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 PROPOSALS OF THE CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

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For: CENTER FOR ENERGY EFFICIENCY AND RENEWABLE TECHNOLOGIES

March 4, 2019

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The Center for Energy Efficiency and Renewable Technologies (CEERT) respectfully submits these CEERT's Track 3 Proposals in Rulemaking (R.) 17-09-020 (Resource Adequacy (RA)). CEERT's Track 3 Proposals are filed and served pursuant to the Commission's Rules of Practice and Procedure and the Amended Scoping Memo and Ruling of Assigned Commissioner, issued on January 29, 2019 ("Amended Scoping Memo").

I. OVERVIEW

The Amended Scoping Memo identifies five (5) main issue areas as being within the scope of Track 3 of this proceeding: (1) Adoption of the 2020 Local Capacity Requirements (LCR), (2) Adoption of the 2020 Flexible Capacity Requirements (FCR), (3) Adoption of the 2020 System RA Requirements, (4) Further Refinements to the RA Program and (5) Consideration of Other Modifications and Refinements to the RA Program as Identified in Proposals by Energy Division or by Parties. CEERT's Track 3 Proposals, as described below, address the fourth and fifth topic areas.

There is no dispute that "eventually," preferred resources will provide the bulk of Essential Reliability Services including Local Capacity Requirements (LCRs) that are the focus of this round of the RA Program. With one minor but important exception, neither the Track 1 nor the Track 2 decisions deal with this transition. That exception was the Track 1 finding that removes the

archaic prohibition against hybridizing storage and Demand Response (DR).[1] Even this obvious and modest change to RA protocols has not been fleshed out in Track 2. CEERT makes two proposals for Track 3 that advance the transition to reliance on preferred resources for LCRs.

II.
CEERT'S TRACK 3 PROPOSALS

While this RA proceeding has not dealt with preferred resources in any depth, three "special circumstances" preferred resource LCR procurements occurred in 2018. CEERT's first Track 3 proposal is to hold a workshop to discuss lessons learned from these groundbreaking procurements.

The Oakland Clean Energy Project[2] to replace the most inefficient, polluting, and expensive fossil power plant in California with a portfolio of transmission upgrades, battery storage, energy efficiency and local solar is notable in several respects:

- It is a collaborative procurement among the California Independent System Operator (CAISO), East Bay Community Energy, and Pacific Gas and Electric (PG&E).
- Some of the storage is financed on a Federal Energy Regulatory Commission (FERC) regulated rate base as a transmission asset.
- Many of the elements procured have zero Net Qualifying Capacity (NQC) by current RA counting rules but contribute substantially to the portfolio solution.
- Proposed contract terms and conditions represent a significant advance over previous attempts at balancing reliability, cost, and commercial viability.

The Southern California Edison (SCE) Moorpark/Goleta Request for Proposals (RFP)[3] avoids the construction of a new gas fired generator on the beach in Oxnard next to a state park through a combination of transmission upgrades and portfolio(s) of preferred resources. SCE plans to announce the results of the Request for Offers (RFO) with an Advice Letter filing

[1] D.18-06-030, Ordering Paragraph 14, at p. 54.
[2] *See, eg*, Oakland Clean Energy Initiative RFO Solicitation Protocol April 13, 2018, at www.pge.com/pge-global/common/pdfs/for-our-business-partners/energy
[3] *See* https://scemoorparkgoletarfp.accionpower.com/_scemg_1701/home.asp

planned for April 5, 2019. It is notable in that the RFO was revised following the Track 1 finding to remove the prohibition on combining storage and DR and proposes a modest first step at modifying RA counting rules to take advantage of that combination.[4]

The South Bay/Moss Landing storage procurement[5] that uses storage to obviate the need for backup procurement of existing natural gas at full long run marginal cost and the exercise of market power by a pivotal supplier is notable not only for its size, but the speed of the procurement process.

Once the Advice Letters requesting approval of the contracts resulting from the RFO/RFPs have been filed, CEERT recommends that a Workshop be held in Track 3 of this proceeding to discuss lessons learned and recommendations for potential amendments to the "2019 Filing Guide for System, Local and Flexible Resource Adequacy (RA) Compliance Filings" (RA Guide), CAISO planning and dispatch protocols, and Load-Serving Entity (LSE) contracting practices.

These procurements were possible and cost-effective because the avoided cost of continued reliance on fossil resources for LCR in these special circumstances were high. Anecdotal evidence based on this experience suggests that it is possible that creative combinations of preferred resources could be cost-effective today versus the short run marginal cost-plus fixed operations and maintenance (O&M) costs that presumably forms the basis for competitive bids to supply LCR from existing gas fired resources if and only if CAISO dispatch protocols and CPUC RA counting rules are modified to accommodate unique portfolios of preferred resources.

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[4] *See, e.g.,* "2018 Moorpark/Goleta RFP Pro Forma Demand Response Purchase and Sale Agreement" Final 2018-10-12 which can be found at https://scemoorparkgoletarfp.accionpower.com/_scemg_1701/documents.asp?Col=DateDown.

[5] Resolution E-4909.

These portfolios might include transmission upgrades as well as mixes of preferred resources that do not currently even qualify for RA purposes or whose NQC calculated by existing rules do not represent the true portfolio value of these resources. Examples include batteries with less than four-hour duration, so called "slow response" DR with greater than 20-minute activation time, or local solar photovoltaic (PV) whose NQC have been depressed due to saturation pushing the peak load into the evening but are perfectly suited to supply recharge energy to batteries that are also located in the load pocket but not directly connected. CEERT makes the following proposal for Track 3 to test this proposition.

CEERT's second proposal for Track 3 is to take advantage of CAISO's new Local Capacity Requirements Technical Study process that publishes not only the Megawatt (MW) peak LCR need in each sub-area load pocket, but also the Megawatt-Hour (MWH) need and the hourly shape of that energy need. This critical enhancement to CAISO's need determination allows calculation of a "portfolio NQC" for a collection of individual resource components in each sub-area load pocket during a contingency event that creates a real time LCR need. CEERT proposes the following for consideration in Track 3:

- At any point in the RA cycle, any LSE that has a LCR obligation or is subject to Cost Allocation Mechanism (CAM) cost allocation for that LCR need can propose a preferred resource portfolio of resources located within the load pocket plus specific transmission upgrades to reduce that LCR need for showing in the next or subsequent RA cycles.

- After that proposal is made, a single "portfolio NQC" will be calculated for the sum of all the elements in that portfolio using the same study protocols used by the CAISO to determine the LCR need. The portfolio NQC will quantify the ability of that portfolio to reduce or eliminate the identified LCR need and will reduce the LCR obligation or CAM allocation of that LSE accordingly if and when placed in service.

- Any "surplus" NQC over the LSE's obligation can be sold to other LSEs who have an LCR obligation or CAM allocation in the same sub-area, and such purchase would reduce the purchasing LSE's LCR allocation and/or CAM allocation. Any element(s) of that portfolio will also be eligible to receive a discrete NQC value calculated by standard

Commission/CAISO protocols for system and/or flexible RA at the request of the proposing LSE.

- The must offer obligation of the portfolio for LCR purposes is modified as follows:
    - The portfolio as a whole need not be bid into the CAISO real time or day ahead energy or ancillary services markets, but must be committed in the day ahead Residual Unit Commitment process (RUC) to be available to supply LCR in real time if a contingency event occurs that triggers an actual LCR need. The LSE will be responsible for dispatching its portfolio resources to meet the LCR need in any dispatch period as identified by the CAISO up to the portfolio LCR NQC.
    - The CAISO will pay the LSE for services rendered at the real time energy and ancillary services prices for that sub-area at the time the services are rendered.
    - If any element of the portfolio is also used to satisfy a system or flexible RA obligation, or bid into CAISO energy or ancillary services markets, the standard must offer obligation, dispatch and settlement protocols would apply.

The above bullet points represent only the principal provisions of the proposal. Details would be worked out in a Commission-sponsored Workshop and/or standard CAISO stakeholder initiative. CAISO tariff, RA counting rules and RA Guide revisions must be made accordingly.

III.
CONCLUSION

For the reasons detailed above, it is CEERT's position that Track 3 of this RA cycle include (1) a Workshop to discuss lessons learned from the three 2018 preferred resource LCR procurements, and (2) a Portfolio NQC procedure for preferred resources be adopted for LCR purposes.

Respectfully submitted,

March 4, 2019 /s/ MEGAN M. MYERS

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