



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

FILED

05/31/24

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
NOTICE OF EX PARTE COMMUNICATION**

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May 31, 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 (Commission) Rules of Practice and Procedure¹, California Community Choice Association² (CalCCA) hereby gives notice of the ex parte communication in which the participants discussed Resource Adequacy (RA).

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

LOCATION: Webex

WHO INITIATED THE COMMUNICATION: Evelyn Kahl, CalCCA

¹ *State of California Public Utilities Commission, Rules of Practice and Procedure, California Code of Regulations Title 20, Division 1, Chapter 1* (May 2021): <https://webproda.cpuc.ca.gov/-/media/cpuc-website/divisions/administrative-law-judge-division/documents/rules-of-practice-and-procedure-may-2021.pdf>.

² 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.

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

NAMES AND TITLES OF CPUC PERSONS PRESENT: Nick Dahlberg, Energy Advisor to President Alice Reynolds, and Jake McDermott, Advisor to Commissioner John Reynolds.

DESCRIPTION OF COMMUNICATION: CalCCA provided a presentation on its RA Track 1 proposal for hourly load obligation trading. CalCCA highlighted the affordability benefits of the proposal, noting that 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 then demonstrated the need for the proposal and addressed the issues raised by others who object to load obligation trading. CalCCA requested the Commission revise the Proposed Decision³ to adopt hourly load obligation trading.

WRITTEN MATERIALS PROVIDED, ATTACHED: RESOURCE ADEQUACY HOURLY TRANSACTABILITY, Resource Adequacy Track 1 Proposed Decision Ex Parte, May 30, 2024.

Respectfully submitted,



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

May 31, 2024

³ Proposed *Decision Adopting Local Capacity Obligations for 2025-2027, Flexible Capacity Obligations For 2025, and Program Refinements* (Proposed Decision), R23-10-011 (mailed May 17, 2024): <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M531/K786/531786491.PDF>.

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

RESOURCE ADEQUACY HOURLY TRANSACTABILITY

**Resource Adequacy Track 1 Proposed Decision Ex Parte
May 30, 2024**

RESOURCE ADEQUACY HOURLY TRANSACTABILITY

Resource Adequacy Track 1 Proposed Decision Ex Parte

May 30, 2024

Summary of Recommendations

- The Proposed Decision should be modified to allow load obligation trading
 - Aligns transaction length with obligation length (i.e., hourly)
- 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

RA Market Driving Affordability Concerns

CPUC

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**. (2022 CPUC RA Report, March 2024, p. 58)

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. (SCE Comments January 19, 2024, R.23-10-011)**

RA Market Driving Affordability Concerns Continued

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.** (Cal Advocates Comments January 19, 2024, R.23-10-011)*

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.***

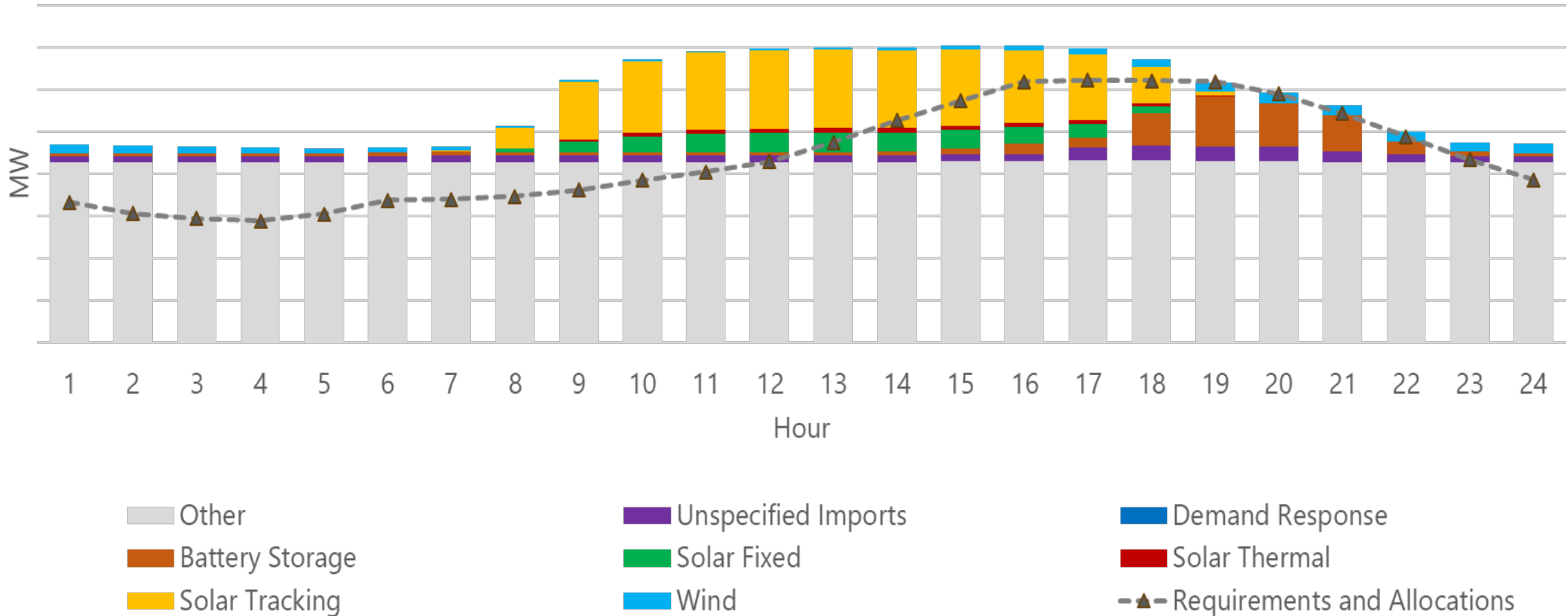
*[D]ue to recent observed increases in RA market prices and concerns about the health of the RA market within the RA proceeding, PG&E presents a scenario here assuming PG&E's forward curves materialize in the Final 2024 and Forecast 2025 RA MPBs published in the Fall. Under this scenario, the PG&E bundled 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. (PG&E 2025 Energy Resource Recovery Account And Generation Non-bypassable Charges Forecast And Greenhouse Gas Forecast Revenue Return And Reconciliation Prepared Testimony at 2-7, and 2-11 – 2-12)*

Hourly Compliance Requires Hourly Transactions

- 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 September SOD Aggregated YA Showing

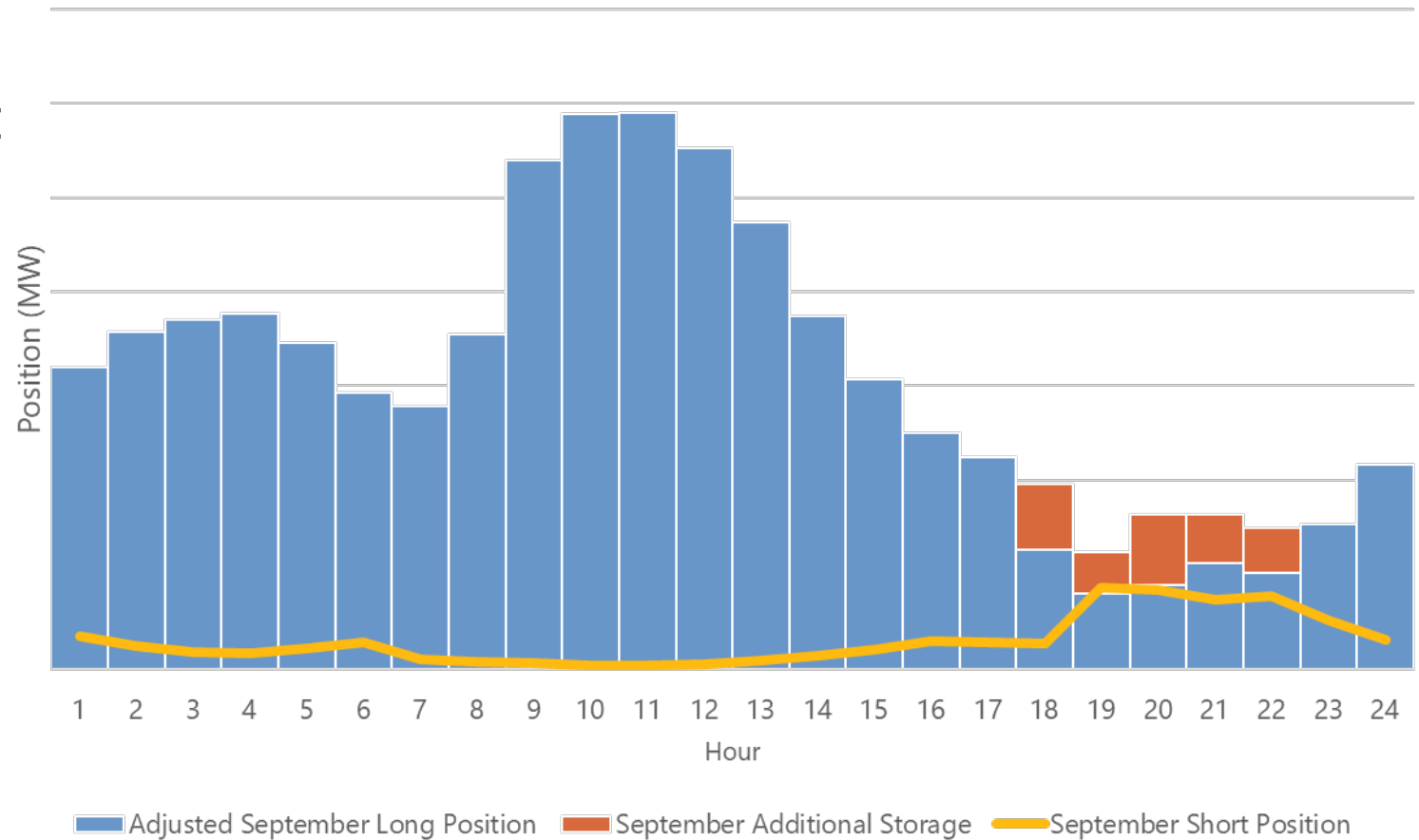
Slice of Day RA Showing: Aggregate Hourly Availability for 9-2024



CCAs in Aggregate Meet Requirements But Some Individual CCAs 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



Solutions Proposed to Ease Transactional Difficulty

Solution	Opponents	Reasons for Opposition
Hourly Resource Trading	IOUs, CPUC ED	Complexity in tracking resource commitments, potential exacerbation of market power
Hourly Obligation Trading	IOUs, CPUC ED, Some Generators	Complexity, "need to walk before we run"
Resource Swaps	CalCCA	Inefficient methodology that is likely to require a daisy-chain of transactions to see all parties made compliant

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