements, load forecast increases, and changes in resource counting methodologies.**”⁹

⁴ *Public Version California Community Choice Association’s Comments on Assigned Commissioner’s Scoping Memo and Ruling*, R.23-10-011 (Jan.19, 2024) (CalCCA Track 1 Proposal).

⁵ *Workshop on Track 1 Proposals in R. 23-10-011*, (Feb 14, 2024).

⁶ *California Community Choice Association’s Track 1 Revised Slice-Of-Day (SOD) Proposals*, R.23-10-011 (Feb. 23, 2024) (CalCCA Revised Track 1 Proposal).

⁷ *California Community Choice Association’s Opening Comments on Assigned Commissioner’s Scoping Memo and Ruling*, R.23-10-011 (Mar. 8, 2024) (CalCCA Opening Comments).

⁸ CalCCA Track 1 Proposal at Appendix A.

⁹ *2022 Resource Adequacy Report*, March 2024, p. 58 (emphasis added).

- Southern California Edison Company (SCE): “**These dramatic changes to the system will occur amid, and potentially drive further, tightness in the RA market** as delays from new resources persist and uncertainty in **the implementation of SOD framework create greater competition for existing market resources, driving RA prices higher** and increasing the risk of penalties resulting from factors outside LSEs’ control.”

** Footnote: “In response to a data request, **SCE can supply confidential data** to the Commission **demonstrating the degree to which RA prices have increased** in recent years and **that may also suggest that price increases could be attributable to the assertion of market power**, especially given that energy prices have not seen a similar rise.”¹⁰

- PG&E: “While the Forecast 2024 System RA MPB already exceeds the penalty price and the 2024 net CONE price referenced above, PG&E’s forecast of System RA prices are even higher and seem stubbornly resistant to apparent improvements in market conditions.”

“[D]ue to recent observed increases in RA market prices and concerns about the health of the RA market within the RA proceeding, PG&E presents a scenario here assuming PG&E’s forward curves materialize in the Final 2024 and Forecast 2025 RA MPBs published in the Fall. Under this scenario, the PG&E bundled service generation-related rate would increase 27 percent or \$0.042 per kWh, which would have a **monthly bill impact of \$23.00 for a typical bundled service residential customer** compared to rates 1 that will be in place as of July 1, 2024.”¹¹

- Cal Advocates: “**System RA prices in California have reached historically unseen levels** that do not reflect the going forward fixed costs of serving load.... **These prices reflect certain market failures** that include collective action coordination failures and **market concentration effects** that can increase prices for system capacity to levels that exceed system RA capacity penalties. In addition, **reputational risks, the two-year penalty point system, restrictions on LSE expansion,** and potential CAISO backstop costs currently **encourage LSEs to procure system RA at any price.**”¹²

¹⁰ *Track 1 Proposals of Southern California Edison Company (U 338-E)*, R.23-10-011 (Jan. 19, 2024) emphasis added.

¹¹ *PG&E 2025 Energy Resource Recovery Account and Generation Non-Bypassable Charges Forecast and Greenhouse Gas Forecast Revenue Return and Reconciliation Prepared Testimony*, A.24-05-009, at 2-7, 2-11, and 2-12 (emphasis added).

¹² *Residual Capacity Auction Proposal of the Public Advocates Office (Public Version)*, R.23-10-011 (Jan. 19, 2023) (emphasis added) (footnotes omitted) at 2.

There is consensus among these entities that affordability is a major concern. Yet, the Commission refrains from adopting a mechanism (i.e., SOD with hourly obligation trading) that is equally effective from a compliance and reliability standpoint, yet more cost-effective than the alternative (i.e., SOD without hourly obligation trading). The Commission must remedy this by adopting the hourly load obligation trading proposal, which CalCCA has demonstrated:

- Serves a clear need from a compliance and affordability perspective;¹³
- Retains administrative simplicity by validation through existing SOD showing tools;¹⁴
- Does not interfere with CAISO RA processes;¹⁵ and
- Maintains LSEs' obligations to serve their load, therefore, remaining in adherence with section 380.¹⁶

B. The Proposed Decision Fails to Protect Customers Against Excessive RA Costs by Ignoring CalCCA's Proposal to Allow LSEs to Transact at the Same Level of Granularity as the Requirement

Without the ability to transact at the same granularity as the requirement, LSEs cannot shape their portfolios to match their obligations. This is because, even though requirements are 24 individual hours, LSEs would need to purchase each resource monthly for all hours it is available, even if LSEs have only one or two hours with open positions. The result will be increased customer costs and artificial constraints on the RA market. CalCCA's analysis has shown that although LSEs can meet aggregate SOD requirements, in some hours, some LSEs are short, and other LSEs are long.¹⁷ Without hourly load obligation trading, the short LSE will either need to procure excess supply, likely at a higher price than it could have done an hourly load obligation trade, that is unnecessary from an aggregate reliability standpoint to satisfy its individual requirements. The alternative is for that LSE to pay a penalty that it could have avoided if it were able to transact hourly with the long LSE. Either outcome is detrimental to customer affordability.

¹³ CalCCA Track 1 Proposal at 21-24 and CalCCA Revised Track 1 Proposal at 3-4.

¹⁴ CalCCA Revised Track 1 Proposal at 5-6.

¹⁵ CalCCA Opening Comments at 3-4.

¹⁶ CalCCA Track 2 Proposal at 25.

¹⁷ CalCCA Revised Track 1 Proposals at 3-4.

Alternatives to hourly load obligation trading, such as swaps, will likely not allow LSEs to transact in a manner that allows them to shape their procurement to their obligations and, in turn, will not minimize procurement costs ultimately borne by their customers. Swaps involve a trade of one resource for another at a monthly level; while swaps could theoretically reduce SOD deficiencies, in reality, there is too much market friction involved for them to provide significant benefits under SOD. They may require multiple steps 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. It is also more likely that multiple layers of swaps would be required for each LSE to reach compliance.

There is also less motivation for those holding resources to conduct swaps because they are already compliant and would take on additional transaction costs (in time and money) and potentially take on risk by reducing their excess portfolio that could otherwise be used for substitution. Conversely, there is more motivation for those holding load to transact with each other because the transaction is targeted at the hour(s) and quantity needed rather than finding complex combinations of resource swaps that fulfill both parties' needs.

Allowing transactions at the same granularity as the requirement is the only true way for LSEs to shape their portfolio to their obligation under SOD. The Commission's ignoring the need for hourly load obligation trading fails to protect customers against compounding RA costs. The Commission can resolve this misstep by ensuring LSEs can trade load at the same granularity as the RA requirement.

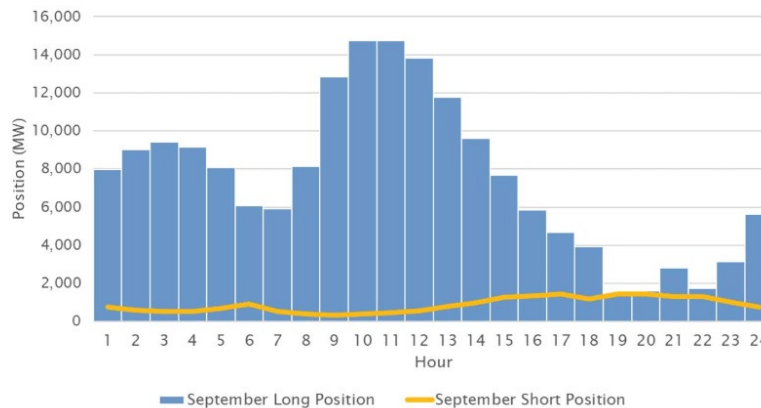
C. The Proposed Decision Errs by Remaining Silent on CalCCA's Hourly Load Transaction Proposal Despite a Compelling Demonstration of Need, Significant Discussion in the Working Groups, and Broad Stakeholder Support

1. Demonstration of Need

The Proposed Decision rejects CalCCA's hourly load obligation trading proposal despite a clear demonstration of the need for transactions at the same granularity as the requirement. CalCCA's analysis of the Commission's SOD report demonstrates that the ability for LSEs to transact load obligations on an hourly basis would have increased compliance with the test year

SOD Year Ahead RA requirements.¹⁸ In fact, on an aggregated basis, long positions could have fully covered short positions in nearly all hours, as shown in the figure below.

Figure 1: SOD Aggregate Short Positions vs Long Positions for all LSEs in September



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 from its members’ data,¹⁹ 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. In short, the system reliability needs are covered in aggregate by the showings of all LSEs even though individual LSEs had deficiencies.

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 ED’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. The Commission should revise the Proposed Decision to remove artificial barriers to compliance to avoid the perverse outcome of penalizing LSEs because they cannot efficiently transact while the system reliability has been met.

¹⁸ *Report on Resource Adequacy Slice of Day Implementation and Year Ahead Showings*, R.23-10-011 (Feb. 5, 2024).

¹⁹ CalCCA Track 1 Proposal at 25-26.

2. Discussion in Working Groups

The Proposed Decision also rejects CalCCA's hourly load obligation trading proposal despite CalCCA thoroughly addressing stakeholder questions and concerns following significant discussion in the working groups. First, in response to concerns that hourly obligation trading would add administrative complexity, CalCCA demonstrated that hourly load obligation trading is an administratively simple way to allow transactions at the same granularity as LSE requirements. CalCCA demonstrated how such trades could be documented in the existing SOD 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.²⁰

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. CalCCA anticipates 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.

Second, in response to parties' concerns about unbundling or impacting CAISO processes, CalCCA explained that hourly load obligation trading is not unbundling because it leaves the obligations and requirements of generators unaffected. Hourly load obligation trading does not involve generators (or their requirements) at all, but rather allows LSEs to contract with another LSE in an efficient manner for both of them to meet their obligations. This eliminates the need to modify CAISO processes like outage substitution or the must offer obligation in any way.

Following the workshop, CalCCA consulted with the CAISO to confirm that the Commission can implement hourly load obligation trading with no CAISO impacts. To do so,

²⁰ Screenshots of how this would look in the SOD showing tool are presented on slides 141 and 142 of 221: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacy-homepage/resource-adequacy-compliance-materials/resource-adequacy-history/ra-oir-track-1-workshop---all-slides.pdf>.

the Commission would accept and validate hourly load transactions consistent with the process documented in CalCCA’s January 19, 2024, proposal²¹ and February 23, 2024, proposal update.²² The LSEs would submit their contracted resources in their RA plans to the CAISO, including all resources shown to the Commission in its SOD showing tool, consistent with the CAISO’s showing process under SOD and the CAISO’s February 23, 2024, proposal adopted in the Proposed Decision.²³

Because the CAISO will validate Commission-jurisdictional LSE plans by validating the gross peak hour under SOD, only hourly load transactions that occur during the gross peak hour would have impacts under CAISO RA processes. These impacts can be isolated to the LSEs conducting load transactions and avoid the CAISO entirely. The CAISO validates LSE RA plans against the LSE’s load, as communicated through the CEC’s load forecast process, plus a PRM. As such, there is no way for the LSE to communicate an hourly load obligation trade directly to the CAISO. This would result in a Capacity Procurement Mechanism (CPM) cost allocation risk for the LSE paying another to take on its obligation in the gross peak hour in the narrow instances when a deficiency *not* related to hourly load transactions occurs.²⁴

Third, some parties expressed concern that hourly load obligation trading circumvents Pub. Util. Code section 380(c) requirement that “[e]ach load-serving entity shall maintain physical generating capacity and electrical demand response adequate to meet its load requirements...” These parties considered it an incorrect result to allow another LSE to procure excess and then take on another LSE’s obligations for payment. It is incorrect to suggest that hourly load obligation trading runs afoul of section 380. Instead, it maintains the LSEs’

²¹ CalCCA Track 1 Proposals at 25-26.

²² CalCCA Track 1 Revised SOD Proposals at 5.

²³ Proposed Decision at 69.

²⁴ An LSE appearing deficient from a CAISO perspective due to an hourly load obligation trade that the CAISO cannot see should not trigger backstop because the LSE on the other side of the hourly load obligation trade would be required to show to CAISO the resources it is using to cover the additional load that it was paid to take on. In other words, the hourly load obligation trade would keep the system “whole” and should not trigger the need for backstop all else equal. Other deficiencies unrelated to the hourly load trade (e.g., another LSE having an individual deficiency) could trigger backstop, in which case the LSE paying another to take on its obligation would be exposed to backstop cost allocation. To improve the hourly load obligation trading proposal in the long term, the Commission and the CAISO could update their processes such that the CAISO allocates CPM costs to the Commission and have the Commission allocate those costs to LSEs after taking into account hourly trades. Such an update should not be seen as a requirement to implement hourly load obligation trading. Instead, it should be viewed as a potential improvement that could be explored at the CAISO in a future stakeholder initiative.

responsibility to secure enough supply to meet its load requirements. The hourly load obligation trading 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. CalCCA's hourly load obligation trading proposal would allow one LSE to pay another LSE to take on portions of its RA obligations on an hourly basis and the LSEs would need to document the trade such that the Commission can validate the LSEs maintained sufficient supply to meet their load obligations.

Over the course of a proposal, revised proposal, opening comments, and workshop discussion, CalCCA has thoroughly addressed all concerns with hourly load obligation trading expressed by parties in this proceeding. The Proposed Decision errs by failing to address a proposal that garnered significant stakeholder interest. Given the demonstrated need and substantial benefits the proposal would provide LSEs and customers responsible for paying RA costs, the Commission should revise the Proposed Decision to adopt hourly load obligation trading.

3. Broad Stakeholder Support

A broad range of stakeholders express support for hourly load obligation trading, including direct access LSEs, CCAs, environmental advocates, industry, and some generators.²⁵ This is demonstrative of the fact that this proposal has no negative impact on any RA market participant, except potentially those who have something to gain from the extremely high market prices that limiting transactability would exacerbate. It promotes the ability of LSEs to meet their obligations in the most cost-effective manner without harming reliability or adding too much administrative complexity.

While the IOUs do not support hourly load obligation trading, they would not be obligated to participate in it. Hourly load obligation trades are voluntary and would only result from willing buyers and sellers agreeing to transact through a contractual arrangement. CalCCA has thoroughly addressed the concerns of the IOUs and other parties, including concerns around complexity and the responsibility of the LSE as discussed in section II.C.2 above. The

²⁵ See comments filed in R.23-10-011 on March 8, 2024, from the Alliance for Retail Energy Markets, Shell Energy North America (US), L.P., Ava Community Energy, Sierra Club and California Environmental Justice Alliance, Microsoft Corporation, and REV Renewables, LLC.

Commission should modify the Proposed Decision to allow for hourly load obligation trading, as failure to do so would adversely affect customer affordability, result in over-procurement, and jeopardize LSE compliance.

D. The Commission Should Revise the Proposed Decision to Adopt Hourly Load Obligation Trading Such that It is in Place for the First SOD Compliance Year

By neglecting to adopt hourly obligation trading, the Proposed Decision implements a half-baked compliance framework, in which LSEs are expected to comply at any cost but do not have all the tools they need to be successful. A “walk before we run” approach to SOD implementation is unacceptable when customers face compounding affordability challenges and LSEs face significant consequences for RA deficiencies. The Commission must allow LSEs to transact load obligations on an hourly basis beginning with the first binding SOD compliance filings for the foregoing reasons outlined in Section II.

III. IF THE COMMISSION FAILS TO ADOPT HOURLY LOAD OBLIGATION TRADING, IT MUST DELAY SOD IMPLEMENTATION OR ALLOW FOR SYSTEM RA WAIVERS TO PROVIDE GUARDRAILS AGAINST EXCESSIVE RA COSTS TO CUSTOMERS

If the Commission fails to adopt hourly load obligation trading, the Commission must take alternative measures to mitigate against the excessive customer costs and artificial supply strain resulting from the inability to transact at the same granularity as the requirement. The Commission should do so by delaying SOD until at least 2026, or adopting system RA waivers for apparent non-compliance related to SOD implementation issues. The SOD showing tool is currently on version 29, with eight public releases, and LSEs have never been able to complete a test year filing without running into errors with the tool. Still, the Proposed Decision states:

Energy Division has spent the past year developing and modifying the SOD showing tools in response to party input and will continue doing so in the months following the issuance of this decision. The Commission is confident that the showing tools will be ready for 2025 implementation. However, as we stated in D.23-04-010, we “anticipate that minor adjustments to the compliance tools and program rules may be necessary following the test year.”²⁶

²⁶ Proposed Decision at 16, footnote omitted.

Continuing to revise the tool in the months following this decision will leave LSEs uncertain of whether the tool will accurately reflect their SOD position in the binding showings, obstructing LSEs' ability to properly plan and procure for their first binding requirements under a drastically new RA framework. The Commission cannot assume that "minor" adjustments to compliance tools will be, in fact, minor. LSEs have faced continually changing compliance tools where one minor change triggers a subsequent error in the tool. The Commission cannot implement an RA program when LSEs and ED have not been able to successfully submit and validate test year showing with the tools available to them.

In attempting to further justify its decision to move forward with 2025 SOD implementation, the Proposed Decision states that the Commission will "monitor LSEs' compliance with the SOD requirements in 2025 and will consider adjustments to the program as needed."²⁷ Such an approach is unacceptable when LSEs face severe consequences for non-compliance that incentivize them to procure at any cost and still potentially come up short due to circumstances outside of their control. LSEs must know and understand their obligations *before* being subject to penalties for non-compliance.

CalCCA has been a proponent of SOD given its potential to improve the RA program's ability to ensure reliability under an evolving resource mix. To reach this potential without severe unintended consequences, however, the Commission must 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.

If the Commission does move forward with implementing SOD in 2025, especially if it does so without providing LSEs with the ability to transact hourly, the Commission must allow LSEs the opportunity to request a waiver of all penalties, including financial and non-financial penalties, stemming from SOD implementation issues. This should include penalties associated with issues with the SOD showing tool inaccurately reflecting LSEs positions or penalties associated with the inability to transact on an hourly basis. Failure to allow LSEs access to waivers while also limiting their ability to transact leaves customers with no guardrails against excessive RA costs. These costs will come through either over-procurement at extremely high RA prices required to meet compliance obligations with limited transactability or the penalties

²⁷ *Id.* at 17.

LSEs face that ultimately get passed down to customers when LSEs cannot find enough supply to meet their obligations despite their best efforts. For these reasons, should the Commission fail to adopt hourly transactability beginning for RA year 2025, it must either delay SOD until hourly transactability can be implemented or adopt system RA waivers for SOD implementation issues.

IV. THE PROPOSED DECISION ERRS BY MAINTAINING THE 17 PERCENT PRM UNDER A SOD COMPLIANCE FRAMEWORK

The Proposed Decision adopts a 17 percent PRM, despite translating the PRM to align with SOD results in a PRM of 15.43 percent.²⁸ The Proposed Decision errs in retaining the 17 percent PRM for 2025 under SOD for two main reasons. First, retaining the 17 percent PRM while also implementing SOD in 2025 fails to account for the differences between the existing peak demand RA framework and the new hourly SOD RA framework. The PRM is inextricably linked to resource counting rules. Failure to translate the PRM established under the peak demand RA framework and its counting rules results in an inaccurate PRM, which in the case of the Proposed Decision, exacerbates RA supply constraints. The Commission should, therefore, modify the Proposed Decision to ensure the PRM aligns with the resource counting rules used for 2025. That is, if the Commission is intent on implementing SOD in 2025, it must also calibrate the PRM to the SOD framework (i.e., the Commission should adopt a 15.43 percent PRM per ED’s SOD calibration).

Second, the Commission attempts to justify its decision to retain the 17 percent PRM by citing the decreased demand in the California Energy Commission’s (CEC) 2023 Integrated Energy Policy Report (IEPR) demand forecast compared to previous years, and a shift in the peak from September to July. The Proposed Decision states that retaining the 17 percent PRM “builds in a safety margin in the event the modifications to the 2025 RA forecast do not materialize.”²⁹ Analysis of historical IEPR forecasts demonstrates that it is not uncommon for the demand forecast to swing upwards or downwards year-over-year. The magnitude of the fluctuations can be demonstrated by the year-over-year RA forecast, detailed in Table 1, and the variation in the ratio of the peak coincident load to the peak non-coincident load, detailed in Figure 2. In years 2023 and 2025, for example, the delta with the previous year’s forecast is over 1,000 MW but in opposite directions. Conceptually, the year-over-year change in RA

²⁸ Proposed Decision at 24.

²⁹ *Id.*

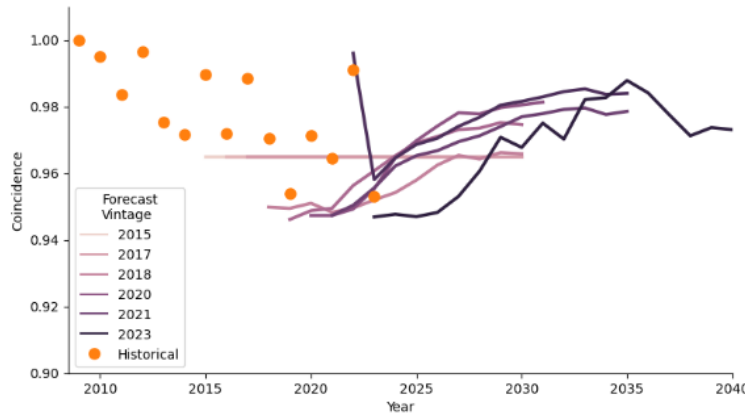
requirements should closely match load growth which has likely not fluctuated this significantly over these years. In fact, examination of the net change in load forecast for 2023 through 2025 reveals an increase of 836 MWs which is significantly above the prior trend.

Table 1: Year-over-Year Change in 1-in-2 RA Forecast³⁰

	Year over Year change in Forecast (in MW)									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
1-in-2 RA Forecast			(636)	(223)	(314)	70	264	1,279	749	(1,192)

The historical ratio of the peak coincident load to the peak non-coincident load, as demonstrated in Figure 2 below, bounces between approximately 0.95 to 1.0. Significantly, a change in the ratio of 0.05 can result in a peak load forecast that changes by as much as 2,500 MW.

Figure 2: Historical Ratio of Peak Coincident Load Relative to Forecast Ratio³¹



These fluctuations have significant impacts on RA requirements and grid infrastructure planning. Rather than building in arbitrary buffers that deviate from the modeled results, the Commission should work with the CEC and stakeholders to (1) evaluate the accuracy of the IEPR demand forecast; (2) identify contributors to forecast errors; (3) solicit suggestions for improving the forecast accuracy; and (4) adjust, if necessary, priorities for continuing to improve the forecast.

³⁰ CalCCA Analysis of 2016-2025 Demand Forecast.

³¹ CalCCA analysis of CEC historical and current load forecasts.

V. CONCLUSION

CalCCA appreciates the opportunity to submit these comments and requests adoption of the recommendations proposed herein. For all the foregoing reasons, the Commission should modify the Proposed Decision as provided in Appendix A.

Respectfully submitted,

A handwritten signature in blue ink that reads "Evelyn Kahl". The signature is written in a cursive, flowing style.

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

June 6, 2024

APPENDIX A
TO
CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON THE
PROPOSED DECISION

PROPOSED CHANGES TO FINDINGS OF FACT,
CONCLUSIONS OF LAW AND ORDERING PARAGRAPHS

Proposed text deletions show as ~~bold and strikethrough~~
Proposed text additions show as bold and underlined

FINDINGS OF FACT

4. ~~The Commission is concerned that the reduced demand and shift in peak to July, as reflected in the CEC's 2023 IEPR demand forecast, may result in a restrictively lower PRM for procurement purposes.~~ Applying a 15.43 ~~17~~ percent SOD PRM for 2025 is the approach that best accounts for the translation of resource counting from those used under the peak demand RA framework to those that will be used under the SOD RA framework a more prudent approach that would help offset uncertainty with the decreased load forecast.

New: Affordability and reliability are both critical to the electrical market. As such, compliance mechanisms should be established in a manner that enables LSEs to comply as cost-effectively as possible. Load obligation trading is a mechanism that will allow LSEs to comply cost-effectively while maintaining the targeted level of electric grid reliability.

CONCLUSIONS OF LAW

3. ~~Considering the 2023 IEPR demand forecast, a 17 percent~~ Considering the SOD PRM translation, a 15.43 PRM is a more appropriate PRM to be applied to the SOD framework for the 2025 RA compliance year.

New: Load obligation trading will produce a reliable outcome while enabling LSEs to meet needs at the least cost alternative.

ORDERING PARAGRAPHS

5. Beginning with the 2025 Resource Adequacy year, a ~~17~~ 15.43 percent planning reserve margin is adopted to apply to the Slice of Day framework.

New Order: Beginning with the first binding slice-of-day (SOD) RA filing, the Commission shall allow LSEs to transact load obligations at the same level of granularity as the requirement.

New Order: Hourly load obligation trading among LSEs shall be implemented for compliance with the SOD obligation for 2025.