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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE

STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements.	Rulemaking 16-02-007 (Filed February 11, 2016)

COMMENTS OF CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION ON THE PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE JULIE FITCH ADOPTING A PREFERRED SYSTEM PORTFOLIO

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The California Large Energy Consumers Association (CLECA)[1] submits these comments pursuant to Section 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission). The Proposed Decision (PD) was issued on March 18, 2019. These comments are timely filed on April 8 because 20 days after March 18 is April 7, a Sunday.

I. INTRODUCTION

CLECA's participation in the Integrated Resource Planning (IRP) proceeding is driven by its members' concern about high rates as well as electric service reliability. A critical concern for

[1] CLECA is an organization of large industrial electric customers of Pacific Gas & Electric Company (PG&E) and Southern California Edison Company (SCE); the member companies are in the steel, cement, industrial gas, mining, pipeline, cold storage, and beverage industries and share the fact that electricity costs comprise a significant portion of their costs of production. Some members are bundled customers, others are Direct Access (DA) customers, and some are served by Community Choice Aggregators (CCAs); a few members have onsite generation. CLECA has been active in Commission proceedings since the early-to-mid 1980s and strives for even-handed treatment of all customers.

CLECA is how the State's goals regarding greenhouse gas (GHG) emissions and renewable portfolios are balanced against concerns about the reliability of the electric grid and ratepayer costs. Since industrial customers compete in out-of-state and international markets, they cannot just pass higher electricity costs along to their customers. Thus, the level of electricity rates is extremely important to the viability of industrial businesses in California. Electric rates impact the State's climate goals, because keeping the production of cement, steel, minerals, industrial gases, and beverages in California enables their manufacture where energy is cleaner and avoids additional emissions associated with transportation from out-of-state facilities. Since California seeks to avoid greenhouse gas leakage in the electric energy sector as part of its climate change policy, it should also be concerned about leakage from critical industries moving outside California. We note that a central issue in this proceeding is consistent with our concerns, namely how the State's broader goals for integrated resource planning are best balanced with the reliability needs of the electric grid while minimizing costs to consumers.

II. COMMENTS

A. CLECA BROADLY SUPPORTS THE PROPOSED DECISION

CLECA believes that the PD represents a truly impressive initial effort to develop an Integrated Resource Plan that best balances the three main elements of greenhouse gas (GHG) reduction, cost, and reliability. We concur with the PD that these are the factors the Commission must balance under statute.[2] As we noted in our December 20, 2018 comments in response to the Ruling asking for comments on policy issues and options related to reliability,

[2] PD Findings of Fact 13 and 26.

while there is no short-term concern about system reliability, there are increasing concerns about the adequacy of resources to provide local reliability and of flexible resources to assure effective renewable integration.[3] The PD clearly takes these concerns seriously. While we have recommended that future IRP modeling focus more on local and flexible reliability,[4] the proposed Preferred System Portfolio is a very good first step in that direction.

B. CLECA SUPPORTS THE RECOMMENDATION FOR ADOPTION OF THE PREFERRED SYSTEM PORTFOLIO OVER THE HYBRID CONFORMING PORTFOLIO

The analysis performed by Commission staff of the combined impact of the IRP portfolios it received from the various load-serving entities (LSEs) (called the Hybrid Conforming Portfolio) demonstrates that collectively they are inferior to the proposed Preferred System Plan in achieving the lowest overall level of GHG, the lowest cost and the highest level of reliability.[5] While we appreciate the desire of various LSEs to chart their own futures, this collective impact is not in the best interest of consumers. This is compounded by the uncertainty about some of the resources in those individual LSE IRPs.

In lieu of the Hybrid Conforming Portfolio, the PD proposes to adopt a modified version of the Reference System Plan developed by staff as a Preferred System Plan with adjustments. These adjustments include use of 1) 2017 IEPR assumptions, 2) the assumption that gas-fired resources will be limited to a 40-year life, and 3) updated information from the CAISO 2018-2019 Transmission Planning Process to determine transmission availability and the size and cost of transmission upgrades.[6] We support this proposal. This Preferred System Plan is clearly a

[3] CLECA December 20, 2018 Comments at 3-9.
[4] CLECA December 20, 2018 Comments at 9.
[5] PD at 3, 105-115, Findings of Fact 14-18, 21.
[6] PD at 109.

superior outcome for consumers when compared to the Hybrid Conforming Portfolio.[7] Furthermore, we support the PD's proposal that this modified Preferred System Plan be used in the CAISO's 2019-2020 TPP.[8]

C. CLECA SUPPORTS THE PROPOSED PROCUREMENT TRACK OF THIS PROCEEDING AND ITS FOCUS

The PD proposes to initiate a procurement track in this proceeding to assure procurement of both needed existing resources and the right kind and diversity of new resources.[9] We strongly support this direction. To the extent existing flexible resources will be needed in the future for some period of time to integrate renewable resources, they should be retained to maintain reliability. In addition, the staff analysis shows that a more diverse mix of new renewable resources, with more geothermal and biomass, will lead to lower GHG, lower costs, and higher reliability; the PD's proposal to coordinate procurement of such resources with the Renewable Portfolio Standard (RPS) proceeding is sound.[10] The staff analysis also demonstrates that longer-duration storage resources will be needed, not just 1- to 4-hour storage. The focus of future procurement should be designed to achieve these objectives. Replacement of thermal capacity with limited-duration storage, renewables limited to solar and wind, and other energy-limited resources will create additional reliability challenges for the system and higher GHG emissions. In addition, reliance on out-of-state hydro resources, with issues regarding availability and resource shuffling, in addition to their lack of bid mitigation and

[7] PD at 105, Findings of Fact 21, 22. (NEED MORE)
[8] PD at 116.
[9] PD at 136-137.
[10] PD at 131-132.

day-of must offer obligations,[11] also raises concerns that require additional attention, as noted in the PD.[12]

We support the PD's suggested focus on the following attributes: diverse renewable resources at levels sufficient to reach the 2030 optimized portfolio in coordination with the RPS program, near-term resources with load following and hourly or intra-hour renewable integration capabilities, existing natural gas resources, and long-duration (8 hour) storage.[13]

D. IRP MODELING OF DEMAND RESPONSE

At the April 4, 2019 all-party meeting, CLECA expressed some ongoing concerns about how demand response (DR) is modeled in RESOLVE and SERVM. CLECA's counsel indicated that these concerns would be specified in these comments on the PD. There are two types of DR integrated into the market of the California Independent System Operator (CAISO). The first is the Proxy Demand Resource (PDR), which submits bids and is dispatched on the basis of price. The second is the Reliability Demand Response Resource (RDRR), which can be dispatched on a contingency basis, i.e. after the CAISO calls a Warning.[14] Once a Warning is called, RDRR is entered into the bid stack at a bid between 95% and 100% of the CAISO bid cap.

As we demonstrated in R. 13-09-011, the RESOLVE model cannot address contingencies.[15] We looked into how the SERVM production cost model addresses the dispatch of PDR and RDRR. The Unified Resource Adequacy and Integrated Resource Plan Inputs and

[11] See CLECA December 20, 2018 Comments at 11.
[12] PD at 130.
[13] PD at 137.
[14] D. 18-11-029 at 23.
[15] Comments of CLECA in Response to 12/15/16 Ruling of ALJ Hymes dated 1/27/17 in R. 13-09-011 at 2-3.

Assumptions Guidance for Production Cost Modeling and Network Reliability Studies[16] document, issued March 29, 2019, states the following:

> 2.8.5.1.3 Triggers
>
> Most existing DR programs do not have a set price trigger. The model used approximate price triggers that generally correspond to actual dispatch criteria. A number of DR programs are triggered via heat rate or emergency stage triggers, which are difficult to translate to price points. Energy Division staff continues to explore alternative approaches to fit the current portfolio of DR programs into the economic dispatch model in SERVM.[17]

From this discussion, it is not possible to tell 1) precisely what approximate price triggers were developed or how or if they mirror actual dispatch of PDR, or 2) what proxy, if any, was used for contingency dispatch of RDRR. Furthermore, the Inputs and Assumptions document states that a baseline of 1752 MW of DR was assumed in 2018 through 2030, indicating no forecast of growth in DR resources.[18] This assumed lack of growth in DR is also reflected in the PD's table 4, showing "Shed DR" at 1,752 MW in 2030 for each of the three plans modeled.[19] We hope that for the next IRP, more clarity can be provided as to how the model dispatches DR and consideration can be given to the possible growth of DR resources.

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[16] Unified_RAIRP_IA_Final_20190339.
[17] Id. At 66.
[18] Id. At 33.
[19] PD, at 112.

III. CONCLUSION

CLECA appreciates the opportunity to provide these comments. CLECA strongly supports expeditious adoption of the PD without change.

Respectfully submitted,

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