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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.	)	Rulemaking 17-09-020 (Filed September 28, 2017)

SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) COMMENTS ON PROPOSED DECISION ADOPTING FLEXIBLE CAPACITY OBLIGATIONS FOR 2020, AND REFINING THE RESOURCE ADEQUACY PROGRAM

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I. INTRODUCTION AND SUMMARY

In accordance with Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (the "Commission"), San Diego Gas & Electric Company ("SDG&E") submits these comments regarding the proposed *Decision Adopting Local Capacity Obligations for 2020-2022, Adopting Flexible Capacity Obligations for 2020, and Refining the Resource Adequacy Program* ("Proposed Decision" or "PD").

The Proposed Decision adopts local capacity requirements for 2020-2022 and flexible capacity requirements for 2020. The PD also revises the Commission's Resource Adequacy ("RA") program based on proposals made in the Track 3 of the instant proceeding. SDG&E generally supports the proposals contained in the PD, but notes below certain modifications that should be made to the final adopted decision. As required under Rule 14.3, SDG&E provides the following list of recommended changes to the PD:

- The PD should be modified to adopt a methodology for calculating an "equivalent" 12-month price for partial-year local capacity offers.

- The PD should be modified to clarify the nature of the update to the local capacity waiver trigger price.

- The PD should be modified to adopt the proposal to require all load-serving entities ("LSEs") to submit multi-year load forecasts.

- The PD should be modified to allocate unresolved discrepancies on the basis of the load share ratio of the forecasted load rather than on a "pairwise" basis.

- The PD should be modified to adopt the proposal to use Load Impact Protocols to calculate the qualifying capacity ("QC") of third-party demand response ("DR") programs.

- The PD should be modified to direct development for informational purposes of data regarding the impact of applying effective load carrying capacity ("ELCC") calculations to behind-the-meter ("BTM") photovoltaic ("PV") resources.

II. THE PD SHOULD BE MODIFIED TO ADOPT A METHODOLOGY FOR CALCULATING AN "EQUIVALENT" 12-MONTH PRICE FOR PARTIAL-YEAR LOCAL CAPACITY OFFERS

SDG&E proposed in Track 3 that the Commission revise its rules governing RA waiver requests to adopt a mechanism for evaluating partial-year RA offers. Currently, there exists no clear guidance concerning how to apply the annual $40/kW-year (or proposed $51/kW-year)[1/] waiver trigger price to a partial-year RA offer. To address this ambiguity, SDG&E proposed that for capacity offers that provide only partial-year delivery terms, the LSE would insert the monthly weighted average price of the relevant local capacity area from the most recent Commission RA report for the months of the delivery year *not* offered by the seller. Through this approach, an "equivalent" full-year capacity cost could be developed to compare against the annual $40/kW-year (or $51/kW-year) waiver trigger price.[2/]

1/ The PD would update the $40/kW-year local waiver trigger price to reflect current market conditions for local RA capacity. PD, p. 17.

2/ *San Diego Gas & Electric Company Track 3 Proposal*, filed March 4, 2019, pp. 2-5; *San Diego Gas & Electric Company Reply Comments on Track 3 Proposal*, filed March 29, 2019, pp. 1-4.

The PD declines to adopt SDG&E's proposal, erroneously characterizing it as a request to establish a "monthly trigger price" for local RA.[3/] To be clear, SDG&E's proposal does not seek to establish a monthly trigger price for local RA; rather, it seeks to establish a methodology for calculating an "equivalent" full-year price for a partial-year local RA offer, which can then be compared against the Commission-adopted $40/kW-year (or $51/kW-year) waiver trigger price. Currently, the only evaluation approach available to Energy Division for partial-year offers is to compare pricing for a partial year (*e.g.*, 3-month) offer to the 12-month waiver trigger price. This apples-to-oranges comparison clearly makes little sense and will produce a skewed analysis. SDG&E's proposal, on the other hand, would provide LSEs and Commission staff with more helpful direction, and would further the goal of regulatory certainty. The Commission would still have the ability to evaluate waiver requests on a case-by-case basis; SDG&E's proposal does not seek to modify the other criteria for application of waiver.

Accordingly, the PD should be revised to adopt SDG&E's proposed methodology for calculating an "equivalent" full-year price for a partial-year local RA offer. In addition, the Commission should consider the feasibility of Pacific Gas and Electric Company's ("PG&E's") proposed tweak to SDG&E's proposal: instead of using the monthly weighted average price to fill in the months of the delivery year not offered by the seller in order to develop an "equivalent" full-year offer price, PG&E proposes use of prices similar to those found in the 2017 Annual RA Report, Table 9 ("RA Capacity Prices by Month, 2017-2021") for months of the delivery year not offered by the seller, so long as the prices are tied to the local capacity

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3/ PD, p. 22.

area.[4/] Since the prices in Table 9 of the Annual RA Report are inclusive of all transactions and are not specific to one local area, PG&E's proposal would require Energy Division staff ("Staff") to provide the monthly prices by each local capacity area.

SDG&E agrees that publishing monthly capacity prices for each local capacity area would provide useful and relevant information. This approach would address the Commission's concern regarding potential of lack of consistency in RA prices throughout the year since the published monthly RA prices would be calculated based on transactions for that specific month. Currently, monthly prices for local capacity areas are not broken out in the Commission's Annual RA Report. Accordingly, SDG&E's proposal relies on the weighted average price for the local capacity area. However, if Staff is willing to provide a more granular analysis of the Table 9 data to determine monthly capacity prices for each local capacity area, SDG&E agrees with PG&E's proposed modification. Otherwise, SDG&E believes that the monthly weighted average price of the relevant local capacity area published in Table 8 is a sufficient proxy.

III. THE PD SHOULD BE MODIFIED TO CLARIFY THE NATURE OF THE UPDATE TO THE LOCAL CAPACITY WAIVER TRIGGER PRICE

The PD proposes to update the local capacity waiver trigger price from $40/kW-year "to an annualized value of the 85th percentile of the monthly South of Path 26 local RA value, or $51/kW-year."[5/] It is not clear from the discussion in the PD, however, whether the PD adopts a static $51/kW-year trigger price for the 2020 RA compliance year and thereafter, until such time that the trigger price is updated via a subsequent Commission decision, or if the PD instead adopts a $51/kW-year trigger price for the 2020 RA compliance year (based upon the value in

[4/] *Comments of Pacific Gas and Electric Company on Track 3 Proposals and Workshops and Energy Division's Effective Load Carrying Capacity Proposal*, filed March 22, 2019 ("PG&E Track 3 Comments"), p. 9.

[5/] PD, p. 17. The Commission also raises the local RA penalty price of $3.33/kW-month to $4.25/kW-month, the equivalent value of the newly-adopted trigger price of $51/kW-year. *Id*.

the 2017 RA Report), after which time the trigger price for subsequent RA compliance years will automatically be updated to equal the annualized value of the 85th percentile of the monthly South of Path 26 local RA value.

It is SDG&E's understanding that the proposal by the Energy Division to update the local trigger price, which the PD references as the basis for its this adopted change,[6/] intended the update to be static and not dynamic – *i.e.*, the updated trigger price would remain at $51/kW-yr until updated via a subsequent Commission decision. While there may be some support among stakeholders for an automatic annual update to the trigger price to reflect market conditions, SDG&E submits that minimizing financial risk associated with developing an RA portfolio must be the highest priority objective. It is critical that LSEs understand ahead of time the value of the trigger, rather than having the trigger updated for applicable years of a portfolio *after* procurement decisions regarding that portfolio have been made. The fact that the proposed update to the trigger price is the first update since the Commission established the trigger price in 2006 – *i.e.*, the first update in 13 years – implies that the Commission acknowledges the importance of this goal and the need for a static waiver trigger price.

IV. THE PD SHOULD BE MODIFIED TO ADOPT ADDITIONAL REVISIONS TO THE LOAD FORECASTING METHODOLOGY

A. SDG&E Supports Use of the Binding Notice of Intent and Adoption of a Meet and Confer Requirement

The PD finds that the proposed Binding Notice of Intent ("BNI") process "will encourage effective forecasting in the year ahead process and discourage modifications to load forecasts for reasons other than unpredictable load migration."[7/] Accordingly, the PD would adopt a BNI

[6/] PD, p. 14.

[7/] *Id.*, p. 31.

process to set RA requirements based on load forecast assumptions that an LSE can reasonably control or predict, as well as proposed plausibility review triggers.[8/] SDG&E supports use of the BNI in the RA process because it creates an equitable set of guidelines for all LSEs submitting a load forecast. Treating certain LSEs differently creates an uneven playing field and could unfairly advantage LSEs that submit a sales forecast after the April deadline. SDG&E agrees that forecasts should only be modified to account for load migration after the April RA filing.

The PD would also adopt a meet and confer requirement, pursuant to which: (i) a meeting between LSEs that anticipate load migration shall occur reasonably in advance of the filing deadline for initial year ahead forecasts (April of Year 1); and (ii) in each LSE's initial year ahead forecast filing, each LSE shall briefly describe the dates of meetings with other LSEs to discuss load migration, any agreements, and any continued areas of disagreement.[9/] SDG&E supports the meet and confer process between LSEs serving load in an area. SDG&E agrees that given the complexities of the forecast process, a meet and confer process would likely reduce discrepancies between LSEs.

B. The Commission Should Adopt PG&E's Proposal to Require all LSEs to Submit Multi-Year Load Forecasts

PG&E submitted a proposal to require all Commission-jurisdictional LSEs to submit multi-year load forecasts in accordance with the multi-year Local RA constructed adopted in Decision ("D.") 19-02-022 in order to determine the Local RA requirements for each LSE for each of the three forward years.[10/] The PD fails to address PG&E's proposal, which would ensure the Commission properly allocates multi-year RA requirements based on LSEs' load

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8/ *Id*.

9/ *Id*. p. 34.

10/ *Track 3 Proposals of Pacific Gas and Electric Company*, filed March 4, 2019 ("PG&E Track 3 Proposals"), pp. 5-6.

forecasts for each year rather than using only the first year. Having this information in hand would assist the investor-owned utilities ("IOUs") in determining the amount of RA they will procure or sell based on forward requirements. If not adopted, an IOU that forecasts load migration in future years would be unable to offer to sell capacity for years 2 or 3 to other LSEs in the current year because the load forecast for Year 1 would not include the expected load migration. This may impact the amount of IOU capacity that may be categorized as "unsold" capacity for purposes of applying the power cost indifference adjustment ("PCIA") benchmark methodology currently under development in Phase 2 of Rulemaking ("R.") 17-06-026.

V. THE PD SHOULD BE MODIFIED TO ALLOCATE UNRESOLVED DISCREPANCIES ON THE BASIS OF THE LOAD SHARE RATIO OF THE FORECASTED LOAD

The PD adopts a methodology for resolving conflicts or discrepancies that arise at the time of an LSE's filing of its initial year-ahead load forecast.[11/] Specifically, Energy Division staff and the California Energy Commission ("CEC") will seek to resolve the issue through individual LSE discussions and analysis of additional data. If such efforts are unsuccessful, the differential will be allocated between the affected LSEs. The PD would allocate the discrepancy on a "pairwise" basis – *i.e.*, evenly between two (or more) LSEs that have the opportunity to serve the load at issue. The record does not support adoption of this approach, however, which is likely to result in an inequitable distribution of the differential among LSEs that undermines the public interest. An even "pairwise" distribution would benefit the greater LSE while penalizing the smaller LSE. Accordingly, the PD should be modified to provide that any unresolved discrepancies will be based on load share ratio of the forecasted load. This approach will better preserve equity among LSEs.

11/ PD, p. 37.

VI. THE PD SHOULD BE MODIFIED TO ADOPT THE PROPOSAL TO USE LOAD IMPACT PROTOCOLS TO CALCULATE THE QUALIFYING CAPACITY OF THIRD-PARTY DEMAND RESPONSE PROGRAMS

The scope of Track 3 includes refinements to the third-party demand response ("DR") qualifying capacity ("QC") methodology.[12] Both PG&E and Southern California Edison Company ("SCE") proposed the use of Load Impact Protocols to calculate the QC of third-party demand response programs.[13] The PD fails, however, to adopt or even discuss this proposal. While certain stakeholders took the position in Track 3 that the issue should instead be considered in the context of the DR Applications, Application ("A.") 17-01-012, *et al*., or a successor proceeding,[14] the Commission has made clear that "resource adequacy policies will be determined in the resource adequacy rulemaking."[15] Since the policy question at issue here – *i.e*., the QC methodology to be used to establish the value of a resource for purposes of meeting RA requirements – is clearly a "resource adequacy policy," it should be considered in the context of the RA proceeding. The Commission's failure to address the proposal in the PD creates ambiguity and a misperception that the QC methodology of third-party DR does not belong in the RA rulemaking. Accordingly, the PD should be modified to discuss and adopt the proposal to use of Load Impact Protocols to calculate the QC of third-party demand response programs.

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[12] *Id*., p. 4.

[13] PG&E Track 3 Proposals, pp.4-5; *Southern California Edison Company's Track 3 Proposals*, filed March 4, 2019 ("SCE Track 3 Proposals"), pp. 8-9.

[14] *See, e.g., Comments of OhmConnect, Inc. to Parties' Track III Proposals*, filed March 22, 2019, p. 2.

[15] D.17-10-017, p. 63.

VII. THE PD SHOULD BE MODIFIED TO DIRECT DEVELOPMENT FOR INFORMATIONAL PURPOSES OF DATA REGARDING THE IMPACT OF APPLYING ELCC CALCULATIONS TO BTM PV RESOURCES

As SDG&E noted previously in Track 3, BTM PV should be treated as a supply-side resource rather than as a load modifier.[16/] To this end, ELCC calculations should be applied to BTM PV. However, the PD declines to reconsider "at this time" its earlier decision not to apply ELCC to BTM PV.[17/] SDG&E urges the Commission to continue to study this issue and requests that the PD be modified to expressly include this topic in the workshop on ELCC methodologies to be convened by Energy Division.[18/]

Application of ELCC calculations to BTM PV will ensure that BTM PV resources receive the same treatment as other in-front-of-the-meter solar resources. Accordingly, at a minimum, SDG&E recommends that the Commission develop for informational purposes data regarding the impact of applying ELCC calculations to BTM PV resources. While, as the PD recognizes, the current structure of the RA program creates a challenge to treatment of BTM PV as a supply-side resource, this circumstance should not prevent development of information and analysis regarding application of ELCC to BTM PV, or treatment of BTM PV resources in a manner equivalent to other in-front-of-the-meter resources.

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16/ *See, e.g.*, *San Diego Gas & Electric Company Opening Comments on Track 3 Proposals*, filed March 22, 2019, p. 6.

17/ PD, p. 49.

18/ *Id*, p. 52.

VIII. CONCLUSION

For the reasons set forth above, the Commission should adopt a final decision consistent with the comments provided herein.

Respectfully submitted this 13th day of June 2019.

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