

**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 Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2019 and 2020 Compliance Years.

Rulemaking 17-09-020
(Filed September 28, 2017)

**WESTERN POWER TRADING FORUM
TRACK 3 PROPOSALS**

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In accordance with the schedule set forth in the January 29, 2019 *Amended Scoping Memo and Ruling of Assigned Commissioner* (“Amended Scoping Ruling”), the Western Power Trading Forum (“WPTF”)¹ hereby submits these Track 3 proposals.

I. INTRODUCTION

WPTF’ recommends that the following Resource Adequacy (“RA”) program refinements be considered either in Track 3 or in the next phase of this proceeding (or the first phase of its successor proceeding) for implementation in 2020 or no later than the 2021 RA compliance year:

1. Changes to Flexible RA rules;
2. Reexamining the framework for System RA requirements;
3. Establishing multi-year requirements for System and Flexible RA; and
4. RA credits for storage and combined resources.

¹ WPTF is a California non-profit, mutual benefit corporation dedicated to enhancing competition in Western electric markets in order to reduce the cost of electricity to consumers throughout the region while maintaining the current high level of system reliability. WPTF actions are focused on supporting development of competitive electricity markets throughout the region and developing uniform operating rules to facilitate transactions among market participants.

II. WPTF PROPOSALS

A. Flexible RA Rules

The January 1, 2018 *Scoping Memo and Ruling of Assigned Commission and Administrative Law Judge* (“Scoping Ruling”) provided that the Commission would consider changes to the Flexible RA rules in either Track 1 or Track 2, depending on the timing of the California Independent System Operator’s (“CAISO”) Flexible RA Capacity Criteria and Must-Offer Obligations Phase 2 (“FRACMOO 2”) stakeholder initiative.² As part of that initiative, the CAISO has proposed to de-couple a resource’s Effective Flexible Capacity from its Net Qualifying Capacity, or in other words unbundle Flexible RA from System and Local RA. Included in that proposal, the CAISO also indicated that it would initiate a stakeholder process to develop a separate deliverability study for “flexible-only” capacity. In its Track 2 testimony, WPTF urged the Commission to support the CAISO’s unbundling proposal as well as its initiation of a stakeholder process to examine development of a separate flexible capacity study once the CAISO issued its final FRACMOO 2 proposal.³ Lastly, when considering valuation for flexible capacity, WPTF testified that storage resources should be credited for their full range of charge to discharge.⁴

The CAISO subsequently delayed the FRACMOO 2 initiative pending the CAISO’s also delayed Day-Ahead Market Enhancement (“DAME”) initiative,⁵ which includes a proposal to establish a day-ahead flexible ramping product. Given the aforesaid delays, potential changes to the Flexible RA rules will possibly not be ripe for consideration in Track 3. However, it now appears that the DAME initiative will be completed in 2019,⁶ presumably to be followed closely

² Scoping Ruling at 6 and 8.

³ WPTF Comments on Track 2 Issues, Appendix A at 10.

⁴ *Id.* at 11.

⁵ CAISO Market Notice, “Flexible Resource Adequacy Criteria and Must Offer Obligations Phase 2: Initiative Delayed,” Jul. 30, 2018.

⁶ See CAISO Market Notice, “Day-Ahead Market Enhancements Phases 1 and 2 Proposals, Meeting 3/7/19,” Feb. 14, 2019.

by the RA Enhancements 2 initiative, such that changes to the CAISO's tariff and the Commission's RA rules to implement an unbundled Flexible RA product could be adopted in time for the 2020 RA compliance year. Accordingly, WPTF urges the Commission to make provision in Track 3 for the consideration of changes to the Flexible RA rules.

B. System RA Framework

In its discussion of Track 1 issues, the Scoping Ruling provided that “[a]bsent any alternative proposals,” the Commission expected to base System RA requirements for 2019 on the California Energy Commission's (“CEC”) 1-in-2 monthly load forecast, plus a 15% planning reserve margin (“PRM”).⁷ The Scoping Ruling also provided that that “[o]ther issues identified by Energy Division or by parties in proposals submitted [in Track 2 testimony] may also be considered.”⁸ Both WPTF and the CAISO have made proposals to change the demand forecast used to set System RA requirements.⁹ In addition, Calpine, Middle River Power and Powerex have all recommended changing the planning reserve margin used to set System RA requirements.¹⁰ However, in its Track 1 decision on RA program requirements, the Commission deferred consideration of changes to the methodology used to set System Requirements to a later stage of the proceeding,¹¹ the Commission's Track 2 decision does not address any of the aforesaid proposals, and the Amended Scoping Ruling provides that the Commission expects 2020 System RA requirements will be based on the “current framework” (i.e., the CEC's 1-in-2 monthly load forecast, plus a 15% PRM).¹²

⁷ Scoping Memo at 6.

⁸ *Id.* at 8.

⁹ WPTF Track 2 Comments, Appendix A at 5; CAISO Track 2 Comments, Attachment A, Chapter 4.

¹⁰ Calpine Track 2 Comments at 7; Middle River Power Track 1 Proposals at 6; Powerex Track 1 Proposals at 10.

¹¹ D.18-06-030 at 16.

¹² Amended Scoping Ruling at 3.

The framework for setting System RA requirements was first established in 2002, and no material changes have been made to that framework in the intervening 16 years. Over the same timeframe, however, California's generation portfolio has undergone significant changes, including the addition of thousands of MW of utility-scale renewables, the addition of thousands of MW of behind-the-meter solar, and the retirement of thousands of MW of baseload generation resources (both gas-fired and nuclear). Moreover, a significant amount of out-of-state gas-fired generation is scheduled to be retired in the coming years, and the CAISO is poised to impose new rules that will limit the use of imports for System RA. Given those changes, the expected continuation of the aforesaid trends in coming years, and their impact on system reliability, WPTF submits it is time to revisit the methodology for setting System RA requirements.

The Commission is already undertaking the modeling necessary to determine an appropriate planning reserve margin, e.g., one that achieves the 1 event in 10 years standard. For example, in its recent ELCC proposals, Energy Division staff have calculated the amount of capacity that could be removed from the California grid in order to achieve the 1-in-10 standard. A PRM that meets the same reliability standard could be calculated simply as the ratio of any remaining capacity (including any assumed imports and with renewables counted at their ELCC) to the 1-in-2 load forecast (if the 1-in-2 load forecast continues to constitute the basis for system

RA requirements. Energy Division has shared similar calculations in the past.¹³ Similar PRMs already have been calculated on an annual rather than a monthly basis using SERVIM, which is Energy Division's preferred reliability model.¹⁴ It should be relatively easy for Energy Division to perform a similar calculation at the monthly level, especially since, as indicated above, it is already calculating the key intermediate inputs as part of its ELCC analysis.

Accordingly, WPTF urges the Commission to make provision in Track 3 for a reexamination of the current framework for setting System RA requirements.

C. Multi-Year System and Flexible RA Requirements

In its Track 2 testimony, WPTF proposed that the Commission establish multi-year RA requirements should be established for System, Local and Flexible RA.¹⁵ While WPTF is disappointed that the proposed decision on Track 2 issues declines to adopt multi-year requirements for System and Flexible RA, it views the adoption of multi-year Local RA requirements as an important step in the right direction. The Commission's hesitation to adopt multi-year requirements appears to have been based largely on uncertainty about potential changes to "the flexible RA construct."¹⁶ However, the unbundling of Flexible RA and other changes to the Flexible RA rules should be ripe for consideration for the 2021 RA compliance year. WPTF therefore urges the Commission to expressly identify in its Track 3 decision the consideration of multi-year System and Flexible RA requirements as a key topic for the next phase of the applicable RA proceeding.

¹³ For example, see slide 20 of Energy Division's Nov. 8, 2016 presentation on Monthly LOLE and ELCC Modeling (<http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442451593>). Energy Division subsequently explained that the PRMs in the slide are inflated outside of the summer months because it was constructed using the same ELCC for solar and wind for every month, rather than monthly varying ELCCs. It should be relatively straightforward to produce similar results using appropriate monthly varying ELCCs for solar and wind.

¹⁴ For example, see Table 4.4 in *Final Report: Role of Operating Flexibility in Planning Studies*, PG&E, *et al.*, (<http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M195/K586/195586923.PDF>).

¹⁵ WPTF Track 2 Comments, Appendix A at 4.

¹⁶ D.18-06-030 at 28.

D. RA Credits for Storage and Combined Resources.

The Amended Scoping Ruling provides that Track 3 will include “[c]onsideration of how storage and combined resources should be counted for RA credit.”¹⁷ Consistent with this declaration, the *Administrative Law Judge’s Ruling on Effective Load Carrying Capacity*, issued on February 13, 2019, provides that comments on Energy Division’s ELCC proposal would be incorporated into this Track 3. WPTF believes it is imperative that the RA counting rules for both storage and combined or hybrid resources be defined expeditiously during Track 3 to ensure such resources are allocated RA credits for the 2020 RA compliance year.

III. CONCLUSION

For the reasons above, WPTF recommends that the Commission resolve the following issues in Track 3 or, if they are not resolved in Track 3, identify them in the Commission’s Track 3 decision for consideration in the next phase of this proceeding or the first phase of its successor proceeding:

1. Changes to Flexible RA rules;
2. Reexamining the framework for System RA requirements;
3. Establishing multi-year requirements for System and Flexible RA; and
4. Calculating RA credits for storage and combined resources.

Respectfully submitted,



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¹⁷ Amended Scoping Ruling at 3.