



**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
REPLY COMMENTS ON THE PROPOSED DECISION**

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SUMMARY OF REPLY COMMENTS

- Parties that filed Opening Comments agree that the Proposed *Decision Adopting Local Capacity Obligations for 2025-2027, Flexible Capacity Obligations for 2025, and Program Refinements* (Proposed Decision) errs by neglecting to discuss and adopt hourly load obligation trading;
- Opening Comments support actions needed to investigate and address extreme Resource Adequacy (RA) market challenges;
- The Slice-of-Day (SOD) framework is not ready for 2025 implementation without major revisions to the Proposed Decision; and
- The California Public Utilities Commission (Commission) must inform the Planning Reserve Margin (PRM) on robust modeling that reflects the compliance framework.

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION’S
REPLY COMMENTS ON THE PROPOSED DECISION**

The California Community Choice Association (CalCCA) submits these reply comments pursuant to Rule 14.3 of the California Public Utilities Commission Rules of Practice and Procedure¹ on the Proposed *Decision Adopting Local Capacity Obligations for 2025-2027, Flexible Capacity Obligations for 2025, and Program Refinements*² (Proposed Decision), mailed May 17, 2024.

I. PARTIES AGREE THAT THE PROPOSED DECISION ERRS BY NEGLECTING TO DISCUSS AND ADOPT HOURLY LOAD OBLIGATION TRADING

CalCCA, AReM/UC, CESA, and Microsoft all provided comments³ in support of moving forward with hourly load obligation trading while no party filed comments stating that the Commission was correct in not including this important compliance tool. The Commission must take action now to enable load-serving entities (LSEs) to meet compliance obligations and provide for system reliability in a cost effective manner given the market pressures noted by the majority of parties in this proceeding.

In its Proposed Decision Opening Comments, AReM/UC state it:

had agreed with past Commission decisions denying implementation of hourly trading because of the additional complexity such a proposal would introduce. Now that AReM members have gained familiarity with the SOD tools through the test year filings, AReM views the matter differently. It is now clear that no matter what the Commission does with CalCCA’s proposal, the SOD framework is a complex framework, in fact by far the most complex RA framework ever implemented anywhere, and tools are needed to help LSEs manage that complexity. Hourly compliance

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

² *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).

³ All references herein to party comments are to the Opening Comments filed in this proceeding, R.23-10-011, on or about June 6, 2024.

trading provides a much-needed flexibility that will help SOD work more efficiently.⁴ (emphasis added)

As explained by CESA, the SOD framework “creates a new structural barrier that prevents LSEs from meeting compliance obligations... the granularity of the transactable product does not equal the granularity of the requirement.”⁵ CESA points to an issue that CalCCA has discussed throughout this proceeding. Without having flexible instruments that match compliance options with compliance needs, the SOD mechanism risks either producing a very costly compliance outcome, or the potential to penalize individual LSEs for non-compliance while the system as a whole is reliable strictly due to the barriers to transactions the mechanism will contain without hourly load transactability.

Microsoft recognizes that:

What matters to the grid is that overall procurement from all CAISO LSEs can meet the grid’s needs—it matters not who contracted for which resource in which hour. Therefore, being able to “trade” resources for specific hours, rather than being forced to find “perfect” procurement under SOD for each LSE is highly logical. The intrinsic value of obligation trading is evident, particularly given the current market tightness. Allowing LSEs to trade hourly obligations in the SOD framework would be more efficient and reduce ratepayer costs without affecting reliability”⁶

While the Commission has long held the principle that an LSE should not be able to lean on the procurement performed by other LSEs, allowing hourly load obligation trading would not result in leaning. Instead, an entity that procured a resource that made it long in an hour would be given the opportunity to purchase the load obligation of another LSE to use that long position. In purchasing the load obligation, the obligation selling LSE would be expected to compensate the

⁴ The Alliance for Retail Energy Markets and the Regents of the University of California in its role as an Electric Service Provider (ARem/UC) Opening Comments at 8.

⁵ California Energy Storage Alliance (CESA) Opening Comments at 8.

⁶ Microsoft Corporation (Microsoft) Opening Comments at 7.

load obligation purchasing LSE. In doing so, leaning is avoided and all customers can be served at the lowest cost in an environment of increasing capacity costs.

II. OPENING COMMENTS SUPPORT ACTIONS NEEDED TO INVESTIGATE AND ADDRESS EXTREME RA MARKET CHALLENGES

In light of the extreme RA market prices LSEs face “with no end in sight,” PG&E recommends California’s regulatory agencies take “a deeper look into the RA capacity market and the drivers that led California to where it is today.”⁷ CalCCA supports this recommendation and had made a similar recommendation to have the Federal Energy Regulatory Commission investigate as they have jurisdiction over wholesale markets.⁸

However, the Commission should not wait for the results of such investigations to adopt policies that would calm the RA market in the interim. In addition to investigating RA market issues, parties also put forth recommendations that would provide immediate relief from such issues. SCE recommends the Commission adopt a temporary system RA waiver in light of tight RA market conditions.⁹ Continuing to place LSEs in a buy at any price or face significant penalties will only serve to exacerbate the market dynamic that is heavily in favor of sellers.

III. SOD IS NOT READY FOR 2025 IMPLEMENTATION WITHOUT MAJOR REVISIONS TO THE PROPOSED DECISION

Many parties, including CalCCA, SCE, and CESA express concern with implementing SOD without important modifications to the framework.¹⁰

“CESA posits that the Commission’s decision whether to delay the binding compliance year is less about unfair treatment of LSEs that have procured to meet the new rules, but rather

⁷ Pacific Gas and Electric Company (PG&E) (U 39 E) Opening Comments at 7.

⁸ *Public Version California Community Choice Association’s Comments on Assigned Commissioner’s Scoping Memo and Ruling*, R.23-10-011 (Jan. 19, 2024), at 7-8.

⁹ Southern California Edison Company (SCE) (U 338-E) Opening Comments at 7-8.

¹⁰ CalCCA Opening Comments at 11-13; SCE Opening Comments at 2; and CESA Opening Comments at 9-11.

about ensuring the overall program design is fair to all LSEs... There is no reason for an LSE to needlessly suffer non-compliance under new rules that inaccurately value their procurement for the sake of allowing other LSEs to meet their compliance obligations under new rules.”¹¹ Unless and until the Commission has addressed the variety of concerns expressed by market participants, including the readiness of the Commissions own tools used by LSEs for compliance, the Commission should delay implementation.

IV. THE COMMISSION MUST INFORM THE PRM ON ROBUST MODELING THAT REFLECTS THE COMPLIANCE FRAMEWORK

D.23-04-010¹² required the Energy Division to use the SOD calibration tools from the Natural Resources Defense Council (NRDC) and SCE to evaluate and publish a proposed PRM that would account for the changes in resource counting under the SOD methodology. Despite Energy Division having done the required analysis that arrived at a 15.43 percent PRM calibrated to the SOD mechanism, three parties continue to recommend a higher PRM.

Microsoft and the California Independent System Operator Corporation base their support of a 17 percent PRM on the basis that the California Energy Commission (CEC) revised its load forecast downward in its 2023 Integrated Energy Policy Report.¹³ This ignores the history of CEC load forecasts which CalCCA demonstrated are on net up 836 megawatts over the period of 2023 through 2025.¹⁴ It is reasonable for the Commission to work with the CEC to improve load forecasting accuracy and year-over-year predictability. However, a simple observation that the load forecast has gone down over one year is not sufficient to conclude that the PRM should be left at 17 percent since the resource counting rules have dramatically changed.

¹¹ CESA Opening Comments at 10.

¹² Decision (D.) 23-04-010 *Decision on Phase 2 of The Resource Adequacy Reform Track*, R.21-10-002 (issued Apr. 7, 2023).

¹³ California Energy Commission *2023 Integrated Energy Policy Report* (Feb. 2024).

¹⁴ CalCCA Opening Comments at 13-14.

Middle River Power LLC supports a higher than 17 percent PRM on the basis that Western Power Trading Forum claims a 19.7 percent PRM is necessary to maintain a one-in-ten loss of load. This however ignores that D.23-06-029¹⁵ adopted a 17 Percent PRM with an effective PRM of 5 to 7.5 percent. In total, this would procure, if available, capacity to cover a 22.5 to 24.5 percent PRM for 2025. In addition, this calculation is not based upon the SOD modeling where resource capacity is more accurately reflected which should tend to reduce the PRM. The Commission must look at the PRM in totality, including the changes to need based on SOD implementation and the effective PRM it has ordered of the IOUs for 2025.

The Commission should adopt the PRM of 15.43 percent as calculated by the Energy Division to account for the calibration with more accurate resource counting under SOD.

V. CONCLUSION

CalCCA appreciates the opportunity to submit these comments and requests adoption of the recommendations proposed herein.

Respectfully submitted,



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June 11, 2024

¹⁵ D.23-06-029, *Decision Adopting Local Capacity Obligations for 2024 - 2026, Flexible Capacity Obligations for 2024, and Program Refinements*, R.21-10-002 (issued July 5, 2023).