BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
03/29/19
04:59 PM

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)

REPLY COMMENTS OF THE CALIFORNIA LARGE ENERGY CONSUMERS ASSOCIATION ON RESOURCE ADEQUACY TRACK 3 PROPOSALS

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March 29, 2019

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These reply comments are submitted pursuant to the schedule set in the Amended Scoping Memo and Ruling of Assigned Commissioner Liane Randolph dated January 29, 2019 (Ruling). The California Large Energy Consumers Association (CLECA)[1] hereby replies to opening comments of several other parties on the workshops and the Track 3 Proposals.

I. REPLY COMMENTS

A. No Changes Should Occur in the Ability of DR to Count for Local RA.

In opening comments in Track 3, the California Independent System Operator (CAISO) sought to clarify its Track 2 RA comments regarding the ability of slow DR providing Local RA value. CAISO repeats its need for resources "capable of responding quickly enough such that the CAISO can rebalance the system within 30 minutes after a contingency event".[2] CAISO has decided that it needs 10 minutes to decide how to respond to an event, which then leaves 20

1 CLECA is an ad hoc organization of large, high load factor industrial electric customers of Southern California Edison Company and Pacific Gas and Electric Company. CLECA has actively participated in Commission proceedings for decades.

2 CAISO Comments on RA Track 3 Proposals, March 22, 2019, at 14.

minutes to begin responding to a contingency. The implication is that slow DR is a program that takes longer than 20 minutes to achieve its demand reduction. The term slow response DR is a misnomer, because some DR programs can begin dropping some load almost immediately, but may require 30 minutes to achieve their full demand reduction. Therefore, these so-called slow response DR programs are providing value within 20 minutes to rebalance the system after an event, but the CAISO proposes to treat their performance on all or nothing basis for purposes of rebalancing the system. As the CAISO and other stakeholders know, CLECA disagrees with this approach, as it would ignore the performance of such DR. The CAISO is reviewing slow response DR in its Resource Adequacy Enhancements initiative and does not propose a change at this time. Therefore, the Commission's current RA rules applicable to DR for counting purposes for Local RA should remain unchanged.

B. Use Limited Resources Can Meet the Energy Requirements in Local Areas

At the March 12 workshop, the CAISO presented its concern about the ability of use-limited resources ability to meet the energy requirement in a Local Area, which it also discussed in Track 2. The concern is that an event may require six hours of energy from local resources, but some of these individual resources may have duration limits of less than six hours. In its Track 2 testimony, CAISO proposes that the "duration of availability-limited resources must exceed four hours and specifically meet the needs of this local area."[3] Southern California Edison (SCE) correctly points out that the duration need is an energy requirement that can be met with a mix of duration-, or use-, limited resources.[4] For example, a six-hour need could be met with

[3] CAISO Track 2 Testimony, Chapter 6, Availability-Limited Resources, July 10, 2018, at 8.
[4] Southern California Edison Comments on RA Track 3 proposals at 10-12.

the following options: 1) one 6-hour resource; 2) two 3-hour resources; or 3) three 2-hour resources. The resource mix that is most cost effective to meet the energy requirement should be allowed and the solution should not be forced with a duration requirement at the resource level. CAISO's proposal is not workable and should not be adopted in Track 3. CAISO should continue to develop a workable solution.

C. Qualifying Capacity for the Demand Response Auction Mechanism Should be Determined in the Track 3 of the RA Proceeding

Currently, the RA capacity value for resources associated with the Demand Response Auction Mechanism (DRAM) is based on their contract capacity and these resources have been exempt from the application of the load impact protocols for the period 2017-2019.[5] SCE proposes that resources under DRAM should select from the following two options to determine qualifying capacity: 1) application of the load impact protocols or 2) self-provision of a qualifying capacity value subject to financial consequences for non-performance.[6] OhmConnect and Joint DR Parties state the qualifying capacity should be determined in the DR proceeding.[7] CLECA believes that the primary motivating factor for the Joint DR Parties is the need for a timely determination should another DRAM auction be approved; however, the RA proceeding is the proper venue to determine the qualifying capacity for all resources in the RA program. Several Commission decisions have confirmed that "setting resource adequacy capacity for demand response has been and will continue to be resolved in the resource adequacy proceeding."[8] In

[5] CPUC D.16-06-045, Ordering Paragraph 5.a., at p. 65.
[6] SCE RA Track 3 Proposal, March 4, 2019, at 8-9. In March 22, 2019, Comments, page 5, SCE clarified that both options are available in their proposal
[7] OhmConnect at 1. Joint Parties at 6.
[8] D. 14-12-024, at 73 (Finding of Fact 15, referencing D. 14-03-026).

fact, the use of the contract quantity for DRAM resources was adopted in an RA Decision.[9]

As CLECA noted in opening comments, we believe SCE's proposal has merit. It allows the option to use existing load impact protocols as used for utility demand response programs and potential Community Choice Aggregator demand response programs. If that is not possible due to lack of historical data, SCE proposes the option for DRAM providers to develop their own qualifying capacity, subject to financial consideration.

As CLECA also mentioned in its opening comments, additional refinements to SCE's proposal are required. How will testing be done to validate the load impact protocols and determine if the provider achieved its reported qualifying capacity under option 2? Under option 2, what are the financial consequences for non-performance? CLECA recommends a half-day workshop in early-mid April to discuss these outstanding issues, and then adoption of a proposal in Track 3. We note the schedule for Track 3 provides for a final decision by June 2019.

D. Load Forecasting: The Binding Notice of Intent Needs Modification to Prevent Adverse Incentives; the Load Forecast Should be Synchronized with the Energy Resource Recovery Account Process

The Energy Division proposal is for the April load forecast to be a binding notice of intent, with the provision for a final update opportunity by May 15.[10] The purpose of the binding forecast is to reduce the potential for cost shift impacts associated with RA procurement that would occur if a Community Choice Aggregator (CCA) or Electric Service Provider were to change its implementation plan. Pacific Gas and Electric (PG&E) requests the ability of investor owned utilities (IOUs) to update their August filings if there is a change in load serving entity (LSE)

[9] CPUC D.16-06-045.
[10] Energy Division Load Forecasting Proposal, March 3, 2019, at 16.

implementation plans, in order to reflect more accurate information.[11] This should only be allowed if the non-utility LSE advances the schedule of its implementation plan or significantly increases its load forecast from the binding notice of intent. For example, assume an LSE's binding forecast is 1,000 MW starting in October, but then it later changes the implementation plan to 1,500 MW starting in July. In this case, the utility will have procured resources for customers that will now be served by the non-utility LSE. This may create an adverse incentive for non-utility LSEs to, after May 15, change the implementation plan's start date, for example from a start date of October to a start date of July. While the Energy Division's proposal addresses issues that arise when an LSE delays its implementation plan, it fails to address issues that arise in the scenario where the implementation plan is moved up in time.

The Public Advocate Office recommends that the timing of load forecast be synchronized with the forecasts utilized for the IOUs' Energy Resource Recovery Account filings.[12] This practical recommendation should be incorporated into the Energy Division proposal.

E. Multiple Parties Support the Allocation of Flexible RA Requirements Using a Cost Causation Principle

The Alliance for Retail Energy Markets[13], the California Wind Energy Association (CalWEA)[14], and the Green Power Institute[15], as well as CLECA, support the allocation of flexible RA requirements based upon a cost-causation principle of the contribution to flexible need and should not be based upon a load ratio share. The current load ratio share leads to poor

[11] PG&E Comments on RA Track 3 at 13-14.
[12] CA Public Advocates Office at 3.
[13] Alliance for Retail Energy Markets, Comments on RA Track 3 at 11.
[14] California Wind Energy Association RA Track 3 Proposal at 4-5.
[15] Green Power Institute Comments on RA Track 3 at 2-3.

incentives for resource procurement by failing to take into account the impact of contribution to ramp for flexibility requirements and therefore results in cost-shifting. As CLECA discussed in opening comments, the Commission has endorsed this recommendation and it should be implemented in Track 3.[16]

F. Recommendations to use a 1 in 10-year Load Forecast Ignore that the Planning Reserve Margin Incorporates Weather Year Variation

The California Energy Storage Alliance (CESA) recommends use of a 1 in 10-year load forecast in the development of the planning target for system RA instead of the current 1 in 2-year load forecast.[17] The 15% Planning Reserve Margin incorporates the need of additional capacity to meet higher loads due to different weather years. Therefore, CESA's proposal would result in procurement of more capacity than is needed to meet reliability targets.

G. Effective Load Carrying Capability

1. CLECA Supports the Recommendation of Public Advocates to Hold a Workshop on the Treatment of Behind the Meter (BTM) Solar in the ELCC calculation.

Several parties, including CalWEA[18], Middle River[19], PG&E, San Diego Gas and Electric (SDG&E)[20], and Western Power Trading Forum[21] recommend the treatment of BTM Photovoltaic (PV) solar as a supply side resource in the ELCC calculation as opposed to the current modeling as a load modifier. California Public Advocates recommends a working group to discuss the best

[16] CLECA Comments on RA Track 3 at 7-8.
[17] CESA Comments on RA Track 3 at 14.
[18] CalWEA Comments on RA Track 3 at 2.
[19] Middle River Comments on RA Track 3 at 3.
[20] SG&E Comments on RA Track 3 at 6.
[21] WPTF Comments on RA Track 3 at 2.

approach to modeling BTM solar.[22] PG&E also recommends a workshop so the Energy Division can provide more detail surrounding the ELCC values for wind and solar.[23] CLECA believes this concept requires more attention before the Commission acts on it. It has received very little attention and one round of comments and reply comments is insufficient to make the change.

The rationale provided by various stakeholders for treating BTM solar as a supply side resource has been that additional megawatts of BTM solar shift the peak of the load curve to later into the evening when solar availability declines. However, the same situation occurs when the demand forecast includes the effect of BTM solar. It is not clear, therefore, why BTM solar needs to be modeled as a supply side resource in calculating the ELCC value of solar. Calpine, in its recent Track 3 opening comments, expressed satisfaction that Energy Division appropriately models BTM PV through its impact on load.[24] Therefore, there are differences of view that need to be resolved and more time is needed to understand the differences in the modeling approaches for BTM solar PV.

Public Advocates mentions a discrepancy between the treatment of BTM solar in the RA proceeding and its treatment in the Integrated Resource Planning (IRP) proceeding and the Renewable Portfolio Standard (RPS) proceeding.[25]

CLECA notes that the IRP and the RPS proceedings serve entirely different purposes than the RA proceeding. The RA proceeding is aimed at ensuring reliability of the grid, which should

[22] California Public Advocates Comments on RA Track 3 at 12.
[23] PG&E Comments on RA Track 3 at 2.
[24] .R 17-09-020, Calpine Corporation Comments on the Effective Load Carrying Capacity and Track 3 Proposals, dated March 22, 2019, at 1.
[25] Comments of the Public Advocates Office on Resource Adequacy Track 3 Proposals and Energy Division's Effective Load Carrying Capability Proposal, dated March 22, 2019, at 12.

be first and foremost. Resources counted for RA must be available to support this reliability.

The aim of the IRP proceeding, on the other hand, is long-term resource planning. As such, treating BTM solar as a supply side resource for the purpose of projecting the resource needs over the planning horizon might be appropriate, although any analysis would still have to address the issues of deliverability, availability, and dispatchability. (We also note that the RPS proceeding reviews RPS Plans to ensure that the State is in compliance with its legislative mandate to achieve the required percentages of its electricity supply through renewable resources.)[26]

We note that the rationale for the varying approaches used for the modeling of BTM PV in different proceedings has not been fully fleshed out by the Commission through workshops, working groups, or other means. For this reason, we support the Public Advocate's recommendation to form a working group and conduct workshops on this topic. CLECA does not support the adoption of any changes to the treatment of BTM PV or other BTM resources at this time.

2. Behind the Meter Solar and Storage Systems Should Not Get a RA Credit.

In its comments, Sunrun recommends that BTM solar should receive RA credit. CLECA, like the CAISO, disagrees with this proposal. A non-dispatchable resource like BTM solar should not be counted toward RA. The same is true for BTM solar plus storage. There is no assurance that such resources would be operated to benefit the grid as they are not dispatchable; moreover, there is a risk of double compensation if they are subject to net energy metering tariffs which offer significant financial incentives. These issues must be addressed before any

[26] See generally .R 18-07-003.

such suggestion can be seriously considered.

3. The Recommendation of LS Power to Treat the Diversity Benefit of Storage as a Contribution to Flexible Capacity Should Be Explored Further.

In its opening comments, CLECA discussed the possibility of treating the diversity benefit of storage as a contribution to flexible capacity.[27] LS Power seems to agree. LS Power suggests that ELCC values greater than 100% for storage are attributable to the fact that standalone energy storage provides two products: dispatchable demand or "beneficial load;" and generation to support evening ramps.

LS Power suggests that if the ELCC value of storage exceeds 100%, the excess should be assigned to Effective Flexible Capacity (EFC) value for the resource.

CLECA finds LS Power's recommendation intriguing, and as noted in our opening comments,[28] recommends that the ELCC values for, and the diversity benefit of, storage should be further explored prior to its adoption.

II. CONCLUSION

We appreciate the opportunity to provide these reply comments.

Respectfully submitted,

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March 29, 2019

[27] R.17-09-020, Comments of the California Large Energy Consumers Association on Resource Adequacy Track 3 Proposals, dated March 22, 2019, at 13-14.
[28] Ibid, at 16.