

**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)

**SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E)
OPENING COMMENTS ON TRACK 3 PROPOSALS**

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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 opening 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

SDG&E responds below to proposals offered by stakeholders on the indicated topics. To the extent SDG&E is silent regarding a particular topic or proposal, its silence is not intended to indicate agreement or support. SDG&E reserves the right to comment on proposals that are not addressed herein.

A. *Load Forecasting Proposals*

(i) *Energy Division Proposal*

In the *Staff White Paper and Proposal A: Updates to the RA Forecasting Process* (“Staff Proposal”) Energy Division staff (“Staff”) propose several revisions to the historic data and year-

ahead forecast requirements.^{1/} Of note, Staff propose that “[b]eginning with the 2020 year ahead forecast process, both [investor-owned utilities (“IOUs”)] and [Community Choice Aggregators (“CCAs”)] should provide their assumed transition schedule of number of accounts by CCA, month, and class.”^{2/} While SDG&E does not necessarily object to this requirement, it points out that it does not independently develop such data and anticipates that the transition schedule it would submit will simply reflect the transition schedule filed by the CCA as part of its notification.

The Staff Proposal also recommends changes to the forecast adjustment process and the introduction of an Annual Forecast Adjustment Workshop intended to provide greater transparency regarding the forecast adjustments.^{3/} While SDG&E supports transparency as a general principle, it is important to ensure that modifications to the forecasting process do not run afoul of the Commission’s existing confidentiality rules established in Decision (“D.”) 06-06-066, *et seq.* Load forecast data (*e.g.*, LSE peak load bundled customer data, LSE total energy bundled customer load data, LSE total peak load forecast data by service area) is protected under the confidentiality matrix (“Matrix”) adopted in D.06-06-066 for a period of three years forward.^{4/} Similarly, historical demand data (*e.g.*, bundled customer peak demand, total planning area hourly peak demand for the last historical year until such information is made public by the Federal Energy Regulatory Commission [“FERC”]) is protected under the Matrix.^{5/} The

^{1/} Staff Proposal, pp. 13-14.

^{2/} *Id.*, p. 14.

^{3/} *Id.*, pp. 14-15.

^{4/} D.06-06-066, Appendix 1, Matrix categories V.B (LSE Total Peak Load Forecast – Bundled Customer (MW)); V.C. (LSE Total Energy Forecast - Bundled Customer (MWh)) and V.D. (LSE Peak Load Forecast by Service Area).

^{5/} *Id.*, Matrix categories X.A (bundled customer total historical peak demand (MW)); X.B. (Bundled customer historical peak demand by customer class); X.C (IOU planning area historical peak demand).

Commission’s protection of load forecast and historical demand information in the Matrix signifies that the Commission has deemed this information to be market-sensitive data that must be protected from disclosure under Public Utilities Code Section 454.5(g).^{6/} Thus, it would be improper for market participants to have access to the load forecast data of IOUs (and CCAs); disclosure could result in market manipulation that would ultimately harm customers. Accordingly, the proposed Annual Forecast Adjustment Workshop must avoid public disclosure of load forecast and historical demand data protected under the Commission’s confidentiality rules.

(ii) PG&E Proposal

Pacific Gas and Electric Company (“PG&E”) proposes that all Commission-jurisdictional load-serving entities (“LSEs”) submit multi-year load forecasts in accordance with the multi-year Local RA construct adopted in D.19-02-022 in order to determine the Local RA requirements for each LSE for each of the three forward years.^{7/} SDG&E supports PG&E’s proposal as an effective means of improving the accuracy of LSE allocations in Years 2 and 3 of the multi-year requirement. SDG&E notes, however, that this proposal does not fully address load migration when new CCAs submit implementation plans in Year 1 to start in Year 2. When this occurs, the incumbent LSE may have procured additional capacity on behalf of those customers that depart, which would then require further adjustments in the following year-ahead process.

^{6/} See D.06-06-066, Ordering Paragraph 2.

^{7/} PG&E Proposal, p. 5.

B. Effective Load Carrying Capability Proposals

(i) Energy Division Proposal

a. Variable Energy Resource Curtailments

During the March 12-13 workshop held to discuss Track 3 proposals, a question was raised regarding whether the forecasted production data used to calculate the Effective Load Carrying Capability (“ELCC”) takes into account any potential forced outage rate. In response, Staff indicated that because the historic settlement data embeds the result of derated production due to any forced outages that occurred in the past, the forecasted data effectively embeds such forced outages within the forecast. SDG&E does not take issue with how the forecast is generated based on historic settlement data, but it is concerned that because Staff is using settlement data for all internal California Independent System Operator (“CAISO”) wind and solar resources, the settlement data is not an accurate representation of how much a resource may generate at a particular time because the CAISO may have instructed the resource to curtail its output. Because the historic data was cut, the forecast production profile of wind and solar resources would also be reduced.

SDG&E offers two potential approaches to resolving this issue. The simplest method would be to incorporate the curtailment on an hourly basis with the settlement data, thereby reconstituting the historic production of wind and solar resources. The CAISO publishes the total curtailments for wind and solar resources on its website.^{8/} This method works for the current ELCC method since the current ELCC calculation does not account for location or different resource technology within a resource type.

^{8/} See <http://www.caiso.com/informed/Pages/ManagingOversupply.aspx#dailyCurtailment>.

The second, more complex option would be necessary if the Commission were to develop location- and technology-specific ELCC ratings. This approach would involve using historic production data without curtailments for each specific resource. Individual resource production data without curtailment embedded may be more difficult to obtain from the CAISO. In that event, Staff could consider using the CAISO forecast data for each resource. If the forecast is utilized, it would be necessary for Staff to calibrate its model to correct for inherent forecast error. This methodology should be considered when Staff calculates ELCC values for location- and technology -specific characteristics of wind and solar resources.

b. Diversity and Storage ELCC

Staff elected not to propose an explicit ELCC value for storage. Instead, Staff proposes to assign storage a Qualifying Capacity (“QC”) of 100 percent of its rated discharge capability.^{9/} SDG&E supports this approach since current computations performed to determine an ELCC value for storage are producing results that are counter-intuitive and, as yet, unexplained. Specifically, the modeling to date indicates that the ELCC for storage devices will exceed the ELCC for an idealized gas turbine (*i.e.*, a gas turbine that is always available, has an infinite up- and down- ramp rate, and is never fuel-limited). While a storage device can operate across the full range between its maximum charge rate and maximum discharge rate, it can only do so if it has the time to charge.^{10/} Until it is demonstrated that the storage device is contributing to supply reliability when charging, it is appropriate to limit the storage QC to 100 percent of the device’s rated discharge capability.

^{9/} See Staff ELCC Proposal, Slide 17.

^{10/} An idealized 10 MW gas turbine has an operating range of 0 MW to 10 MW, with no other constraints. A 10 MW storage device has an operating range of -10 MW to 10 MW, but its ability to discharge is constrained by its need to be charged. Similarly, the storage device’s ability to charge is constrained when the device is already charged.

For stand-alone storage applications, SDG&E does not support allocating any of a storage device's ELCC to other resources as a "diversity benefit." Allocating a portion of the storage device's ELCC to other technologies overstates the reliability contribution of such other technologies and understates the reliability contribution of the storage device. For paired-storage applications, ELCCs should be determined based on the combined facility.

Because it is the controlled output of the storage device itself that is contributing to supply reliability, it is not correct to assign any of the storage device's ELCC to wind and solar resources as a "diversity benefit." Diversity benefits are a function of the intermittent nature of wind and solar output. Accordingly, the ELCC that derives from such diversity should be allocated between the wind and solar portfolios based on the respective size of each portfolio.

c. Behind-the-Meter ELCC and Expanding Location and Resource Classes

As SDG&E has explained previously, the Commission should treat behind-the-meter ("BTM") photovoltaic ("PV") as a supply-side resource rather than as a load modifier.^{11/} This will ensure that BTM PV resources receive the same treatment as other in-front-of-the-meter solar resources. In addition, the Commission should expand the technology type and location mix examined to appropriately account for differences in ELCC values and reliability contributions.

^{11/} See, e.g., *Joint Update of Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Administrative Law Judge's Ruling Accepting into the Record Revised Energy Division Staff Paper on the Use of Effective Load Carrying Capability for Renewables Portfolio Standard Procurement and Setting Schedule*, filed in 15-02-020 on May 31, 2017.

C. Path 26 Constraint Proposals

(i) SCE Proposal

Southern California Edison Company (“SCE”) proposes to eliminate or significantly modify the Path 26 constraint to allow LSEs to procure capacity above their respective limitations.^{12/} SDG&E questions the need for the drastic measure of eliminating the constraint. The constraint was created to ensure reliability on the Path 26 line; a line that all LSEs pay for via the CAISO’s Transmission Access Charge (“TAC”). Removal of the constraint would allow one LSE to use the allocation that is paid for by another LSE. SCE acknowledges that Path 26 counting rights are not readily traded.^{13/} There are two reasons for this: First, sufficient capacity existed in the past to allow LSEs to procure the necessary capacity within each zone. As more resources have elected to retire, the need to find capacity elsewhere has increased, which means that a single LSE may need to procure capacity in a different zone. Second, SDG&E has swapped capacity in the North zone for capacity in the South zone with other LSEs to comply with the constraint. This method does not limit the number of sellers because only specific LSEs have North to South Path 26 counting rights. This allowed SDG&E to transact with LSEs in the North who had capacity in the South, but not the counting rights. Additionally, LSEs have the capability to procure import RA in the respective zones to meet the System RA requirements. SCE’s most recent 2019 and 2020 RA Request for Offers (“RFO”) solicited Path 26 counting rights. The Commission should evaluate the response received to SCE’s RFO and consider the reasons the solicitation did or did not result in procurement of Path 26 counting rights.

SDG&E acknowledges that as supply in one area tightens, the constraint will become increasingly consequential. However, the prudent approach is to resolve this concern through

^{12/} SCE Proposal, p. 10.

^{13/} *Id.* p. 11.

proper planning and building of new resources in capacity-constrained areas rather than in the elimination of the constraint itself. Accordingly, SDG&E does not support SCE's proposal to eliminate or significantly modify the Path 26 constraint.

(ii) **Staff Proposal**

Similar to SCE, Staff also proposes to eliminate the Path 26 counting rules. As support for this proposal, Staff observes that "LSEs have not exceeded their collective Path 26 allocations in recent years."^{14/} Staff analyzed the current capacity supply in both North and South zones and compared it to the 2020 forecasted needs to conclude that LSEs collectively exceeding the limit would be "dependent on the unlikely interaction of three extreme scenarios."^{15/}

SDG&E submits that the Staff proposal is incomplete. First, as Staff acknowledges, the CAISO opposed a similar proposal submitted by PG&E in 2017, citing the continued reliability concerns.^{16/} While a workshop ordered by D.17-06-027 was held by the Commission to study the issue, the CAISO's concerns have not been resolved. At the March 12-13 workshop, the CAISO noted that it would continue to study and monitor the Path 26 restrictions for reliability purposes if the Commission were to adopt this proposal. Second, Staff did not evaluate whether LSEs have individually exceeded their respective Path 26 constraints, or the results of any such occurrences. Finally, the Staff proposal does not resolve the fair usage of the Path 26 high voltage transmission path that all LSEs pay in as part of TAC.

^{14/} Staff Proposal, p. 29.

^{15/} *Id.*, p. 34.

^{16/} *Id.*, p. 27.

D. Waiver Proposals

(i) Staff Proposal for Local RA Waiver Trigger Price

Staff proposes to modify the Local RA waiver trigger price from \$40/kW-year to \$51/kW-year.^{17/} The proposed Local capacity trigger price is based on “the 85th percentile of monthly prices paid for local RA south of Path 26 [at] \$4.25/kW-month.”^{18/} Thus, the annualized value of the monthly price is \$51/kW-year. The current \$40/kW-year price was established based on the calculation of The Utility Reform Network (“TURN”) of capacity cost that was based on an Independent Energy Producers association (“IEP”) settlement.^{19/} SDG&E supports revisiting the Local capacity trigger price that was originally established in 2006.

Staff does not propose to modify the current \$73/kW-year trigger price for a bundled capacity and energy product. However, to the extent the Commission is moving away from the IEP settlement amount and reevaluating the Local RA trigger price, SDG&E recommends reconsideration of the \$73/kW-year trigger price for the capacity and energy product as well. SDG&E additionally notes that if a central buyer is established in the future to procure a bundled capacity and energy product from the bilateral market, the Commission may need to update the bundled product trigger price to serve as a check on market power.

(ii) Staff Proposal for Path 26 Zonal Waiver Process

Staff proposes to establish a waiver process for LSEs that exceed their Path 26 zonal requirements.^{20/} An LSE is eligible to request a waiver if it has “made all commercially reasonable efforts to acquire in the zone where it is needed (North or South of Path 26) and has

^{17/} *Id.*, p. 24.

^{18/} *Id.*

^{19/} D.06-06-064, pp. 71-72; footnote 20.

^{20/} Staff Proposal, p. 25.

made all commercially reasonable efforts to acquire Path 26 allocations.”^{21/} While SDG&E supports the concept of a waiver, the proposal lacks sufficient details to be implemented at this time. Before a waiver process such as that proposed by Staff could be adopted, open questions including those set forth below must be resolved:

1. Does this waiver apply to the year ahead or month ahead System RA compliance showing?
2. What is the definition of all commercially reasonable efforts?
3. How many solicitations must the LSE issue and/or respond to?
4. Is there a similar price trigger at which the Energy Division would consider the waiver?
5. What if the LSE has sufficient capacity but insufficient Path 26 counting rights? Do those resources still have a must offer obligation?
6. When will the waiver be approved?

(iii) **Staff Proposal for Advice Letter Process for Waiver Requests**

Staff proposes to require Local waiver requests to be submitted through a Tier 2 Advice Letter process.^{22/} Staff reasons that as waiver requests have increased, so too have Public Record Act (“PRA”) requests for waiver information, but that responses to such PRA requests have been provided only to the requesting parties rather than to all parties. Staff suggests that requiring requesting LSEs to submit waiver requests through a Tier 2 Advice Letter process will increase transparency and facilitate dissemination of waiver request information.

SDG&E does not support this Staff proposal. First, it is redundant; D.19-02-022 now requires Staff to report on Local RA deficiencies and waiver requests.^{23/} Second, requiring a

^{21/} *Id.*

^{22/} *Id.* Staff also proposes to require this submission for its Path 26 waiver request proposal. SDG&E assumes this requirement would also apply to other waiver proposals submitted by other parties, if adopted.

^{23/} D.19-02-022, Ordering Paragraph 16(3).

Tier 2 Advice Letter filing in order to request a waiver would create unnecessary burden and delay. Indeed, the Commission pointed out in D.06-06-064 that “a waiver process that requires formal Commission action can be cumbersome and leave parties in a state of uncertainty.”^{24/} It is clear that the public interest is not served by a drawn-out process for requesting a waiver of capacity requirements. To address concerns regarding transparency, SDG&E proposes that the Commission post non-confidential information regarding an LSE’s request for waiver on the Commission website. This would resolve the transparency issue in a straightforward way that avoids imposition of undue burden.

(iv) SCE Proposal for System and Flexible RA Waiver Process

SCE proposes use of the CAISO’s Capacity Procurement Mechanism (“CPM”) soft-offer cap of \$75.68/kW-year as a trigger price for waiver.^{25/} SCE reasons that because CPM soft-offer cap “was established by the CAISO and filed and approved by the FERC as a price intended to reflect the costs likely to enable most generation to cover its going forward fixed costs and to return some amount to cover other fixed costs, it would be reasonable to set the threshold for system and flexible waiver requests at the soft-offer cap.”^{26/} SDG&E disagrees with SCE on this point.

The CAISO CPM allows it to backstop procure Local resources, which generally command a higher price than System and/or Flexible-only resources. In reviewing Table 9 of the most recent Commission RA report,^{27/} the 85th percentile of all capacity contracted for years 2017 – 2021 aggregates to \$46.02/kW-year. This table includes all Local and System capacity;

^{24/} D.06-06-064, pp. 73-74.

^{25/} SCE Proposal, p. 17.

^{26/} *Id.*

^{27/} 2017 RA Report, p. 29. Available at:
<http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442458520>.

the report does not make public a System-only capacity price by month. The Commission could consider incorporating a 20 percent adder to the \$46.02/kW-year to allow for a higher standard for LSEs to procure System and Flexible RA capacity. This method was incorporated into the CAISO's development of the soft-offer cap.^{28/} If so, then this would yield a trigger price of \$55.22/kW-year.

The Commission should also consider this proposal in parallel with SCE's proposal concerning unbundling of Flexible from System and Local RA attributes. If Flexible RA attributes are able to be procured separate from the System and Local RA attributes, the pricing of Flexible RA may not reach the trigger price of the bundled product.^{29/} If Flexible RA is unbundled, then a separate trigger price may need to be considered if the System and Flexible RA waiver is adopted.

(v) **PG&E Proposal for Local Penalty Waiver**

PG&E proposes to modify the Local waiver process to require LSEs who may be seeking a waiver for not meeting Local RA requirements to not only issue solicitations to buy Local RA capacity, but to also participate in other Local RA capacity solicitations from other sellers.^{30/} While SDG&E agrees in principle that LSEs should make a concerted effort to procure Local RA when deficient in order to meet Local RA requirements, PG&E's prescriptive proposal is not necessary. The Commission has granted Energy Division broad discretion to handle waiver

^{28/} CAISO Tariff, Section 43A.4.1.1.2.

^{29/} SDG&E assumes in this instance that a resource would have both Flexible RA capacity as well as System RA capacity. If a resource only has Flexible RA capacity, then the price trigger may be completely different from that of existing products. SCE contemplates Flexible RA only resources that may not have traditional NQC values.

^{30/} PG&E Proposal, pp. 8-9.

requests.^{31/} Moreover, PG&E’s proposal lacks necessary detail – for example, it does not identify the number of solicitations an LSE must participate in order to qualify under this new rule – and could impose requirements that are unreasonable or unenforceable. The proposal would require Staff to solicit additional confirmation from sellers providing confidential bid information; such sellers may not be Commission jurisdictional entities or buyers may not be aware of a seller’s solicitation.

E. Proposals to Unbundle Flexible and System Capacity

(i) SCE Proposal

SCE proposes to allow Flexible RA attributes to be transacted independently from System and Local RA attributes, explaining that it has received requests from third parties to transact only the flexible RA portion of a resource.^{32/} SCE notes that if it were “long on Flex RA but holding just enough to meet its System and Local RA requirements, the opportunity to sell the excess flex would only be possible if SCE could sell bundled with the system/local and then do a separate purchase to obtain the needed system/local due to the bundled sale requirement.”^{33/} SDG&E previously raised this issue in an prior RA cycle.^{34/} The Commission elected in D.16-06-045 to defer consideration of this unbundling proposal until “a more durable flexible product” is developed.^{35/} Unfortunately, a durable flexible capacity product was not adopted the following year.^{36/}

^{31/} D.06-06-064, p. 73 (“An LSE’s waiver request that meets these requirements is a necessary but not a sufficient condition for the grant of such waiver. The Commission will also consider other information brought to its attention regarding the reasonableness of the waiver request.”).

^{32/} SCE Proposal, p. 14.

^{33/} *Id.*

^{34/} *Comments of San Diego Gas & Electric Company on Administrative Law Judge’s Ruling Seeking Party Comments and Proposals*, filed in R.14-10-010 on January 16, 2015, pp. 7-8.

^{35/} D.16-06-045, Conclusions of Law 13.

^{36/} D.17-06-027, Ordering Paragraph 4.

SDG&E's continues to support unbundling Flexible RA from System and Local RA, and thus supports SCE's proposal. SDG&E submits, however, that this unbundling should be limited to RA transactions for delivery within the current compliance year. The Commission has established the requirement that if an LSEs procures Local capacity to meet its multi-year local RA requirement and that Local RA is capable of providing the Flexibility attribute, the LSE should procure the Flexible attributes along with the Local capacity.^{37/} SDG&E believes that as LSEs procure Local and Flexible capacity to meet their multi-year Local RA requirements, the LSEs would be able to transact the flexibility RA attribute in the year-ahead and month-ahead timeframes to optimize their portfolios to meet their Flexible RA requirements within the compliance year.

SCE's unbundling proposal envisions changes to the CAISO's deliverability study.^{38/} The modifications contemplated by SCE would enable certain resources to qualify for Flexible RA without having to qualify for System or Local RA requirements. The California Energy Storage Alliance ("CESA") and CPower, Enel X North America, Inc., and EnergyHub ("Joint Demand Response (DR) Parties") have offered similar proposals.^{39/} The proposals offered by these parties seek, in effect, to modify the QC methodology for certain resources such that the Effective Flexible Capacity ("EFC") value can be greater than the Net Qualifying Capacity ("NQC"). While SDG&E does not object to these proposals, it does not believe the unbundling of Flexible RA from System and Local RA attributes for transactional purposes should be dependent on the QC methodology or a new deliverability study. The Commission should consider SCE's transactional unbundling proposal separate from the QC capacity methodology

^{37/} D.18-06-030 p. 28.

^{38/} SCE Proposal, p. 14.

^{39/} CESA Proposal, p. 5; Joint DR Parties Proposal, p. 4.

proposal.

F. Load Impact Protocol Proposals

(i) SCE Proposal

SCE proposes to require third-party demand response (“DR”) resources to use Load Impact Protocols (“LIPs”) to determine the RA QC value rather than the contract capacity starting in compliance year 2020.^{40/} SDG&E supports this proposal inasmuch as the current methodology to determine the QC is not working as intended. Currently, the QC for third-party DR resources, particularly Demand Response Auction Mechanism (“DRAM”) resources, are based on contract quantity. However, because DRAM resources generally involve multiple resource IDs rather than a single resource ID, the QC of each resource is unrelated to the contract quantity itself. While the aggregate total of the various resource IDs may sum up to both the QC and the contract quantity during the delivery month, each individual resource does not equal the QC.

SDG&E has previously proposed that third-party DR providers (“DRPs”) utilize a simplified LIP analysis by limiting the amount of inputs as well as outputs of the current LIP analysis performed by the IOUs.^{41/} Third-party DRPs would only utilize two of the 27 protocols to determine the QC for the RA proceeding for event based resources. The two primary protocols that could be used for forecasts are #18 and #22. The forecast required by these ex-ante output protocols is calculated based on the ex-post historical results required by protocols #4 and #8. Therefore, a third-party DR provider only needs to use data that satisfies protocols #4 and #8 to calculate the monthly QC values that are required by #18 and #22. This only lowers

^{40/} SCE Proposal, p. 8.

^{41/} *Revised Proposal and Responses to ALJ Ruling of San Diego Gas & Electric Company*, filed in R.14-10-010 on March 25, 2016, p. 2

the threshold for third-party providers as the IOUs must continue to submit the data required for the entire LIP analysis. SDG&E believes the Commission could use a similar process to develop the “generic Load Impact”^{42/} for specific customer classes in each of the Local areas. The Commission may utilize all of the information submitted by IOUs and third-party providers annually to establish the generic values. However, once the DR resource has matured, the third-party DRP must use the simplified LIP analysis rather than the generic value.

While SDG&E also agrees with SCE’s method #2 of calculating the QC value as an alternative, SDG&E prefers SCE’s method #1 proposal.^{43/}

G. Other Proposals

(i) PG&E Proposal for Refinement of Hydro Resource QC Counting Rules

PG&E proposes to establish a workshop in Track 3 of this proceeding to develop a comprehensive approach for hydro resources that accounts for various environmental situations.^{44/} SDG&E supports PG&E’s proposal since NQC values of Local resources cannot be decreased after the year-ahead showing. Because the year-ahead showing occurs prior to the availability information critical to understanding the true NQC value, PG&E may have to “lock in” a capacity value. If PG&E were to show a lower capacity value in the year-ahead showing, it might be accused of withholding capacity and/or allowing CAISO to CPM the remaining capacity of the hydro resource. SDG&E notes, however, that the NQC value generally refers to the maximum instantaneous output in megawatts and not the total energy output in megawatt hours. Thus, a question that must be considered is whether, if water levels are lower than expected, the hydro resource outputs at a lower rate in order to generate over a set amount of

^{42/} SCE Proposal, p. 8.

^{43/} *Id.*, p. 9.

^{44/} PG&E Proposal, p. 9.

hours or does it output at the maximum output rate but for a lower amount of hours?

(ii) **AReM Proposal to Align RA and Reliability Must Run Processes**

Alliance for Retail Energy Markets (“AReM”) proposes to change the RA process timelines to accommodate the CAISO’s Reliability Must Run (“RMR”) extension process.^{45/} AReM proposes this so that LSEs may procure the potential RMR resources prior to the CAISO extending RMR contracts. SDG&E understands AReM’s concerns, but with the adoption of multi-year Local RA requirements, this issue may become moot. RMR contracts are only for one year at a time. With multi-year RA, LSEs would have to procure for Local RA capacity for years 2 and 3. Therefore LSEs may procure the RMR resources in order to meet the obligations in years 2 and 3. If LSEs are unable to procure the RMR resources, then the Commission should revisit this issue and inquire why CAISO backstop has not decreased even though the Commission has adopted the multi-year Local RA framework.

(iii) **CalCCA Proposal for Short-Term RA Sales Framework**

The California Community Choice Association (“CalCCA”) proposes a sales framework, which it describes as applying to “short-term” RA transactions for less than five years, that would impose numerous requirements on the IOUs.^{46/} As a threshold clarification, although CalCCA characterizes its proposal as applying to “short-term” contracts, it would actually apply to both short-term and medium-term transactions. Short-term contracts are defined by the Commission as contracts that are shorter than 90 days in duration and less than 90 days forward,^{47/} whereas medium-term contracts are defined as “contracts of greater than three

^{45/} AReM proposal, p. 3.

^{46/} CalCCA Proposal, p. 5.

^{47/} D.14-02-040, p. 41.

consecutive months and under five years in duration.”^{48/}

CalCCA proposes four components to its short-term RA sales framework.^{49/}

1. Energy Division to issue a report listing the “[r]esources on the Net Qualifying Capacity list that are not shown in RA filings as under contract to an LSE(s)” as directed by D.19-02-022
2. Requests Commission guidance regarding how the IOUs should manage their excess RA capacity, including a requirement that the IOU offer to the market 100 percent of all RA in excess of the IOU’s forecast bundled load plus a reasonable “buffer.”
3. Prescribe the IOUs’ solicitation schedules to maximize the opportunity for other LSEs to meet compliance obligations.
4. Obligate IOUs to post their excess RA capacity on an Electronic Bulletin Board (EBB) to facilitate bilateral transactions in the beginning of each year.

SDG&E first notes that the Commission has scheduled workshops to be held this year in Phase 2 of its Power Charge Indifference Adjustment (“PCIA”) rulemaking (R.17-06-026) to consider methods for portfolio optimization. Specifically, the portfolio optimization workshops will consider “structures, processes, and rules governing portfolio optimization that the Commission should consider in order to address excess resources in utility portfolios.”^{50/} Thus, the Commission should not prejudge here issues related to sales transactions longer than one year that may be within the scope of PCIA Phase 2.

More broadly, SDG&E submits that the Commission should establish rules that treat *all* customers (bundled and departed) fairly and in an equivalent manner. Imposing burdensome and unnecessary requirements solely on the IOUs unfairly disadvantages them and, ultimately, harms bundled service customers. For example, prescribing solicitation schedules to “maximize the

^{48/} *Id.*, p. 39.

^{49/} CalCCA Proposal, p. 7.

^{50/} *Phase 2 Scoping Memo and Ruling of Assigned Commissioner*, issued in R.17-06-026 on February 1, 2019, p. 5.

opportunity for other LSEs,” as CalCCA proposes, discriminates against IOUs, who stand in the shoes of their bundled service customers, in favor of departed load customers.

With regard to CalCCA’s EBB proposal, other parties have previously proposed the development of an EBB to broadcast either a surplus of or a need for RA capacity in order to facilitate a more efficient bilateral market. While the EBB concept could have merit, CalCCA’s proposal is lacking in necessary detail. Basic questions are not addressed, including the following:

1. How would the EBB function?
2. What information must be posted?
3. How are transactions created as a result of the posting of any information?
4. What are parties’ expectations for efficiency and speed that would result in a transaction with a seller?
5. How is the EBB different/better at providing information to market participants than the solicitations currently issued by IOUs?
6. How does the EBB protect the net short or long position of IOUs?
7. Are buyers committed to transact with the seller after reviewing available capacity for sale?
8. How does the EBB promote and enable non-IOUs to procure capacity from uncontracted merchant generators that may be needed for reliability?
9. What collateral standards must be posted by parties?
10. Who hosts and maintains the EBB?
11. What are the costs associated with such maintenance?

It is important to note that although RA sales are categorized as non-standard products, which allows IOUs to sell RA capacity without issuing an RFO, sales are still “subject to

adequate price support in the [Quarterly Compliance Report], for terms longer than one quarter and/or with delivery beginning longer than one quarter forward (*i.e.*, medium-term transactions).”^{51/} In addition, medium-term transactions are subject to review by the IOUs’ Procurement Review Group.^{52/} Procedural requirements associated with the current regulatory process must be taken into account. Consideration of the impact of these requirements, along with information responsive to the questions above, is necessary to evaluate whether an EBB can more effectively facilitate bilateral procurement than IOU-held electronic solicitations.

It appears that CalCCA’s objective in proposing its sales framework, along with its other proposals such as standardizing RA confirmations,^{53/} is to establish a means of easily and quickly transacting whenever non-IOU LSEs require capacity. While SDG&E agrees with this aim in concept, it cannot be achieved at the expense of bundled service customers. Moreover, any proposed solution cannot ignore the inherent inefficiency of the bilateral market framework and the regulatory oversight process for IOU procurement. Finally, SDG&E notes that the Commission is continuing to assess the role of a Local RA central buyer in Track 2 of the instant proceeding. Once that construct is adopted and implemented, the Commission should consider whether a central buyer should also procure for System and Flexible RA, which would effectively replace the current bilateral market construct in its entirety.

^{51/} D.15-10-031, p. 33.

^{52/} D.15-10-031, Finding of Fact 14.

^{53/} CalCCA Proposal, p. 7.

III. CONCLUSION

SDG&E respectfully requests that the Commission act on the Track 3 proposals discussed above in a manner consistent with SDG&E's comments herein.

Respectfully submitted this 22nd day of March, 2019.

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