

**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)

**WESTERN POWER TRADING FORUM  
COMMENTS ON TRACK 3 PROPOSALS**

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In accordance with the schedule set forth in the January 29, 2019 *Amended Scoping Memo and Ruling of Assigned Commissioner* (“Amended Scoping Ruling”), the Western Power Trading Forum (“WPTF”)<sup>1</sup> hereby submits these comments on Track 3 proposals.

**I. INTRODUCTION**

WPTF appreciates this opportunity to comment on Energy Division staff’s proposed refinements to the Resource Adequacy (“RA”) program, as well as proposals that parties have presented for consideration in Track 3. WPTF generally supports staff’s Electric Load Carrying Capacity (“ELCC”) proposal, as well as staff’s proposal to increase the local RA waiver trigger price, both of which can and should be implemented for the 2020 compliance year. WPTF also supports addressing the unbundling of flexible RA in Track 3. WPTF believes, however, that staff’s proposal to implement a waiver process for system RA and Southern California Edison Company’s (“SCE”) proposal to expand waivers to system and flexible RA are premature. WPTF

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<sup>1</sup> WPTF is a California non-profit, mutual benefit corporation dedicated to enhancing competition in Western electric markets in order to reduce the cost of electricity to consumers throughout the region while maintaining the current high level of system reliability. WPTF actions are focused on supporting development of competitive electricity markets throughout the region and developing uniform operating rules to facilitate transactions among market participants.

also believes that most party proposals fall under the “not ready for prime time” category, including the Center for Energy Efficiency and Renewable Technologies’ (“CEERT”) “portfolio NQCs” proposal and Sunrun’s proposals concerning residential behind-the-meter (“BTM”) energy storage systems. WPTF also opposes Pacific Gas and Electric Company’s (“PG&E”) proposal to implement seasonal local RA requirements. In the following comments, WPTF discusses each of the aforesaid proposals in more detail.

## **II. COMMENTS**

### **A. The Commission Should Adopt Staff’s ELCC Proposal with Modifications.**

Staff’s proposed methodology for calculating ELCC percentages for wind, solar and storage resources and the results thereof are markedly improved compared to the previous methodology and the existing ELCC values. WPTF appreciates the thought and effort staff put into developing the proposed methodology, while at the same time believing there is still room for improvement. For example, staff’s methodology and the accuracy of its results would be improved by treating BTM solar photovoltaic resources the same as solar resources in front of the meter.<sup>2</sup> The accuracy of the resulting ELCC values would also be improved by allocating the diversity value of storage to all resources on a *pro rata* basis, rather than allocating the entire value to solar as staff proposes.<sup>3</sup>

WPTF believes the potential impact of these suggested modifications are significant enough to warrant further discussion, and therefore supports the Independent Energy Producers

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<sup>2</sup> PG&E’s Track 3 Proposals at 2.

<sup>3</sup> As CAISO’s representative noted during the recent workshop, allocating additional ELCC from storage to PV could cause the actual amount of RA capacity that is needed at the resulting “new” peak (i.e., after dark, when PV is not effective) to be unavailable.

Association's ("IEPA") recommendation<sup>4</sup> to schedule a workshop on staff's ELCC proposal early in the Track 3 schedule. If, however, the Commission determines there is insufficient room in the Track 3 schedule to hold the workshop, WPTF recommends the Commission adopt staff's ELCC proposal "as is." WPTF further recommends that the Commission's final Track 3 decision expressly provide that the ELCC methodology will be reexamined within the following two years and every two years thereafter, to ensure that the resulting ELCC values reflect ongoing changes to the generation resource portfolio serving California loads.

**B. The Commission Should Increase the Local RA Waiver Trigger Price.**

WPTF agrees with staff that the local RA waiver trigger price needs to be updated given the tightening local RA market and load serving entities' ("LSEs") increased dependence on the local RA waiver process.<sup>5</sup> But it is doubtful the modest increase staff proposes—from \$40/kW-year to \$51/kW-year<sup>6</sup>—will have a material impact on the incidence of waiver requests. In WPTF's assessment, the primary factor in LSE decisions to accept or reject supplier price offerings is the prospect of being saddled with backstop procurement costs imposed by the California Independent System Operator ("CAISO") under the Capacity Procurement Mechanism ("CPM"). To discourage reliance on CPM, the waiver price should be linked to CPM pricing. Since most CPM procurement occurs at or near the soft offer cap price of \$6.31/kW-month, WPTF recommends setting the local RA waiver trigger price at that level, i.e., \$75.72/kW-year.

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<sup>4</sup> IEPA Track 3 Proposals at 5.

<sup>5</sup> Energy Division Track 3 Proposals at 24.

<sup>6</sup> *Id.*

**C. Proposals for Expanding Waivers Are Premature.**

Staff proposes to institute a “Path 26 waiver process” for cases where an LSE “has made all commercially reasonable efforts to acquire system capacity in the zone where it is needed (North or South of Path 26) and has made all commercially reasonable efforts to acquire Path 26 allocations but has only succeeded in procuring capacity without the needed accompanying Path 26 allocations.”<sup>7</sup> In such cases, the LSE could request a waiver that, if granted, would allow the LSE to count the capacity it had procured without a corresponding Path 26 allocation toward the its system RA requirements.<sup>8</sup> SCE, citing recent retirements and growing economic pressures on conventional generation, proposes that the Commission establish a waiver process for system and flexible RA.<sup>9</sup> These proposals are presumably intended to address the potential exercise of market power among RA suppliers.<sup>10</sup> But there is no hard evidence that the system RA market is tightening to the point that market power can be exercised either on a regional (i.e., North of Path 26 or South of Path 26) or system-wide basis.<sup>11</sup> The Commission should consider expanding the RA waiver process only after a rigorous market study has identified systemic problems that an expanded waiver process would address (e.g., resource scarcity and/or the exercise of market power by RA suppliers).<sup>12</sup>

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<sup>7</sup> Energy Division Track 3 Proposals at 25.

<sup>8</sup> *Id.*

<sup>9</sup> SCE Track 3 Proposals at 15-16.

<sup>10</sup> Energy Division’s written submission does not state a justification for this particular proposal.

<sup>11</sup> That is, the only evidence of a tightening system RA market is anecdotal.

<sup>12</sup> Any such analysis, if undertaken, should consider what prices are necessary to induce supplies of import RA capacity, given potentially superior opportunities to sell capacity (and energy) outside of California.

**D. Unbundling of Flexible RA Should Be Examined in Track 3.**

There is agreement among a broad range of parties that the Commission should examine the unbundling of flexible RA from system RA in Track 3.<sup>13</sup> WPTF recognizes that the market feasibility of a standalone flexible RA product is partially dependent on developments in related CAISO stakeholder initiatives. Assuming, however, those initiatives are concluded in a timely manner, the Commission should be prepared to incorporate their results and adopt related changes to the Flexible RA rules in its Track 3 decision.

**E. CEERT's "Portfolio NQC" Proposal Cannot Be Properly Addressed in Track 3.**

CEERT's proposal to calculate "portfolio NQCs" for collections of preferred resources in local sub-areas raises a host of issues that can only be resolved through technical studies and extensive stakeholder input. For example, it would be necessary to establish monthly NQCs and/or ELCCs for each resource stack. In addition, more work is required on how these resource aggregations would be represented to the CAISO and committed and dispatched in CAISO markets. The Commission and/or the CAISO would also need to develop enforcement mechanisms that not only impose penalties for resource underperformance but also ensure that such underperformance does not undermine local reliability. These issues clearly cannot be resolved in Track 3. WPTF therefore recommends the Commission defer consideration of CEERT's proposal until such time as adequate staff and party resources are available to undertake the technical studies and engage in the stakeholder process that is needed to properly inform the Commission's decision-making.

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<sup>13</sup> CESA Track 3 Proposals at 5, Joint DR Parties Track 3 Proposals at 4-5, SCE Track 3 Proposals at 14-15, WPTF Track 3 Proposals at 2-3.

**F. Sunrun’s Proposal to Assign RA Values to Residential BTM Storage Systems Cannot Be Properly Addressed in Track 3.**

Like CEERT’s portfolio NQC proposal, Sunrun’s proposal to assign RA values to residential BTM storage systems raises a host of technical and implementation issues, including resource counting issues, performance measurement issues, interconnection and related jurisdictional issues, and the potential for double compensation. There simply is not enough time or staff and party resources to even attempt to tackle those issues in Track 3. WPTF therefore recommends the Commission defer consideration of Sunrun’s proposal until more pressing issues have been resolved.

**G. The Commission Should Reject PG&E’s Proposal to Implement Seasonal RA Requirements.**

PG&E’s Track 3 proposals include a proposal to implement seasonally varying local RA requirements. WPTF is not necessarily opposed to seasonal local RA requirements, but only if they are based on sound analysis that reflects seasonal load and resource conditions. To date, no such analysis exists. Moreover, the fact that local RA requirements are necessarily based on specific contingencies (e.g., a transmission line outage) or on reactive power requirements means they do not readily scale in proportion to seasonal loads. WPTF therefore urges the Commission to reject PG&E’s proposal.

**III. CONCLUSION**

For the reasons above, WPTF recommends that the Commission: (1) adopt Energy Division’s ELCC proposal and its proposal to increase the local RA waiver trigger price, with the modifications discussed herein; (2) reject proposals to expand the waiver process to system and flexible RA; (3) examine the unbundling of flexible RA in Track 3; (4) defer consideration of



CEERT's portfolio NQC proposal and Sunrun's proposal to assign RA value to residential BTM storage systems; and (5) reject PG&E's proposal to implement seasonal local RA requirements.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gregory S.G. Klatt", with a long horizontal flourish extending to the right.

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