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

Order Instituting Rulemaking to Develop an
Electricity Integrated Resource Planning
Framework and to Coordinate and Refine
Long-Term Procurement Planning
Requirements.

R.16-02-007
(Filed February 11, 2016)

**COMMENTS OF MIDDLE RIVER POWER, LLC ON PROPOSED DECISION
ADOPTING PREFERRED SYSTEM PORTFOLIO AND PLAN
FOR 2017-2018 INTEGRATED RESOURCE PLAN CYCLE**

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I. INTRODUCTION

Middle River Power, LLC (“MRP”) submits these comments in response to the March 18, 2019 Proposed Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle (“Proposed Decision”), pursuant to Rule 14.3 of the California Public Utilities Commission’s Rules of Practice and Procedure. MRP is very supportive of the Proposed Decision and its thoughtful balancing of the complex dynamics involved in steering the state towards compliance with ambitious policy goals. We applaud the Proposed Decision’s recognition of a number of concerns and identification of issues for further examination in future cycles of this IRP proceeding, and we highlight some of those areas below.

One area of substantive concern lies in the Proposed Decision’s direction to initiate a procurement track this year that includes resources needed for reliability and grid integration. We urge the Commission to complete the reforms to the Resource Adequacy program and address the market for resources needed to support reliability by implementing a holistic long-term forward

contracting framework for system and flexible RA before starting to direct procurement in the IRP proceeding for reliability resources. Once the RA program is reformed and stabilized, the results can be evaluated and assessed against the near- to mid-term reliability needs in future IRP cycles and used to evaluate whether further longer-term procurement to support grid reliability is warranted.

II. COMMENTS

A. PROCUREMENT FOR RELIABILITY AND GRID INTEGRATION SHOULD BE DRIVEN IN THE NEAR-TERM THROUGH A REFORMED RESOURCE ADEQUACY PROGRAM.

The Proposed Decision opens a procurement track in the IRP proceeding to focus on procurement activities for existing natural gas resources and near-term resources with load following and hourly or intra-hour renewable integration capabilities, along with renewable resources.¹ MRP urges the Commission to defer to the RA procurement framework and the upcoming reforms to the RA program for contracting to meet near-term reliability and grid integration needs. Only once the RA program improvements have been implemented and given a chance to work should the IRP proceeding be deployed as a mechanism for driving longer-term procurement focused on reliability if longer-term deficiencies are identified.

We believe there are a number of reasons for deferring reliability and grid-integration procurement until the RA procurement process is better defined. First, that process involves an existing competitive procurement market, compliance obligations and an enforcement regime applicable to LSEs in the contracting process, and a must-offer obligation for generators. MRP is actively contracting with many load serving entities for RA products, including community choice

¹ Proposed Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle, March 18, 2019, p. 137 (hereafter Proposed Decision).

aggregators, publicly-owned utilities and other load serving entities. It is not clear how current and future contracting for RA products was taken into account in evaluating whether LSEs are adequately carrying their independent obligations to contract for resources that are needed to maintain system reliability. With the reforms in the RA program likely to drive more robust and longer-term procurement by all LSEs for RA products, it makes sense to defer to reliability and grid-integration procurement through the RA framework while that program matures before initiating a separate track of procurement for these same resources in the IRP proceeding.

Second, the RA products are designed to support both system needs and provide the flexible attributes needed to integrate renewables. The Proposed Decision notes that the IRP study results “add[] up to the need to focus 3-4 years out for the retention of necessary reliability and renewable integration resources to support the system for the planning horizon.”² Parties in the RA proceeding are urging the Commission to consider extending the 3-year procurement timeline now applicable to local RA products to system and flexible RA products as well. With the many issues also under examination in the RA proceeding to address load migration, cost allocation and the possibility for a central buyer, it would be premature and potentially duplicative of the RA procurement regime to direct reliability procurement in this proceeding.

A third reason for deferring to the RA program reforms is the annual study process and incorporation of CAISO assumptions into the procurement targets for the different products and the uniform and predictable framework for the reliability products that the RA program delivers for generation resources. Finally, as MRP has noted in its comments in the RA program, we believe that a holistic three-year RA program that covers all RA attributes will provide sufficient revenue certainty for generators to make investments in the resources that needed to support reliability.

² Proposed Decision at 135.

While noting that California is driving to minimize operation of fossil-fueled resources, the Proposed Decision observes that “there will still be the need to contract with existing natural gas resources needed to maintain system reliability as well as affordable electricity in the state while this broader transition is underway.”³ The Proposed Decision notes that the next IRP cycle will include “a more in-depth analysis of the role of existing natural gas plants out to 2030,”⁴ MRP certainly supports and agrees with the Proposed Decision’s observations that reliability and cost are important to long-term integrated resource planning, and we look forward to participating in that analysis. We also note the Proposed Decision’s recognition of the need for “closer coordination on reliability issues and resource adequacy,”⁵ and agree that closer coordination is warranted. However, we urge the Commission to revise its plan to consider directing procurement in this IRP cycle for these resources and instead focus on completing the reforms to the RA program, including extending the three-year procurement obligation to all RA products, before considering longer-term procurement driven by reliability needs in this proceeding.

B. THE PROPOSED DECISION RECOGNIZES AREAS REQUIRING FURTHER EXAMINATION IN FUTURE IRP CYCLES IMPORTANT TO FINE-TUNING ASSUMPTIONS NEEDED TO DRIVE LONGER-TERM PROCUREMENT.

The Proposed Decision thoughtfully describes areas where further analysis and review are needed in future IRP cycles to refine assumptions and better understand limitations associated with certain resources. MRP highlights two of these areas: imports and thermal plant retirement timelines.

³ Proposed Decision at 133.

⁴ *Id.* at 133-134.

⁵ *Id.* at 153.

First, the Proposed Decision acknowledges the concern expressed by parties about counting on imports, noting that “[t]here are a host of issues associated with imports, and thus the next cycle of IRP will consider different ways to test additional assumptions about import availability.”⁶ MRP agrees with this observation and the Proposed Decision’s plan for the next IRP cycle to consider new ways to evaluate what imports will be available going forward.

As MRP has noted in comments filed in the Commission’s Resource Adequacy proceeding, with generation resources retiring throughout the West, it is also not clear how much supply California can continue to rely on for imports going forward. A recent reliability assessment by the North American Electric Reliability Corporation references a report by the Western Electricity Coordinating Council that states “[s]ystem reserve margins are expected to become increasingly tight through 2026, driven by baseload coal and nuclear retirements as well as steady increases in power demand; as a result, Wood Mackenzie and E3 forecast natural gas demand for power generation across the Western Interconnection to increase by 30% by 2026.”⁷ The Wood Mackenzie report indicates that the western region will see approximately 9 GW of coal and 2 GW of nuclear plant retirements across the region by 2026, concluding that “at the levels of baseload retirements and renewable additions considered in this study, overall reliance

⁶ Proposed Decision at 130.

⁷ North American Electric Reliability Corporation, *2018 Long-Term Reliability Assessment*, December 2018, p. 26, fn. 18, available at:

https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC_LTRA_2018_12202018.pdf

(Referencing a June 2018 Western Electricity Coordinating Council study published by Wood Mackenzie. Wood Mackenzie, *Western Interconnection Gas-Electric Interface Study*, June 2018, p. 3, available at:

<https://www.wecc.org/Administrative/WECC%20Gas-Electric%20Study%20Public%20Report.pdf> (hereafter Wood Mackenzie report)). The Wood Mackenzie report also states: “Expansion of low-cost renewable generation capacity driven largely by state renewable policy goals will limit the overall need for utilization and dispatch of natural gas generation but will not fully replace the need for dependable electric generation capacity needs to meet peak demands and ensure the reliability of the bulk power system (BPS); while some of the capacity needs may be met by energy storage added in conjunction with increasing renewable penetration, the need for firm generation will not be eliminated.” Wood Mackenzie report at 3.

on natural gas for electricity generation will increase in the coming decade. The amount of renewable generation needed to meet current state policy goals is not sufficient to entirely offset the loss of roughly 12,000 MW of baseload generation retirements.”⁸ In a similar vein, MRP also believes the Proposed Decision’s recognition of drought impacts on hydro production is important and will lead to a more robust and realistic assessment of resources that will be available to serve load in California.

Second, the Proposed Decision recognizes that assuming indefinite lifetimes for natural gas plants is unrealistic, and adopts a 40-year life assumption to offer “a chance to see how long natural gas resources are needed and when appropriate moments may emerge to replace them with low- or zero-carbon alternatives.”⁹ While MRP believes this move to a 40-year life assumption is progress over assuming indefinite life for natural gas plants, we urge the Commission to move towards a market-based mechanism for assessing plant viability as part of the ongoing refinements to assumptions in future IRP cycles. As the Commission makes improvements to modeling of how the resource mix works together to support reliability, such as the refinements to the ELCC modeling, the attributes required from the gas fleet will become better defined and drive decisions about which resources are needed in the near- and mid-term to support the grid. available resources to support the grid. In addition, the operational profile of the gas fleet will continue to change longer-term as the resource mix continues to evolve. This means that sustaining plant life well beyond 40 years may be both desirable for grid support during limited operational windows and possible given more limited run time for the plants.

⁸ Wood Mackenzie report at 6.

⁹ Proposed Decision at 137.

III. CONCLUSION

MRP applauds the sophistication and finesse of the Proposed Decision as it grapples with the complexities and shifting dynamics of the California energy and utility landscape. We look forward to continuing to engage in this proceeding and support the Commission's deliberations and refinements of assumptions driving integrated resource planning. We urge the Commission to complete the RA program reforms before directing procurement associated with grid integration and reliability and will likewise continue to engage with the Commission and parties in the RA proceeding to complete those reforms.

Dated: April 8, 2019

Respectfully submitted,

/s/ Joe Greco

Joe Greco
Middle River Power, LLC

APPENDIX

CONCLUSIONS OF LAW

Paragraph #	Suggested Revisions
19	The Commission should focus a procurement track of the IRP proceeding on the following types of resources: diverse renewable resources in the near term at levels sufficient to reach the 2030 optimized portfolio, in coordination with the RPS program; near term resources with load following and hourly or intra-hour renewable integration capabilities; existing natural gas resources; and long-duration (8 hour) storage resources.
New	<u>The Commission will evaluate results of the RA program reforms and incorporate the procurement portfolios into future IRP cycles to assess whether long-term deficiencies warrant procurement of existing natural gas resources or resources with load following and hourly or intra-hour renewable integration capabilities in this IRP proceeding.</u>

ORDERING PARAGRAPHS

Paragraph #	Suggested Revisions
11	The Commission hereby institutes a procurement track, alongside the planning activities in this proceeding, in order to evaluate the need for the following types of resources: diverse renewable resources in the near term at levels sufficient to reach the 2030 optimized portfolio, in coordination with the RPS program; near-term resources with load following and hourly or intra-hour renewable integration capabilities; existing natural gas resources; and long-duration (eight hour) storage resources.