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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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Order Instituting Rulemaking to Oversee	)	
The Resource Adequacy Program,	)	Rulemaking 17-09-020
Consider Program Refinements, and	)	(Filed September 28, 2017)
Establish Annual Local and Flexible	)	
Procurement Obligations for the 2019 and	)	
2020 Compliance Years	)	
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SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) REPLY COMMENTS ON TRACK 3 PROPOSALS

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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)
REPLY COMMENTS ON TRACK 3 PROPOSALS

I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (the "Commission" or "CPUC") and the *Amended Scoping Memo and Ruling of Assigned Commissioner* ("Amended Scoping Memo") issued in the above-captioned proceeding on January 29, 2019, San Diego Gas & Electric Company ("SDG&E") submits these reply comments in response to proposals for refinements to the Commission's Resource Adequacy ("RA") program offered in Track 3 of the instant proceeding.

II. DISCUSSION

In its opening comments, SDG&E responded to stakeholder proposals for refinements to the Commission's RA program rules. SDG&E replies below to opening comments offered by parties on Track 3 proposals, including comments regarding SDG&E's proposed modification of rules related to RA waiver requests.

A. SDG&E's RA Waiver Proposal

SDG&E proposes that the Commission revise its rules governing RA waiver requests to establish transparent evaluation criteria for partial-year RA offers that would provide greater certainty to load-serving entities ("LSEs"). Specifically, SDG&E proposes adoption of a mechanism for evaluating partial-year RA offers that would allow an LSE receiving a partial-year RA offer to calculate an "equivalent" annual RA offer price for purposes of comparison with the kW-year capacity cost trigger price for RA waivers. Currently, there exists no clear guidance concerning what monthly RA offer price the Commission would generally consider to be too high. SDG&E's proposal would provide LSEs with more helpful direction, while still retaining the Commission's ability to exercise its judgement to determine what is reasonable in the specific instance.

SDG&E proposes 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 current $40/kW-year capacity cost trigger.[1/] Pacific Gas and Electric Company ("PG&E") supports this proposal in concept, but instead of the monthly weighted average 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 area. [2/] Since the prices in Table 9 of the Annual RA Report are inclusive of all transactions and not specific to one local area, PG&E's proposal would require Staff to provide the monthly prices by each local capacity area.

1/ The Commission's Energy Division Staff ("Staff") has separately proposed to update the $40/kW-year local capacity cost trigger to reflect current market conditions for local RA capacity. *Energy Division Proposals for Proceeding 17-09-020: 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*, filed March 4, 2019 ("Staff Proposal"), p. 24.

2/ *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 Comments"), p. 9.

SDG&E agrees that publishing monthly capacity prices for each local capacity area would provide useful and relevant information. 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.

Like PG&E, the Public Advocates office ("CalPA") supports SDG&E's proposal, but takes issue with SDG&E's proposed data set for creating the "equivalent" full-year capacity offer.[3/] CalPA's concern with SDG&E's proposal to use the monthly weighted average price of the local area appears to be the assumption that the monthly weighted average price would be derived by dividing an annual figure by twelve in order to create a single monthly rate for each month of the year.[4/] This assumption is incorrect. The monthly weighted average price published in the annual RA report is not an annual number divided by twelve; rather it is calculated on the basis of monthly data provided to the Energy Division.

Thus, CalPA's proposal that the Energy Division "consider the weighted average monthly rates within a local area for each month a contract offer is not providing RA," but that "Energy Division need not make the monthly rate of each local area public,"[5/] is inapposite. Energy Division already develops weighted average monthly rates for each local area and

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3/ *Comments of the Public Advocates Office on Resource Adequacy Track 3 Proposals and Energy Division's Effective Load Carrying Capability Proposal*, filed March 22, 2019 ("CalPA Comments"), p. 10.

4/ *Id*.

5/ *Id*.

provides those values publicly. Moreover, using non-public data to create the "equivalent" full-year capacity offer would not achieve the goal of providing greater transparency and certainty to LSEs seeking a capacity waiver. The point of SDG&E's proposal is to provide LSEs and Staff a tool for assessing partial-year capacity offers; LSEs and Staff must be able to compare partial-year offers against the full-year trigger price.

NRG notes that it does not support SDG&E's proposal, but suggests a modification to the proposal in the event the Commission elects to adopt it.[6/] NRG proposes that the missing months of the "equivalent" full-year capacity offer be filled in "with actual capacity prices that the seller is earning from another buyer."[7/] This proposal seems unworkable. NRG's proposal would appear to require sellers of capacity to submit pricing and contract data to the Energy Division in order to create the data set needed for Commission evaluation of partial-year capacity offers. It would also be necessary for sellers to provide such data to the LSEs during the solicitation process to enable the LSEs to accurately evaluate the partial-year offer with respect to the full-year RA waiver trigger price. Sellers do not provide this information today and it is not clear that they would be willing to do so.

B. Proposed Refinements to Third-Party Demand Response Qualifying Capacity Methodology

PG&E and Southern California Edison Company ("SCE") propose to use the Load Impact Protocols ("LIP") for all third-party demand response ("DR") in order to ensure consistency in the methodology used to assign qualifying capacity ("QF") across DR programs.[8/]

6/ *NRG Energy, Inc. Opening Comments on Track 3 Proposals*, filed March 22, 2019 ("NRG Comments"), p. 14.

7/ *Id*.

8/ *Track 3 Proposals of Pacific Gas & Electric Company*, filed March 4, 2019 ("PG&E Proposal"), pp.4-5; *Southern California Edison Company's Track 3 Proposals*, filed March 4, 2019 ("SCE Proposal"), pp. 8-9.

SDG&E supports PG&E and SCE's LIP proposals for third party DR resources. CPower/Enel X North America, Inc./EnergyHub ("Joint DR Parties") and OhmConnect oppose these proposals.[9/]

The Joint DR Parties argue 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, based upon the concern that "Commission Staff engaged on RA may not be sufficiently immersed in the issues and intricacies of the DR applications to make a judgement in isolation."[10/] Similarly, while OhmConnect acknowledges the need for a means of establishing QC and does not oppose PG&E's and SCE's LIP proposals, it argues that the proposals should be considered in A.17-01-012 in order to "avoid duplication of work, miscommunication and misalignment."[11/]

The Commission should reject the suggestion that consideration of PG&E's and SCE's LIP proposals for third party DR resources be taken up in A.17-01-012 or a successor proceeding. The Commission has made clear that "resource adequacy policies will be determined in the resource adequacy rulemaking."[12/] Since the policy issue – *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.

9/ *Comments of CPower, Enel X North America, Inc., and Energy Hub ("Joint DR Parties") on Track 3 Proposals and Workshop and Staff ELCC Proposal*, filed March 22, 2019 ("Joint DR Parties Comments"), p. 6; *Comments of OhmConnect, Inc. to Parties Track III Proposals*, filed March 22, 2019 ("OhmConnect Comments"), p. 2.

10/ Joint DR Parties Comments, p. 6.

11/ Ohm Connect Comments, p. 2.

12/ D.17-10-017, p. 63.

III. CONCLUSION

SDG&E respectfully requests that the Commission rule on the proposals submitted in Track 3 of the instant proceeding in accordance with the comments provided herein and in SDG&E's opening comments.

Respectfully submitted this 29th day of March, 2019.

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