

**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)

**TRACK 3 PROPOSAL OF THE
CALIFORNIA WIND ENERGY ASSOCIATION**

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***On behalf of the California Wind
Energy Association***

March 4, 2019

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**TRACK 3 PROPOSAL OF THE
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In accordance with the January 29, 2019, Amended Scoping Memo and Ruling of Assigned Commissioner Randolph, and Administrative Law Judge Chiv's February 22, 2019, email ruling per Rule 11.6 that extended the deadline to March 4, 2019, the California Wind Energy Association ("CalWEA") submits this Track 3 proposal for a resource adequacy ("RA") program change to be considered for the 2020 compliance year.

1. Proposal

CalWEA proposes to revisit previous parties' proposals advocating that the Commission allocate its flexible RA capacity requirements to load-serving entities ("LSEs") based on their individual contribution to monthly net load ramps -- the causation-based allocation methodology currently used by the California Independent System Operator ("CAISO") to assign its flexible RA requirements. As discussed below, this RA program modification is necessary to provide accurate cost signals that will encourage LSEs to minimize the potentially significant indirect system integration costs associated with their resource portfolios. Rather than continuing to kick this can down the road as it has done since 2015, the Commission should now align the allocation methodology for its flexible RA requirements with the CAISO's methodology and revisit the methodology at such later time as the current "interim" flexible RA requirements may become final (or "durable" in the Commission's parlance).

2. Background

In its past decisions, the Commission has continuously declined to allocate its flexible RA capacity requirements based on the causation-based methodology that the CAISO uses to assign its flexible RA requirements:¹

- In 2014, the Commission opted not to use the CAISO’s methodology, instead allocating the initial 2015 flexible RA requirement on a load-ratio share basis. However, the Commission stated that “most parties favor an allocation based on causation in the future”² and that the method “should be reconsidered for future RA years.”³
- In 2015, the Commission acknowledged that Pacific Gas & Electric’s (“PG&E”) proposal to align the Commission’s methodology with the CAISO’s would “follow cost causation more appropriately than the peak load ratio methodology.”⁴ Nevertheless, the Commission decided that it would “be more appropriate and effective to address the allocation of flexible capacity requirements in conjunction with or following the development of a durable flexible product,” which was anticipated to occur in Phase 2 of that proceeding.⁵
- In 2016, when PG&E and the California Large Energy Consumers Association again proposed that the CAISO’s allocation method be used, the Commission stated that it “remains open to the proposal,” that the method is a “logical approach,” and that it “provides an incentive to minimize flexibility needs and is consistent with the goals of the [Renewables Portfolio Standard (“RPS”)] statutes.” And yet, citing concerns raised by two parties that the CAISO’s method “may not adequately reflect all relevant information,” and that it is open to other proposals, the Commission once again deferred the issue to Track 2 of that proceeding and its consideration of a durable flexible requirement.⁶
- In 2017, however, the Commission concluded that it was “not practical to adopt a durable flexible capacity requirement at this time,”⁷ stating that the Commission “*may* re-examine whether a durable FCR program should continue to be a

¹ The CAISO first assigns requirements to individual LSEs and then aggregates them for Local Regulatory Authorities with jurisdiction over those LSEs.

² D.14-06-050 (issued July 1, 2014) at 19.

³ *Id.* Conclusion of Law 6 at 66.

⁴ Decision 15-06-063 (issued June 30, 2015) at 46.

⁵ *Ibid.*

⁶ D.16-06-045 (issued June 27, 2016) at 47.

⁷ D.17-06-027 (issued July 10, 2017) at Finding of Fact 5.

prerequisite to adoption of a multi-year RA requirement.”⁸ (Emphasis added.) Allocation of the flexible RA requirement was not addressed.

- In 2018, at the outset of the current RA proceeding, CalWEA once again proposed that causation-based allocation of flexible RA requirements be considered⁹ but the issue was not taken up in the first two tracks.

3. Discussion

As summarized above, the Commission has repeatedly postponed consideration of a causation-based allocation of its flexible RA requirement. Although it was never necessary or advisable to postpone such allocation until a final, or “durable,” flexible resource requirement was established, now that any changes have been put on indefinite hold, it is now past time to adopt the most appropriate allocation methodology.

As noted in the Commission’s 2016 RA decision,¹⁰ it is important to allocate flexible RA requirements to each LSE based on its individual contribution to those requirements in order to provide cost signals that will reduce total system costs consistent with the RPS statute. Providing cost signals becomes particularly important where the Commission is not directly influencing the procurement of LSEs with the objective of reducing overall costs. The Commission’s February 8, 2018, decision on Integrated Resource Planning (“IRP”) states that, while “statutory language gives the Commission considerable authority over some aspects of [Community Choice Aggregation] procurement, not just planning,” the Commission will “leave for a later date the question of what, if any, differential means the Commission may use to ensure CCA compliance with the IRP requirements in the event of deficiencies.”¹¹ Not knowing, therefore, whether or how the Commission will ensure compliance with IRP requirements and to ensure that total costs are minimized by all LSEs consistent with the RPS statute,¹² it is imperative that the Commission

⁸ *Id.* at 17-18.

⁹ R. 17-09-020, Track 1 Proposal of CalWEA (Feb. 16, 2018).

¹⁰ Note 5, *supra*.

¹¹ D.19-02-007 in R.16-02-007, Decision Setting Requirements for Load Serving Entities Filing Integrated Resource Plans (adopted 2/8/18), at pp. 27-28.

¹² P.U. Code Section 454.51(a) requires the Commission to “[i]dentify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner.” (Emphasis added.) P.U. Code Section 399.13(4)(A) requires the commission to adopt a process that provides criteria for the rank ordering and selection of least-cost and best-fit eligible renewable energy resources to comply with the RPS Program obligations on a total cost and best-fit basis that takes into account, among other things, “Estimates of electrical corporation expenses resulting from integrating and operating eligible

provide LSEs with clear incentives to align their portfolios with IRP and RPS cost-minimization objectives. Otherwise, an LSE could end up shifting the indirect system integration costs associated with its planning and procurement decisions onto other LSEs.

Using its well-considered allocation methodology, the CAISO allocates the flexible RA capacity requirement to LSEs based on principles of causation. This allocation is made by associating the flexible RA capacity actually called upon with the types of resources and loads that gave rise to the need for this capacity, and allocating the requirement to specific LSEs accordingly. Unfortunately, as discussed above, the Commission has, to date, chosen not to pass these requirements along to its jurisdictional LSEs in the same fashion; rather, it has re-allocated the total flexible RA capacity requirement to these LSEs according to their load share,¹³ which has a very low correlation, if any, with the need for flexible RA capacity. This practice substantially undermines the incentive for an LSE to procure resources with low flexible capacity needs, because flexible capacity requirements will be spread among all LSEs rather than assigned to the LSE that causes the need for flexible capacity. To send indicators to LSEs that will encourage them to purchase the lowest-total-cost RPS resources, the Commission should allocate the system-wide flexible capacity requirements among LSEs based on causation principles, whether in the same, or similar, manner as the CAISO allocates them.

4. Conclusion

For the above reasons, the Commission should consider, in Track 3 of this proceeding, changing its current allocation methodology so that flexible ramping requirements are passed through to LSEs on a causation basis. This issue is relatively straightforward and has been considered multiple times in the past; for those reasons and because causation-based allocation data is available from the CAISO, it should be possible to expeditiously address the issue in Track 3.

renewable energy resources, including, but not limited to, any additional wholesale energy and capacity costs associated with integrating each eligible renewable resource." (Emphasis added.)

¹³ CPUC D. 14-06-050 (June 26, 2014).

Respectfully submitted,

/s/ Nancy Rader

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***On behalf of the California Wind Energy
Association***

March 4, 2019

VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of “Track 3 Proposal of the California Wind Energy Association” are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 4, 2019, at Berkeley, California.

/s/ Nancy Rader
Nancy Rader
Executive Director
California Wind Energy Association