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**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)

**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**

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Dated: March 29, 2019

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I. INTRODUCTION

Pursuant to the schedule set forth in (1) the *Amended Scoping Memo and Ruling of Assigned Commissioner*, dated January 29, 2019, as amended by the *E-Mail Ruling Extending Track 3 Proposal Deadline of Administrative Law Judge Debbie Chiv*, dated February 22, 2019, and (2) the *Administrative Law Judge's Ruling on Effective Load Carrying Capacity*, dated December 4, 2018, as supplemented by the *E-Mail Ruling Suspending Comment Schedule on ELCC issues*, dated January 2, 2019, and the *Administrative Law Judge's Ruling on Effective Load Carrying Capacity*, dated February 13, 2019 ("February ELCC Ruling"), and in accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), Pacific Gas and Electric Company ("PG&E") respectfully submits these reply comments ("Reply Comments") regarding parties' March 22, 2019 opening comments on the Track 3 proposals submitted on March 4, 2019 and discussed during the workshops held on March 12-13, 2019 (the "Workshops"), as well as the updated and corrected Energy Division ("ED") proposal re: effective load carrying capacity ("ELCC") attached to the February ELCC Ruling ("ELCC Proposal").

II. DISCUSSION

A. Reply Comments on Track 3 Proposals and Workshops

1. The Commission Should Require All LSEs to Submit Three-Year Load Forecasts

Several parties to this proceeding support PG&E's proposal that the Commission adopt a multi-year load forecast to be submitted by all Commission-jurisdictional load serving entities ("LSEs") and used in determining the local resource adequacy ("RA") requirements for each of the three forward years beginning with the 2020-2022 local RA compliance years.¹ San Diego Gas & Electric Company ("SDG&E") noted, however, that the proposal may not fully eliminate the inequities in RA obligations that occur as load shifts from investor-owned utilities ("IOUs"), such as PG&E, to community choice aggregators ("CCAs") and electric service providers ("ESP").²

Specifically, for newly forming or expanding CCAs that will begin service in 2021 or beyond and are not required to submit an implementation plan, IOUs currently serving the load will likely be assigned their RA obligation. For example, in the SDG&E service territory, the San Diego City Council has initiated the process of establishing a Joint Powers Authority to form a CCA with expected service to begin in 2021.³ Under the CCA registration timeline and procedures in Resolution E-4907, a prospective or expanding CCA is not required to submit its implementation plan to ED until January 1 of the prior year to beginning or expanding service.⁴ This disconnect between the one-year forward requirement to begin or expand service and the three-year forward local RA requirement can result in the IOUs procuring on behalf of load that it

¹ E.g., *Comments of the California Large Energy Consumers Association on Resource Adequacy Track 3 Proposals*, dated March 22, 2019 ("CLECA Opening Comments"), pp. 5-6; *Comments of the Alliance for Retail Energy Markets on Track 3 Proposals*, dated March 22, 2019 ("AReM Opening Comments"), p. 7; *San Diego Gas & Electric Company (U 902 E) Opening Comments on Track 3 Proposals*, dated March 22, 2019 ("SDG&E Opening Comments"), p. 3.

² SDG&E Opening Comments, p. 3.

³ *City of San Diego Informal Comments on Draft Proposal Regarding Benchmark True-Up and Other Benchmarking Issues* (Rulemaking 17-06-026), dated March 8, 2019, p. 1.

⁴ Resolution E-4907 (Registration Process for Community Choice Aggregators), dated February 8, 2018, Appendix A: Adopted CCA Registration Timeline and Procedures.

will not serve. Indeed, the City of San Diego has acknowledged the ineffectiveness of establishing Year 2 and Year 3 local RA obligations based on the forecasted load share in Year 1.⁵

As such, PG&E reiterates its Track 3 opening comments that the Commission should hold the individual CCA or ESP accountable by adopting mechanisms, such as a requirement to submit a Binding Notice of Intent, that “lock in” the CCA’s or ESP’s forecast load to be served and the actual load served three years prior to serving the load.⁶ Alternatively, given that such a lag could impact current CCA plans to form or expand, the Commission could adopt a process, on an interim and transitional basis, that mirrors the Resolution E-4907 transition process. Specifically, CCAs and ESPs seeking newly to serve or to expand their load shall request a waiver and be required to either (a) negotiate directly to procure RA capacity from the LSEs that were originally assigned their load obligations in the year-ahead RA process or (b) be subject to a future Commission determination in the RA proceeding regarding cost responsibility.

PG&E highlights that the proposals mentioned above in this Section II.A.1 should be adopted on an interim and transitional basis only, with the long-term solution potentially determined in the multiple workshops to be held beginning April 22, 2019 as part of Track 2 of this proceeding on the topics of: (1) full central procurement model versus residual central procurement model, (2) central procurement entity, and (3) implementation and other issues.

2. The Commission Should Require a Binding Notice of Intent for RA and Avoid Duplicative Load Forecasting Meet and Confers

The California Community Choice Association (“CalCCA”) recommends additional flexibility be provided for newly launching CCAs, enabling post-April load forecast updates “to ensure that the forecast used in allocating RA requirements is as accurate as possible.”⁷ PG&E opposes allowing additional flexibility for CCAs and/or ESPs beyond April because additional

⁵ See *City of San Diego Informal Comments on Draft Proposal Regarding Benchmark True-Up and Other Benchmarking Issues* (Rulemaking 17-06-026), dated March 8, 2019, p. 3.

⁶ *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 22, 2019 (“PG&E Opening Comments”), pp. 14-15.

⁷ *Comments of the California Community Choice Association on Track 3 Workshop and Proposals*, dated March 22, 2019, p. 4

flexibility for CCAs comes at the expense of IOUs' ability to manage the bundled portfolio (e.g., if in April a CCA intends to launch the next January, but decides to delay its launch in July, the affected IOU may have already sold RA based on the CCA's original forecasted launch date). For this reason, PG&E supports ED's proposal to make the initial (April) load forecast a Binding Notice of Intent that "locks in" RA requirements based on load forecast assumptions that an LSE can reasonably predict or control.⁸

Further, PG&E reiterates its recommendation above in Section II.A.1 that the Commission adopt a mandatory Binding Notice of Intent that aligns with the Commission's recently adopted three-year forward local RA requirements. The Binding Notice of Intent would limit changes to enrollment plans that could occur mid-year or in forward years, provide greater certainty for all LSEs, and eliminate IOU procurement on behalf of load that it will not serve. Additionally, PG&E believes that the adoption of a mandatory Binding Notice of Intent will negate the need for the proposed requirement that each IOU meet separately with each non-IOU LSE in its service territory before December 31 (e.g., meet and confer by December 31, 2019 for monthly migration occurring in 2021).

In the absence of a mandatory Binding Notice of Intent, PG&E requests that any meet and confer process is additive rather than redundant to the existing Energy Resource Recovery Account ("ERRA") meet and confer process established in Decision 16-12-038.⁹ PG&E currently discusses expected monthly load migration with CCAs during the ERRA meet and confer process, and does not believe the meet and confers proposed in this proceeding will provide additional clarity or alignment. Indeed, duplicative meet and confer requirements between (1) the RA program, (2) Resolution E-4907, and (3) the ERRA meet and confer may lead to confusion. Any specific unmet needs of the year-ahead RA load forecast coordination should be addressed by supplementing the existing ERRA meet and confer process.

⁸ *Energy Division Proposals for Proceeding 17-09-020: 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*, dated March 4, 2019, p. 16.

⁹ Decision ("D.") 16-12-038, Ordering Paragraph 3.

3. The Commission Should Adopt Qualifying Capacity Counting Rules for Use-Limited Resources That Reflect the Relevant Resources' Availability to the CAISO Market

As discussed during the Workshops and in its Track 3 opening comments, PG&E suggested that the current methodology for calculating a use-limited resource's qualifying capacity ("QC") is problematic because it does not reflect the capacity that will reliably be made available to the market.¹⁰ In comments, several parties expressed support for an adjustment to QCs based on water availability, if not adoption this year.¹¹

PG&E emphasizes the urgency of improving the accuracy of the QCs for use-limited resources given how QCs are used in developing the local requirements. Specifically, the net QCs ("NQC") of these resources are used as inputs into the California Independent System Operator Corporation ("CAISO") studies that establish the local capacity requirement ("LCR"), and, in some local areas, all the capacity from these resources (or a subset of the resources) is required to meet the LCR. The resources may be unable, however, to meet their CAISO bidding obligations at their established QC level.¹² In these cases, there may be an artificial shortage of RA available to meet the local area requirement due to the disconnect in the local RA paradigm.

PG&E believes that establishing more accurate QCs for use-limited resources is a necessary first step to ensuring reliability and addressing issues with the local RA program and recommends the exploration of broader changes to the local RA program below.

4. Reply Comments to CAISO's Comments on PG&E's Proposed Seasonal Local RA Requirements

In its comments on PG&E's proposal for seasonal local RA requirements beginning with the 2021 RA compliance year, the CAISO illustrates the complexity and potential for significant

¹⁰ PG&E Opening Comments, p. 3.

¹¹ *Calpine Corporation Comments on the Effective Load Carrying Capacity and Track 3 Proposals*, dated March 22, 2019, pp. 10-11; *California Independent System Operator Corporation Track 3 Proposal Comments*, dated March 22, 2019 ("CAISO Opening Comments"), p. 6; SDG&E Opening Comments, pp. 16-17.

¹² As discussed in PG&E's previous comments, although the studies that set the local area requirement are based on short-duration contingency events in peak load months, CAISO bidding obligations for resources used to meet those requirements are required for longer durations.

errors in calculating a seasonal local RA requirement.¹³ CAISO concludes that the benefits of a seasonal local RA requirement as proposed by PG&E are significantly outweighed by the cost, complexity, and potential impact to local reliability.¹⁴ PG&E appreciates CAISO's in-depth explanation on the topic. The CAISO's own example, however, illustrates the need for a comprehensive review of the setting of local requirements since the generator in the CAISO example has an NQC of 500 megawatts ("MW") but can only deliver a maximum of 400 MW in the off-peak month.¹⁵ Under the current paradigm, the CAISO still sets the NQC in the non-summer month at 500 MW, even though the generator can only deliver 400 MW to meet load, leading to an overcounting of generator effectiveness.

As mentioned in its Track 3 opening comments and discussed above in regard to QCs for use-limited resources, PG&E believes there is a disconnect in the current local RA paradigm that may result in artificial shortages in some local capacity areas. To remedy this issue, the Commission should both adopt the new QC counting methodology described above and evaluate options for adopting lower local RA requirements, including seasonal local RA or methodologies that reflect the adjusted QCs.

5. Reiteration of Waiver Process

In its Track 3 proposals, PG&E proposed that conditions for a local RA waiver should be expanded to include participation in sellers' solicitations as an additional qualifying condition, with a requirement that any LSE seeking a local RA waiver demonstrate that it participated in good faith in sellers' solicitations to sell RA capacity, including confirmation of bid prices and volumes and rejections from sellers as to those bid prices and volumes.¹⁶ The Alliance for Retail Energy Markets ("AREM") and SDG&E support the principle behind PG&E's proposal but believe

¹³ CAISO Opening Comments, pp. 7-11.

¹⁴ *See id.*, p. 11.

¹⁵ *Id.*, pp. 9-10.

¹⁶ *Track 3 Proposals of Pacific Gas and Electric Company (U 39 E)*, dated March 4, 2019, pp. 8-9.

PG&E's proposal is unnecessarily prescriptive and should not be an explicit qualifying condition for granting of a waiver.¹⁷

PG&E appreciates the support of AReM and SDG&E regarding the principle of good faith participation in sellers' solicitations but disagrees that a demonstration that the LSE reasonably and in good faith provided bids in sellers' solicitations to sell capacity that would meet its RA requirements would be too prescriptive. PG&E agrees with SDG&E that ED has broad discretion in granting a local RA waiver to respective LSEs;¹⁸ however, PG&E believes clear standards and guidelines are necessary and will increase the efficiency of the local RA waiver process given the anticipated increase in CCAs and ESPs. PG&E requests that the Commission adopt PG&E's proposal for an LSE to demonstrate participation in sellers' solicitations as a qualifying condition.

6. The Qualifying Capacity Values for Third-Party Demand Response Resources Should Be Based on Observable Performance Data

PG&E echoes comments made by the California Large Energy Consumers Association ("CLECA") and CAISO supporting further discussion of Southern California Edison Company's ("SCE") proposed option of allowing third-party demand response providers to choose either the load impact protocols or propose an alternative QC value calculation,¹⁹ provided that the calculations are based on observable and verifiable performance data. PG&E is concerned about potential proliferation of QC methodologies for third-party demand response resources and subsequent costs related to verification and enforcement related to the validity of such proposals. PG&E's preference is that enhancements to the load impact protocols be implemented in a timely fashion and applied to demand response resources from all parties.

PG&E believes the current practice of permitting the contract capacity to be used for the QC is (1) inherently flawed for resource planning purposes, (2) intended to be an interim

¹⁷ See AReM Opening Comments, p. 10; SDG&E Opening Comments, pp. 12-13.

¹⁸ SDG&E Opening Comments, pp. 12-13.

¹⁹ CLECA Opening Comments, p. 9; *see also* CAISO Opening Comments, p. 12.

methodology approved through 2019,²⁰ (3) inconsistent with the standards by which the IOUs are being held,²¹ and (4) creating an unlevel playing field between IOU demand response resources and third-party demand response provider resources.

7. The Qualifying Capacity Values for Third-Party Demand Response Resources Should Be Addressed in the Resource Adequacy Proceeding

PG&E disagrees with OhmConnect, Inc.'s ("OhmConnect") recommendation that discussion and resolution of the issues related to determination of QC values for third-party demand response resources be delegated to Application ("A.")17-01-012, et al. (Application of Pacific Gas and Electric Company (U39E) for Approval of Demand Response Programs, Pilots and Budgets for Program Years 2018-2022, et al.).²² PG&E believes that the RA proceeding is the appropriate venue for the Commission to review and make a determination on this issue. Demand Response Auction Mechanism ("DRAM") contract provisions, which are the primary focus of discussion in A.17-01-012, should be reflecting determinations made in the RA proceeding rather than vice versa, as recommended by OhmConnect. The broader perspective on RA provided by Commission staff and stakeholders in the RA proceeding is essential in developing consistent treatment of resources providing RA services to ensure the electrical system can be operated in a safe and reliable fashion for all customers. DRAM contract language should reflect, not dictate, RA QC values for these resources.

²⁰ It was believed that penalties under the CAISO tariff (including the Resource Adequacy Availability Incentive Mechanism ("RAAIM")) and contract provisions would be adequate incentives for demand response providers ("DRPs") to correctly state the QC of their resources, which ED's final evaluation report contradicts. This methodology was approved in D.16-06-045, pp. 41-42, which states that the exemption should be reviewed based on the findings of ED's final evaluation report, issued on January 4, 2019 in A.17-01-012 et al. Specifically, the report states on p. 109: "During the DRAM pilot, CAISO RAAIM penalties and replacement capacity requirements under the [Commission's] RA program have not effectively incentivized performance." In addition, p. 78 states: "IOU DRAM contracts with DRPs did not include explicit, universal penalties for non-compliance with contract obligations, although there was some discretion available to IOUs to impose penalties in certain cases."

²¹ The QC for IOU demand response programs is based on Commission-approved load impact evaluation protocols that require the use of observed and verified past event performance data.

²² *Comments of OhmConnect, Inc. to Parties' Track III Proposals*, dated March 22, 2019, pp. 1-2.

PG&E acknowledges that there may be a short-term need to establish a QC methodology for the purpose of facilitating a possible extension of the DRAM pilot. PG&E is proposing modifications to the QC determination within the DRAM contract (in A.17-01-012) as an interim measure while the RA proceeding resolves this issue.

B. Further Analysis is Needed with Respect to Energy Division’s Effective Load Carrying Capacity Proposal to Determine the Appropriate Allocation of the Storage Diversity Benefit to Resources

ED staff proposes to allocate the entire portfolio diversity benefit of storage to the ELCC of only supply-side solar resources and argues that “solar is the chief driver of overgeneration that is used to charge storage.”²³ Other parties expressed concern with this methodology in their comments.²⁴ PG&E also has concerns with this allocation. In slide 10 of the ELCC Proposal it is clear that other resources (wind, hydro, fossil, geothermal, behind-the-meter photovoltaic, biomass) are also generating during times when storage is charging, and it does not necessarily make sense to arbitrarily attribute charging to a single resource when many are generating during this time.

As a potential solution, PG&E proposes examining the ELCC of storage on an annual, not monthly, basis. Because ELCC is an annual concept, this would allow for the evaluation of an annual ELCC for storage, which may be less than 100%. As PG&E has proposed previously for wind and solar monthly ELCC allocation, this annual storage ELCC could be spread across months based on monthly loss of load expectation to align with the monthly RA construct. This would eliminate the need to allocate a greater than 100% ELCC or diversity benefit for storage to other resources.

Overall, PG&E believes further analysis is needed to determine the appropriate ELCC for storage and any allocation of the diversity benefit associated with storage.

²³ ELCC Proposal, p. 10.

²⁴SDG&E Opening Comments, pp. 5-6; CAISO Opening Comments, pp. 3-4; *NRG Energy, Inc. Opening Comments on Track 3 Proposals*, dated March 22, 2019, pp. 6-8; *Comments of Southern California Edison Company (U 338-E) on the Track 3 Proposals and March 12-13, 2019 Workshop*, dated March 22, 2019, pp. 13-14.

III. CONCLUSION

PG&E appreciates the opportunity to provide these Reply Comments and continues to encourage the Commission to adopt PG&E's proposals in PG&E's Track 3 proposals and the PG&E recommendations outlined in the PG&E opening comments and these Reply Comments.

Respectfully Submitted,

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