

**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)

**COMMENTS OF DIAMOND GENERATING CORPORATION AND
SENTINEL ENERGY CENTER, LLC ON TRACK 3 PROPOSALS**

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March 22, 2019

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In accordance with the January 29, 2019 Amended Scoping Memo and Ruling of Assigned Commissioner Liane M. Randolph Clarifying the Scope of Issues to be Addressed in Track 3 for this proceeding (“Ruling”), Diamond Generating Corporation and Sentinel Energy Center, LLC (“Diamond” and “Sentinel”, respectively) submit the following comments in response to the March 12-13, 2019 workshop discussion on Energy Division and party proposals; and on certain Track 3 proposals. As discussed below, Diamond and Sentinel recommend that the Commission refine the rules for flexible Resource Adequacy (“Flex RA”) in Track 3, such that those revisions could be implemented in the 2020 RA year. In addition, the Commission should expand the multi-year compliance obligation to system, flex and local RA resources.

DISCUSSION

I. The Commission Should Establish Clear Rules for Flex RA in the Third Track.

Numerous parties, including IEP, WPTF, CESA, and Wellhead request that the Commission take up the issue of unbundling flexible RA from system RA in Track 3 with implementation starting in the 2020 RA year.¹ As Wellhead points out in discussing the delays of

¹ IEP Track 3 Proposal at p. 4; WPTF Track 3 Proposal at p. 2.; CESA Track 3 Proposal at p. 5; and Wellhead Track 3 Proposal at p. 2.

the FRACMOO2 proceeding, “Commission leadership is clearly needed” in defining a durable flexible RA Product.

The operational needs of the grid are changing rapidly with higher renewables penetration including behind the meter generation which serves to mask loads in realtime. With the new SB 350 RPS delivery obligation that requires 65% of RPS volumes to come from long-term contracts, we expect a significant increase of energy supplied by intermittent resources. Concurrently, California is aggressively pursuing decarbonization through vehicle electrification. Various new electrification programs are pending before this Commission, the California Air Resources Board and the California Energy Commission, which will put new demands on dispatchable capacity reserves.

The need for flexible resources was also recently flagged in the Integrated Resources Planning proceeding. Judge Fitch’s proposed decision would find that:

All of the LSEs collectively showed a deficiency in the area of reliability and renewable integration resources necessary to achieve the 2030 GHG or reliability needs of the system. . . . Renewable and storage resources alone are not sufficient, at present, based on existing technologies and costs, to provide enough renewable integration services to result in electric system reliability at the system level . . . Currently, all non-renewable resources available on the CAISO system are needed for renewable integration...²

Given the ongoing risks from the loss of existing capacity resources due to economic retirements, the Commission should include the issue of defining a flexible RA product in Track 3 such that the new product would apply to the 2020 RA year. The key attribute of flexible RA is that a resource must be able to sustain grid operations into the late evening and early morning ramps.

² See IRP PD and proposed Findings of Fact 16, 31 and 32 (pp. 157 – 158), available at: <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M272/K614/272614400.PDF>.

II. The Commission Should Adopt a Multi-year Requirement that Applies to Local, System and Flex RA.

Numerous parties emphasized the need to expand the multi-year compliance obligation to all three RA products. For example, as MRP points out, “a stable regulatory environment will drive confidence in the likelihood of sufficient revenues”³ Diamond and Sentinel support the expansion of a multi-year procurement obligation to cover local, system and flexible RA products. The need for flexible resources is growing and by requiring these three RA products be procured as part of a suite of standardized, multi-year RA compliance obligation, the Commission will provide more regulatory certainty to generation asset owners and marketers. By avoiding year-to-year changes in central structures of the RA program, the market may achieve efficiencies in how the three RA products are produced and procured. Better certainty would also provide asset owners with confidence they need to make major investments in their assets, such as incremental investments that may improve their flexibility and/or efficiency. In particular, a longer- term contracting requirement may not only support recovery of O&M costs, but it may also enable asset investments that can improve emissions profiles and the range of flexible capacity from existing resources. An expanded multi-year compliance obligation will mitigate risks of uneconomic retirement and provide insurance for grid resiliency by maintaining the current fleet of existing, highly reliable, flexible capacity.

In the past, the Commission has expressed concern about expanding the multi-year obligation to flexible RA until there is a durable flexible RA product. As discussed above, Diamond and Sentinel believe that the Commission should work with the CAISO in Track 3 to develop a durable flexible RA product that is unbundled from system RA. In light of the findings

³ MRP Track 3 Proposal at p. 3.

from the IRP proceeding discussed above, now is the time to create the certainty needed to retain existing flexible capacity resources.

CONCLUSION

Diamond and Sentinel appreciate the opportunity to submit these comments. Diamond and Sentinel support a multi-year RA framework that applies to all RA products and provides clear market signals to retain existing flexible capacity resources and drive investment in existing generators to prevent economic retirements.

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Respectfully submitted,

By: _____/s/_____

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