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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

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) OPENING COMMENTS
ON PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR
2020-2022, ADOPTING FLEXIBLE CAPACITY OBLIGATIONS FOR 2020, AND
REFINING THE RESOURCE ADEQUACY PROGRAM

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Pursuant to Rule 14.3 of the California Public Utilities Commission’s (“Commission’s”) Rules of Practice and Procedure, Southern California Edison Company (“SCE”) respectfully submits its opening comments on the Proposed Decision Adopting Local Capacity Obligations for 2020-2020, Adopting Flexible Capacity Obligations for 2020, and Refining the Resource Adequacy (“RA”) Program (“PD”).

I.

INTRODUCTION

SCE supports several aspects of the PD and their adoption by the Commission, including the local capacity requirements for 2020-2022 and the flexible capacity requirements for 2020 set forth in the PD, the PD’s clarification of how penalties will be calculated when a load-serving entity (“LSE”) incurs both flexible and system RA deficiencies, the PD’s adoption of a Binding Notice of Intent (“BNI”) process for the RA program, and the incorporation of the impacts of behind-the-meter (“BTM”) photovoltaic (“PV”) in effective load carrying capacity (“ELCC”)

calculations.¹ In particular, SCE strongly supports the PD's elimination of the Path 26 constraint effective upon the date of a final decision, and agrees that Energy Division should continue reviewing the potential for procurement activity that may violate the Path 26 constraint.²

As discussed herein, SCE recommends certain modifications and clarifications of the PD:

- While SCE supports strong enforcement mechanisms to ensure that LSEs meet system and flexible RA requirements, including by developing new resources if needed, the Commission should establish a system and flexible RA waiver process for situations where the provider of last resort ("POLR") is required to serve unplanned load.
- The Commission should further explore the use and allocation of the diversity adjustment as part of the calculation of ELCC values before such adjustment is applied in the calculation.
- Consistent with the BNI process for RA adopted in the PD, the Commission should clarify that an LSE cannot take actions to add incremental load above its initial year ahead load forecast.
- The Commission should make clarifications regarding the proposed data transfer process between investor-owned utilities ("IOUs") and non-IOU LSEs to avoid unnecessary confusion and ambiguity.

¹ See PD at 5-13, 20-21, 29-31, 49, Ordering Paragraphs ("OP") 1-3, 5, 9, 13, Appendix A.

² See *id.* at 52-54, OP 20.

II.

THE COMMISSION SHOULD ESTABLISH A LIMITED WAIVER PROCESS FOR SYSTEM AND FLEXIBLE RA COVERING SITUATIONS WHERE THE POLR IS REQUIRED TO SERVE UNPLANNED LOAD

The PD declines to extend the waiver process for local RA to system and flexible RA, citing potential leaning and market power issues.³ SCE supports robust mechanisms to ensure that all LSEs meet their system and flexible RA requirements. If the RA program is going to meet its reliability objectives, *all* LSEs must invest in the resources needed to meet these requirements, even if it requires LSEs to develop new resources. Indeed, except for the IOUs, all LSEs voluntarily participate in California's retail electricity markets, and the voluntary election to do so must be accompanied by a firm requirement to meet system and flexible RA requirements.⁴

However, with increasing load fragmentation and migration coupled with a decreasing availability of system and flexible RA capacity, there is a need for a limited waiver process for system and flexible RA to address situations where an LSE acting as the POLR (currently the IOUs) is required to serve unplanned load. In circumstances where the capacity price for system or flexible RA increases, LSEs that are not the POLR have the option of avoiding such high costs by returning load to the POLR or declining to serve the load (i.e., not accepting the transfer of service for customer load that was previously identified for transfer). This option is not available to the POLR. As such, the lack of any system and flexible RA waiver process combined with the ability to put load on the POLR in an unplanned manner creates an unlevel playing field and the

³ See *id.* at 19-20.

⁴ A waiver process for local RA requirements is appropriate because transmission constraints, changing grid topology, resource-specific requirements (in some instances), local market power, and load migration considerations do not facilitate an ability to equally require each LSE to procure its prorated share of local area resources. In fact, these constraints support the designation of a central buyer of local RA for each IOU's service territory with a non-bypassable charge to recover the costs of the central buyer-procured resources applicable to all benefitting customers.

potential for inappropriate and unlawful cost shifting to customers of LSEs acting as the POLR. This is even more true in the absence of Community Choice Aggregator (“CCA”) Financial Security Requirements and reentry fees,⁵ which are intended to protect the IOU in the event of a CCA’s involuntary return of CCA customers to the IOU, and were adopted by the Commission in Decision 18-05-022, but which have not yet been implemented because the IOUs’ implementing advice letters have been pending approval since August 2018.⁶

Accordingly, given this structural problem and the potential for disproportionate cost impacts to the bundled service customers of LSEs acting as the POLR, the Commission should establish a limited waiver process for system and flexible RA covering unplanned load served by the POLR for instances in which retail load is: (1) returned to the POLR with insufficient time to meet the RA requirement, or (2) not transferred from the POLR to another LSE as planned as a result of action or inaction by the LSE. Such a limited waiver process is needed to ensure that the POLR and other LSEs and their customers are treated fairly and to mitigate the risk of unlawful cost shifting among their customers. The limited POLR waiver should not apply to load that the POLR was forecast to be required to serve.

⁵ See Cal. Pub. Util. Code Section 394.25(e), requiring Financial Security Requirements and reentry fees for CCAs and electric service providers in the event of involuntary returns of customers to the IOUs as POLRs.

⁶ See, e.g., SCE Advice 3840-E, *Tariff Revisions to Implement Community Choice Aggregation (CCA) Financial Security Requirements and Re-Entry Fees in Compliance with Decision 18-05-022*, filed August 15, 2018. Meanwhile, ESPs are subject to ESP Financial Security Requirements and reentry fees pursuant to Section 394.25(e), even though ESPs currently serve less load than the CCAs overall.

III.

THE COMMISSION SHOULD FURTHER EXPLORE THE USE AND ALLOCATION OF THE DIVERSITY ADJUSTMENT IN ELCC CALCULATIONS BEFORE APPLYING SUCH AN ADJUSTMENT

The PD adopts the ELCC values from a revised ELCC proposal by Energy Division Staff.⁷ In deriving these values, Energy Division Staff modeled BTM PV as a load modifier and allocated the diversity adjustment (positive or negative) from storage resources to the ELCC of supply-side solar resources.⁸

SCE has long advocated for BTM PV to be fully accounted for in deriving ELCC values, as a load modifier or a supply resource.⁹ Accordingly, SCE supports the PD's adoption of ELCC values that appropriately reflect the impact of BTM PV. However, as recognized by the Commission and other parties, there are issues with the diversity adjustment that should be further explored. If this allocation is not done correctly, the impact can be large when additional storage resources are added to the grid. In particular, the net qualifying capacity ("NQC") assigned to storage resources would effectively account for the contribution to reliability of the storage resource. Therefore, increasing the ELCC of supply-side solar resources through a diversity adjustment while counting the full NQC of the storage resource has the potential to over-state the amount of RA capacity available to the grid. Although SCE raised these concerns during the discussions on ELCC and storage in this proceeding,¹⁰ SCE is not aware of any response to these concerns.

SCE supports the adjustments made to the ELCC calculations to account for BTM PV. But the Commission should not adopt the adjustments to ELCC for storage diversity impacts at

⁷ See PD at 49-52, OP 18, Appendix A.

⁸ See *id.* at Appendix A.

⁹ See Southern California Edison Company's (U 338-E) Track 1 Proposals, R.17-09-020, February 16, 2018, at 5-6; Southern California Edison Company's Track 2 Testimony in Rulemaking 17-09-020, R.17-09-020, July 10, 2018, at 18-19.

¹⁰ See PD at 47.

this time. For the 2020 RA year, the amount of storage on the system is still relatively small and the diversity value is likewise small. It is important that the diversity value of storage be fully vetted and questions about its efficacy addressed prior to implementing a new methodology.

IV.

THE COMMISSION SHOULD CLARIFY THAT LSES CANNOT TAKE ACTIONS TO ADD INCREMENTAL LOAD THAT ARE INCONSISTENT WITH THE BNI PROCESS

The PD adopts Energy Division Staff's BNI proposal for the RA program, beginning for the 2021 year ahead forecasting process.¹¹ Specifically, as described by the PD, "[a]n LSE's *initial* year ahead load forecast will serve as the BNI for that LSE in the following year.... Once the initial load forecast is submitted, the LSE is responsible for the RA capacity implied by the initial load forecast – after any adjustments by the [California Energy Commission] and for load migration – regardless of additional changes in an LSE's implementation to new customers."¹² The PD also states that the "BNI would apply to the RA program alone and would not impact an LSE's legal ability to serve load."¹³

While the intention of the BNI for RA is to prevent abrupt/unexpected load forecast changes that an LSE can reasonably control or predict, it appears there is a "loophole" with the proposed BNI process. Under the BNI process, if an LSE decides not to serve the load based on its initial year ahead load forecast, the LSE would appropriately be responsible for the corresponding RA capacity costs and other procurement costs associated with that load. However, if an LSE takes actions to gain additional load after the submission of its initial year ahead load forecast, the LSE may choose not to procure RA capacity for that incremental load because its initial year ahead load forecast is "binding." This would result in cost shifting

¹¹ See *id.* at 29-31, OP 13.

¹² *Id.* at 30 (emphasis added).

¹³ *Id.* at 29.

between the load-gaining LSE and the load-losing LSE. That outcome is not consistent with the new requirement that “load migration” (as defined in the PD)¹⁴ shall be the only allowable reason for differences between initial and final year ahead load forecasts.

To address this loophole, the Commission should clarify that LSEs cannot take actions to add incremental load above their initial year ahead load forecast (e.g., due to changes to approved implementation plans or new service requests) during the RA year unless it corresponds to a concurrent agreement between LSEs and approved by the Commission to transfer RA capacity among the LSEs in an amount sufficient to meet the needs of the incremental load migration. This restriction would not apply to the POLR, which is obligated to serve incremental load as a result of action or inaction of other LSEs, as discussed in Section II. In addition, LSEs should be responsible for all procurement costs (including RA capacity costs) associated with the load reflected in their initial year ahead load forecast.

V.

THE COMMISSION SHOULD CLARIFY THE PD’S LANGUAGE REGARDING THE PROPOSED DATA TRANSFER PROCESS

The PD adopts a modified proposal to standardize data transfer and handling between IOUs and non-IOU LSEs.¹⁵ Although SCE does not generally object to a data transfer process, the PD’s description of the process should be modified to avoid unnecessary ambiguity. Specifically, the data transfer process should recognize that any data transfer is limited to data that the IOUs currently have or can reasonably assemble. Data requests to the IOUs should not

¹⁴ The PD defines “load migration” to mean both: (1) load effects resulting from customers’ retail electric service transferring directly from one LSE to another LSE in the same Transmission Access Charge area, and (2) load effects that an LSE cannot reasonably predict and include in an implementation plan or in an initial year ahead load forecast. *Id.* at OP 11.

¹⁵ See *id.* at 35-36, OP 15.

be unlimited. As such, SCE recommends the following modifications to the proposed data transfer process as summarized in OP 15:

A modified version of Energy Division's proposal to standardize data transfer and handling is adopted, as follows:

- a. Community Choice Aggregators (CCA) and Electric Service Providers (ESP) must request from investor-owned utilities (IOU) ~~any~~ load data they will use in developing year ahead forecasts by January 15 of a given year (the year prior to the year for which they are developing forecasts);
- b. IOUs must provide CCAs and ESPs with the requested load data by March 1 that the IOUs currently possess or can assemble with a reasonable effort, in a manner consistent with the IOUs' CCA tariffs;
- c. ~~At a minimum, t~~The load data IOUs provide shall include the following:
 - i. Hourly meter data for the previous year for each individual account in each jurisdiction requested by the given ESP or CCA, provided the request is consistent with the IOUs' CCA tariffs, and
 - ii. Hourly meter data for at least the two years preceding the previous year for each individual account in each jurisdiction requested by the given ESP or CCA, provided the request is consistent with the IOUs' CCA tariffs, excluding any data that the IOU provided to the same CCA or ESP in an earlier year and that has not been corrected or otherwise updated since that earlier provision.

VI.

CONCLUSION

SCE appreciates the opportunity to provide comments on the PD and recommends that the Commission adopt the PD with the modifications discussed herein.

Respectfully submitted,

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