



FILED

05/08/19
04:59 PM

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

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Refinements, and Establish Annual
Local and Flexible Procurement Obligations
for the 2019 and 2020 Compliance Years.

R.17-09-020
(Filed September 28, 2017)

**COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON
2020 LOCAL CAPACITY TECHNICAL STUDY**

NOELLE R. FORMOSA

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-4655
Facsimile: (415) 973-5520
E-Mail: Noelle.Formosa@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: May 8, 2019

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I. INTRODUCTION

Pursuant to the *Amended Scoping Memo and Ruling of Assigned Commissioner*, dated January 29, 2019, and the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), Pacific Gas and Electric Company (“PG&E”) respectfully submits these opening comments on the California Independent System Operator Corporation’s (“CAISO”) 2020 Local Capacity Technical Study, filed on May 1, 2019 (“Final 2020 LCR Report”).

PG&E reiterates its comments from prior proceedings and requests that the CAISO provide certain critical additional information concerning uncured deficiencies in the final local capacity requirement (“LCR”) reports, beginning with the Final 2020 LCR Report. Further, PG&E recommends that the Commission establish a working group to perform a comprehensive review of the LCR process given the adoption of multi-year local resource adequacy (“RA”) requirements.

II. DISCUSSION

A. PG&E Recommends that the LCR Reports Provide Additional Critical Information Regarding Remaining “Unresolved Deficiencies”

PG&E’s first recommendation with respect to the Final 2020 LCR Report is to add a critical component to the LCR process related to the CAISO’s final evaluation and notification of RA deficiencies. As described below, this addition will promote transparency of information related to deficiencies and provide essential information to both LSEs and the Commission.

Through the LCR process, the CAISO establishes local RA requirements for the various local capacity areas (“LCAs”) under its operational control. Load serving entities (“LSEs”) are then responsible for ensuring sufficient capacity has been procured to meet the local RA requirements. LSEs must make annual showings each fall at the CAISO (and, for Commission-jurisdictional LSEs, at the Commission) demonstrating that they have met their respective local RA requirements.

Subsequently, the CAISO publishes a deficiency report that assesses the effectiveness of meeting the applicable local RA requirements. For any individual or collective deficiency identified in the report, the CAISO tariff provides the individually-deficient LSE and/or collective LSEs with a “cure period” to remedy the deficiency. If the individual or collective deficiency is not resolved, the CAISO has the option, but not the obligation, to backstop procure through its Capacity Procurement Mechanism (“CPM”) process at the expense of the individually-deficient LSE and/or collective LSEs. LSEs and the Commission are necessarily made aware of unresolved deficiencies when the CAISO exercises its option to backstop procure through the CPM process, but the CAISO does not currently provide any public explanation for not exercising backstop procurement authority after deficiencies have been identified in a deficiency report. This results in a lack of transparency regarding the status of the identified deficiency.

For example, the CAISO’s “Evaluation Report of Load Serving Entities’ Compliance with 2019 Local and System Resource Adequacy Requirements,” dated November 13, 2018, reported: (1) a 124.45 megawatt (“MW”) deficiency in the Humboldt sub-local area, (2) a 71.37 MW deficiency in the South of Palermo sub-local area, (3) a 2.58 MW deficiency in the Reedley sub-local area and (4) a 21.43 MW deficiency in the Stockton LCA.¹ Accordingly, the CAISO tariff provided an LSE “cure period” to remedy the deficiencies. After the expiration of the “cure period,” the CAISO did not exercise its backstop procurement authority through its CPM process;

¹ “Evaluation Report of Load Serving Entities’ Compliance with 2019 Local and System Resource Adequacy Requirements,” dated November 13, 2018, *available at* http://www.caiso.com/Documents/EvaluationReport_LoadServingEntitiesCompliance_2019Local_SystemResourceAdequacyRequirements.pdf, p. 2.

however, PG&E is unaware of whether the absence of CAISO backstop procurement indicates that deficiencies were fully cured through voluntary LSE procurement during the “cure period.” Under the current LCR process, it is entirely possible that deficiencies still exist, but the CAISO simply chose not to exercise its option to backstop procure through the CPM process for the remaining deficiencies.

To promote transparency, PG&E requests that the CAISO provide a list of all deficiencies that remain after a “cure period” has ended and the CAISO has exercised (or not exercised) its authority for backstop procurement. More specifically, PG&E requests that as a part of the annual LCR process, the CAISO publish its final evaluation of any deficiencies that remained from the previous year after the end of the respective cure period. PG&E believes this is a critical component to the LCR process, especially given the recent Commission decision to disaggregate the “Other PG&E Area” LCA. This additional information will allow LSEs to better determine the likelihood of being assessed costs under the CAISO’s CPM tariff authority, and whether it is cost-effective for the LSE to resolve deficiencies that may arise in forward years. Further, such information would provide for better assessment by the Commission of the accuracy of the levels of local requirements requested by the CAISO.

B. PG&E Recommends that the Commission Establish an LCR Process Working Group

With the adoption of multi-year local RA requirements in Decision 19-02-022, the Commission’s Energy Division (“ED”) recommended that the CAISO use engineer-managed adjustments to revise the power flow results to account for approved transmission upgrades scheduled for years two and three of the multi-year local RA requirements. It is anticipated that the recommended adjustments will minimize the potential for over-procurement of local RA after year one.

As illustrated in Table 1, PG&E has compiled the local RA requirements in the PG&E transmission access charge (“TAC”) area using the: (1) Final 2020 LCR Report, (2) Final 2023 Local Capacity Technical Analysis, and (3) Final 2024 Local Capacity Technical Study. The local

RA requirements based on these reports show significant fluctuations year-over-year. While PG&E appreciates the summary of engineering estimates provided by the CAISO and its application for determining the local RA requirements for years two and three (i.e. the 2021-2022 RA compliance years), PG&E believes that a comprehensive evaluation of the LCR process should be explored and coordinated by the Commission and the CAISO to inform forward procurement for local resources.²

Table 1: 2020-2022 Local Capacity Requirements

LCA	2019	2020	2021	2022	2023³	2024⁴
Humboldt	165	130	131	131	169	132
North Coast/North Bay	689	742	672	684	553	706
Sierra	1,964	1,764	1,765	1,765	1,924	1,304
Stockton	427	629	629	629	333	675
Bay Area	4,461	4,550	4,511	4,473	4,752	4,395
Fresno	1,670	1,694	1,698	1,703	1,688	1,711
Kern	472	465	465	465	174	152

PG&E believes that the local RA program has evolved to be overly complex with a growing disconnect between the Commission and the CAISO on the management and operational implementation of the program. For example, the Commission allows the use of a resource's August net qualifying capacity ("NQC") in meeting the local RA requirements while the CAISO requires the use of the resource's respective month's NQC. Additionally, the CAISO allows resources to be procured from any LCA in the distribution utility's service area to meet the local RA requirements while the Commission requires procurement at the individual LCAs.

In establishing the local RA requirements, the adoption of updated ELCC-based qualifying capacity ("QC") values for wind and solar resources could also impact the capacity available to meet the LCR needs and, as far as PG&E is aware, the proposed updated ELCC-based QC values have not been incorporated into the 2021-2022 local RA requirements. Additionally, LCR needs

² Final 2020 LCR Report, pp. 158-168.

³ <http://www.caiso.com/Documents/Final2023Long-TermLocalCapacityTechnicalReport.pdf>, p. 2.

⁴ <http://www.caiso.com/Documents/Final2024Long-TermLocalCapacityTechnicalReport.pdf>, p. 2.

are based on the CAISO's assumption that all resources will be dispatched at their full NQC, and PG&E believes this assumption could result in procurement gaps, specifically for resources that may be energy-limited or availability-limited in duration or generation output. These methodological factors should be considered in future LCR studies.

Throughout this proceeding, PG&E has urged refinements to the local RA, including adoption of seasonal local requirements for adoption in 2021.⁵ PG&E reiterates its recommendation that the Commission establish a working group to examine the relationship between local RA requirements, RA resource obligations, changes to NQC in forward years, how RA performance is assessed, and how local RA backstop procurement occurs or does not occur from uncured deficiencies. The working group should be established to ensure any enhancements to the methodologies or studies can be implemented for the 2021-2023 multi-year local RA requirements.

III. CONCLUSION

PG&E appreciates the opportunity to provide these opening comments.

Respectfully Submitted,

NOELLE R. FORMOSA

By: /s/ Noelle Formosa
NOELLE R. FORMOSA

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-4655
Facsimile: (415) 973-5520
E-Mail: Noelle.Formosa@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: May 8, 2019

⁵ See, e.g., *Reply Comments of Pacific Gas and Electric Company (U 39 E) on Track 3 Proposals and Workshops and Energy Division's Effective Load Carrying Capacity Proposal*, dated March 29, 2019, p. 6.