

**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
(Issued October 4, 2017)

**SIERRA CLUB, CALIFORNIA ENVIRONMENTAL JUSTICE ALLIANCE
AND UNION OF CONCERNED SCIENTISTS'
OPENING COMMENTS ON TRACK 3 PROPOSALS**

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Dated March 21, 2019

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Pursuant to the January 29, 2019 *Amended Scoping Memo and Ruling of Assigned Commissioner* (“Amended Scoping Memo”), Sierra Club, the California Environmental Justice Alliance and the Union of Concerned Scientists (collectively, “Joint Environmental Parties”) provide the following opening comments on the Resource Adequacy (“RA”) Track 3 proposals to the California Public Utilities Commission (“CPUC” or “Commission”). The Joint Environmental Parties support the following party proposals to facilitate better use of preferred resources in meeting reliability needs:

- Change local capacity requirements (“LCR”) from annual to seasonal.
 - Set a workshop to discuss lessons learned from the Oakland, Moorpark and Moss Landing procurements and potential amendments to local capacity rules and dispatch protocols to enable higher penetrations of preferred resources to meet local RA needs as proposed by the Center for Energy Efficiency and Renewable Technologies (“CEERT”).
 - Establish capacity rules for energy storage paired with preferred resources such as wind and solar.
 - Unbundle system and flexible capacity requirements.
- 1) Changes to the Rules Governing Local Capacity Procurement Obligations Are Needed to Remove Biases Toward Fossil Generation and Minimize Ratepayer Costs.**

Local capacity procurement obligations for the CPUC-jurisdictional load serving entities represent approximately 45 percent of total system capacity need.¹ As California decarbonizes its

¹ See e.g., CPUC, *2017 Resource Adequacy Report*, at 5 (Aug. 2018), <http://www.cpuc.ca.gov/ra/> (noting

electricity sector, the Commission must eliminate biases favoring gas-fired generation in the rules governing LCR and explore approaches for greater use of preferred resources to collectively meet local capacity need. Recognizing how preferred resources contribute to local reliability will help reduce reliance on gas plants and minimize ratepayer costs by utilizing attributes of preferred resources that will be built to meet California’s decarbonization goals.

As it stands, annual local RA requirements are a blunt tool for maintaining local reliability. These requirements ensure that sufficient capacity is available year-round to respond to an N-1-1 contingency calculated based on the 1-in-10 summer peak load.² Because LCR is calculated using this methodology, there may be large portions of the year when load is consistently low enough that some of the local capacity is not actually necessary to maintain local reliability. Furthermore, LCR represents only one number – the amount of capacity needed to maintain local reliability – but as energy-limited resources become more common on California’s grid, LCR will likely need to be modified not only to reflect capacity needs, but also energy needs.

The Joint Environmental Parties generally support Pacific Gas and Electric Company (“PG&E”) and Center for Energy Efficiency and Renewable Technologies’ (“CEERT”) proposals to begin needed reforms to local area requirements. PG&E proposes to switch to seasonally varying LCR beginning with the 2021 RA Compliance Year.³ As PG&E properly observes:

[S]easonal summer and winter local RA requirements could better integrate preferred resources, including solar, wind, run-of-river hydroelectric resources and DR resources, whose net QCs (“NQC”) vary throughout the year based on fuel availability and event dispatchability. Because these resources’ NQCs are generally higher during summer load months, a seasonal local RA requirement could maximize their value to customers.⁴

CEERT recommends a workshop to discuss lessons learned from recent efforts in the Oakland, Moorpark and Moss Landing sub-areas to meet local capacity needs with preferred resources and to explore changes to RA counting rules and CAISO dispatch protocols to better enable preferred

RA procurement obligation to meet peak demand in August 2017 totaled 47,484 MW and local RA obligation totaled 20,964 MW).

² CAISO, *2020 Local Capacity Area Technical Study – Final Manual*, at 6 (Nov. 2018) <http://www.caiso.com/Documents/2020LocalCapacityRequirementsFinalStudyManual.pdf>.

³ PG&E, Track 3 Proposals, at 6-8.

⁴ PG&E Track 3 Proposals, at 7.

resources to meet local capacity needs.⁵ The types of changes proposed by CEERT merit further discussion and will be critical to reducing reliance on fossil-fueled generation in local areas. In addition, the Commission should apply the approach used to meet local capacity need in the Oakland, Moorpark and Moss Landing subareas to a new local area such as San Diego, where local requirements are extremely high in relation to peak demand.

2) The Commission Should Develop Rules for the RA Value of Energy Storage Paired with Preferred Resources.

As new renewable resources are increasingly being paired with energy storage systems, clarifying the RA value of these combinations has become more urgent. The Amended Scoping Memo lists this topic as one that is within the scope of Track 3,⁶ and numerous parties, including Southern California Edison Company (“SCE”),⁷ California Community Choice Association (“CalCCA”),⁸ and the California Energy Storage Alliance (“CESA”)⁹ all raised this topic in their Track 3 proposals.

Specific RA counting rules for storage paired with preferred resources are needed because simply having a separate RA counting rule for energy storage leaves opportunities for additional and lower cost storage deployment on the table. As CESA notes, financial incentives such as lower costs associated with tax credits and a single interconnection can make storage pairing more attractive than stand-alone storage.¹⁰ Clarifying the RA value of resources paired with storage, along with contractual obligations to ensure storage is utilized in a manner that facilitates the integration of the resource it is paired with, will likely enable storage deployment that would otherwise not occur under current stand-alone storage RA accounting rules. Accordingly, the Commission should decide upon a methodology for determining the RA value of paired resources in Track 3 of this proceeding or, at a minimum, establish a working group to recommend approaches for future adoption.

⁵ CEERT, Track 3 Proposals, at 4-5.

⁶ Amended Scoping Memo, at 3.

⁷ SCE, Track 3 Proposals, at 4-7.

⁸ CalCCA, Track 3 Proposals, at 9-10.

⁹ CESA, Track 3 Proposals, at 3-5.

¹⁰ *Id.*

3) It is Time to Unbundle System and Flexible Capacity.

The Joint Environmental Parties agree with parties including SCE and CESA that system capacity requirements should be unbundled from flexible capacity requirements. As SCE observes, not only has the market already taken the view that these products are separable “[b]ecause the CAISO allows an entity to show only the flexible attribute,” but “unbundling has several benefits, such as freeing up stranded flexible capacity in an LSE’s portfolio and allowing more liquidity in flexible capacity procurement.”¹¹ Furthermore, as CESA notes in its proposal, “[s]torage developers can deliver flexible capacity benefits in different configurations, and with potentially different interconnection costs, from approaches where system RA requirements are layered on top of flexibility benefits.”¹² Because flexible capacity need is highest in shoulder months when load is relatively low and system requirements are highest during months of high peak demand when transmission constraints are also likely greater, interconnection costs may be significantly lower for storage or other resources to only provide flexible capacity. As flexible requirements increase with higher penetrations of renewable resources, it is important to maximize the opportunities for preferred resources to provide flexible capacity.

Conclusion

The Joint Environmental Parties appreciate this opportunity to comment on RA Track 3 proposals and look forward to working with the Commission on the implementation of proposals that facilitate better use of preferred resources in meeting reliability needs.

Thank you for your consideration of these comments.

Dated March 21, 2019

¹¹ SCE, Track 3 Proposals, at 14.

¹² CESA, Track 3 Proposals, at 5.

Respectfully submitted,

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