

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



FILED
03/22/19
04:59 PM

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)

**COMMENTS OF THE
ALLIANCE FOR RETAIL ENERGY MARKETS
ON TRACK 3 PROPOSALS**

Sue Mara
RTOADVISORS, L.L.C.
164 Springdale Way
Redwood City, CA 94062
Telephone: (415) 902-4108
E-mail: sue.mara@rtoadvisors.com

CONSULTANT TO
ALLIANCE FOR RETAIL ENERGY MARKETS

March 22, 2019

TABLE OF CONTENTS

I.	LOAD FORECASTING	2
A.	Staff's Load Forecasting Proposals	2
1.	<i>Clarify Implementation Schedule.....</i>	2
2.	<i>Include Validity Check For Pro Rata Adjustment.</i>	2
3.	<i>Permit Changes to the Initial Load Forecast.</i>	3
4.	<i>Add Conflict Resolution Step After Load Forecast Adjustments.</i>	4
B.	California Community Choice Association's Load Forecasting Proposals.....	4
C.	Southern California Edison's Proposal for Aggregated Load Forecasts and Transparency on Coincidence Factors for ESPs and Community Choice Aggregators.....	5
D.	Middle River Power's Proposal to Consider a 1-in-5 Peak Demand Forecast.....	6
E.	PG&E's Proposal for Load Forecasting to Support Multi-Year Forward Local RA Requirements	7
II.	RA PENALTIES AND WAIVERS.....	8
A.	Proposals to Adjust the Local RA Waiver Trigger Price.....	8
B.	Energy Division's Proposal for an Advice Letter Process for Waiver Requests.....	10
C.	PG&E's Proposal to Add to the Conditions for Requesting a Local RA Waiver.....	10
D.	SCE's Proposal for System/Flexible RA Waivers and Associated Waiver Trigger Price	10
III.	FLEXIBLE RA REQUIREMENTS.....	11
A.	California Wind Energy Association's Proposal to Allocate Flexible RA Requirements Cased on Contribution to Ramps	11
B.	Proposals to Unbundle Flexible RA	12
C.	Independent Energy Producers Association's Proposal for a Planning Reserve Margin for Flexible RA.....	13
IV.	PATH 26 REQUIREMENTS.....	13

V.	RA REQUIREMENTS AND ALLOCATIONS	14
A.	Proposals to Extend Multi-Year Requirements to System and Flexible RA	14
B.	Seasonal or Monthly Local RA Requirements	14
VI.	ADDITIONAL PROPOSALS TO IMPROVE MARKET LIQUIDITY AND REDUCE POTENTIAL EXERCISE OF MARKET POWER	15
VII.	CONCLUSION	17

**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)

**COMMENTS OF THE
ALLIANCE FOR RETAIL ENERGY MARKETS
ON TRACK 3 PROPOSALS**

The Alliance for Retail Energy Markets (“AReM”)¹ respectfully provides these comments on Track 3 proposals for Resource Adequacy (“RA”) refinements in accordance with the *Amended Scoping Memo and Ruling of Assigned Commissioner*, issued by Commissioner Liane M. Randolph on January 29, 2019 (“Ruling”). In these comments, AReM addresses the Track 3 proposals of greatest interest or concern. AReM reserves the right to comment on additional proposals in its reply comments. Silence on a particular proposal does not indicate either support or opposition to the proposal, but rather that AReM has not taken a position on the proposal at this time. The format of AReM’s comments below uses the categories employed by Energy Division in the Track 3 RA workshops on March 12th and 13th.

¹ AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California’s direct access market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

I. LOAD FORECASTING

A. Staff's Load Forecasting Proposals

The Commission's Energy Division and the California Energy Commission ("CEC") jointly submitted a proposal for load forecasting improvements. AReM particularly appreciates the discussion in the paper of applicable Commission decisions and parties' considerations since the RA load forecasting process began in 2004. AReM is generally supportive of the joint Staff's proposals, but requests a few clarifications or corrections as described below.

1. Clarify Implementation Schedule.

AReM requests that the Staff clarify when it proposes to implement the changes. For example, the load forecasting process for the 2020 RA compliance year began in March 2019, but the Track 3 decision will not be issued until June 2019. Therefore, some of the proposed load forecasting process changes cannot be implemented until after the Track 3 decision is approved. Does Staff propose that all the changes be implemented for the **2021** RA compliance year (with most activities beginning in 2020)? If not, does Staff propose that some of the changes be implemented for the **2020** RA compliance year (with activities beginning in 2019 after the Track 3 decision is approved)? If so, AReM requests that Staff specify which process changes will be implemented for the 2020 RA compliance year and which for the 2021 RA compliance year.

2. Include Validity Check For Pro Rata Adjustment.

Staff proposes refinements to the approach for allocating *pro rata* adjustments to all load-serving entities ("LSEs").² AReM supports these refinements, but requests further clarification. The CEC's presentation at the March 12th workshop referenced a "validity check" on the *pro*

² Energy Division, pp. 14-15.

rata adjustment, including verifying that the adjustments are consistent with direct access load served and the current direct access cap set by statute.³ This important validity check, which AReM also included in its own Track 3 proposals,⁴ is not, however, mentioned in Staff’s written proposal. AReM requests that Staff update its written proposal to include the concept of a “validity check” or otherwise clarify that its load forecasting process refinements will include this additional step.

3. Permit Changes to the Initial Load Forecast.

Staff proposes that LSEs make “placeholder” assumptions for customer load effects such that the April and the final August forecast only differ because of load migration.⁵ In essence, the LSE’s initial April forecast thus becomes the final load forecast for the LSE if there is no load migration. The only permitted changes would be load migration that was unanticipated at the time of the April forecast but later came to light before the August forecast. Thus, LSEs would be obligated to understand and account for customer load behavior, planned installation of distributed generation and any other load changes eight months before the RA compliance year begins. It is very challenging to forecast customer load behavior changes and will lead to unnecessary error to the load forecasting process. If an LSE receives better customer information on their demand prior to the August update, AReM believes that including this information will be beneficial for providing Staff the most realistic forecast for actual load to be served. Thus, AReM requests that LSEs be permitted to include load migration changes as well as other updates to customer load information.

³ CEC’s Load Forecasting Presentation, RA Workshop, March 12, 2019, slide 12.

⁴ AReM, p. 3.

⁵ Energy Division, p. 16.

4. Add Conflict Resolution Step After Load Forecast Adjustments.

Staff proposes an informal, 30-day, conflict resolution process if LSEs do not agree on the initial forecasts due in April.⁶ This is generally acceptable, but the paper does not address a conflict resolution process in the event an LSE disagrees with a plausibility or *pro rata* adjustment made by the CEC to the LSE's initial or final forecast. In its Track 3 proposals, AReM suggested that a more formal process was warranted to contest *pro rata* adjustments to LSEs' load forecasts and asked for clearer standards for the plausibility adjustment.⁷ Staff's proposed improvements to the load forecasting process should significantly reduce the chance of unexpected and significant adjustments similar to those experienced by Electric Service Providers ("ESPs") in 2018. Nevertheless, LSEs should have the opportunity to request the detailed basis for any CEC's adjustments. Accordingly, AReM requests clarification that, upon request by the affected LSE, the CEC will provide all relevant calculations, data, methodology and justification for adjustments, and be afforded the opportunity to contest the adjustments after their review of this additional information.

B. California Community Choice Association's Load Forecasting Proposals

AReM does not provide detailed comments at this time on the load forecasting proposals submitted by the California Community Choice Association ("CalCCA").⁸ Many of CalCCA's concerns seem to be addressed by the load forecasting proposals submitted by Staff. However, CalCCA proposes that all load forecast issues be resolved by June and that no further changes be made to an LSE's allocations after July (the final allocations of RA requirements are now made in September). CalCCA then requests that "a process should be provided to true up forecasts,

⁶ Energy Division, p. 18.

⁷ AReM, p. 3.

⁸ CalCCA, pp. 2-3.

with penalties for grossly under-forecasting load.”⁹ AReM has several questions about this particular proposal and requests clarifications.

First, AReM requests an explanation of the timing of the proposed true-up forecast versus the final forecast determined in June, as well as the types of load changes permitted to be addressed in the “true-up.” Second, AReM requests clarification of what would be considered to be “grossly under-forecasting load.” AReM notes that load forecasting is an inexact science and the Commission already has extensive rules in place to minimize forecast errors as much as possible. Moreover, the improvements to the load forecasting process proposed by Staff, as discussed above, should further minimize necessary *pro rata* adjustments applied to all LSEs.¹⁰ Finally, CalCCA’s proposal that “the LSE causing the issue should be required to compensate affected LSEs”¹¹ is inconsistent with that fact that a *pro rata* adjustment is only made when the source of deviation from the CEC’s load forecast is unknown and, thus, unable to be tied to any specific LSE or group of LSEs. If the deviation *can be linked* to a specific LSE, it becomes part of the plausibility adjustment assigned to that LSE by the CEC. Therefore, this element of CalCCA’s proposal is unnecessary.

C. Southern California Edison’s Proposal for Aggregated Load Forecasts and Transparency on Coincidence Factors for ESPs and Community Choice Aggregators

Southern California Edison (“SCE”) proposes a number of tasks for the CEC focusing solely on the load forecasts of the ESPs and Community Choice Aggregators (CCAs”) to

⁹ CalCCA, p. 3.

¹⁰ CalCCA’s proposals, p. 3, refer to “an LSE’s gross under-forecasting” resulting in a “plausibility adjustment” to all LSEs. However, in AReM’s understanding, such under forecasting would lead to a “*pro rata*” adjustment by the CEC, not a plausibility adjustment, which is LSE specific.

¹¹ CalCCA, p. 4.

“prevent cost shifting.”¹² Much of the proposal lacked clarity and included little or no explanation of how the CEC was to accomplish the tasks.

For example, SCE proposes that the CEC “conduct a plausibility comparison for individual ESP and CCA LSE load forecasts within each IOU area.”¹³ The CEC conducts its own plausibility analysis of individual ESP and CCAs. With the proposed improvements by Staff, AReM is comfortable with that process. Given the CEC’s current duties, what is the purpose of a “plausibility comparison”? AReM sees none and SCE offers no rationale for one.

SCE further proposes that it will work with the staffs of the Commission and the CEC to implement these changes.¹⁴ This proposal raises significant concerns about competitive neutrality. AReM objects to SCE’s proposal and believes that the improvements to the load forecasting process proposed by Commission and CEC staffs achieve the same objectives in a more efficient and competitively-neutral manner.

D. Middle River Power’s Proposal to Consider a 1-in-5 Peak Demand Forecast

Middle River Power (“MRP”) requests that the Commission consider adopting a “1-in-5 peak demand forecast at certain times to better account for growing variability and extremes in weather patterns”.¹⁵ (The Commission currently requires 1-in-2 peak demand forecasts to set System RA requirements and 1-in-10 to set Local RA requirements.) MRP does not present sufficient evidence to warrant re-consideration of peak demand forecasts. Moreover, setting the current requirements for peak load forecasts and the applicable Planning Reserve Margin (“PRM”) involved considerable analysis, evaluation and debate by Commission staff, the

¹² SCE, pp. 1-4.

¹³ SCE, p. 3.

¹⁴ SCE, p. 3.

¹⁵ MRP, p. 12.

CAISO, CEC and interested parties.¹⁶ The timing of Track 3 is inadequate to address and resolve issues of this technical nature. If the Commission were to take up this issue, it should devote a separate track and significant timeline to thoroughly address and come to a reasonable consensus on any necessary modifications.

E. PG&E's Proposal for Load Forecasting to Support Multi-Year Forward Local RA Requirements

Pacific Gas and Electric Company ("PG&E") proposes requiring LSEs to submit multi-year forward load forecasts, which would be used to determine the Local RA requirements for each LSE for each of the three years forward. For 2020-22, LSEs would submit the 3-year load forecast in the August 17, 2019 submittal and going forward LSEs would be required to submit it in their April load forecast.¹⁷ AReM supports a requirement for LSEs to submit their own forward load forecasts, as an improvement to the process described in Decision ("D.") 19-02-022.¹⁸ However, PG&E's proposal does not address load migration that could occur after the initial 3-year forecast is submitted. AReM refers parties to its Track 2 testimony, which proposed an approach for addressing load migration true-ups for a 3-year forward Local RA requirement.¹⁹ AReM requests that its load migration proposal be considered alongside PG&E's load forecasting proposal.

¹⁶ See, D.04-10-035, p. 35 and D.06-06-064, p. 23.

¹⁷ PG&E, p. 6.

¹⁸ D.19-02-022, p. 28, states that the forward Local RA obligations will be assigned to LSEs based on their first year load shares.

¹⁹ AReM's Track 2 Testimony was incorporated into the record as an Attachment to its *Track 2 Comments of the Alliance for Retail Energy Markets*, R.17-09-020, August 8, 2018, pp. 16-18.

II. RA PENALTIES AND WAIVERS

A. Proposals to Adjust the Local RA Waiver Trigger Price

Energy Division and San Diego Gas & Electric (“SDG&E”) submitted proposals to adjust the Local RA waiver trigger price. AReM notes that the Commission adopted the Local RA waiver trigger price as one of several market mitigation measures to address “inherent” Local RA market power²⁰ and any changes to the waiver trigger price must be designed to avoid exacerbating that market power. As SDG&E explains: “It is still the case that a waiver process is necessary as a market power mitigation measure.”²¹

Energy Division proposes to adjust the Local RA Waiver trigger price upward, because of a “tightening of the Local RA market and increased dependence of LSEs on the local waiver process.”²² However, the paper presented by Energy Division did not address the root causes of the increased number of the Local RA waiver requests by LSEs. If the root cause is unwillingness to sell by those holding Local RA capacity, then AReM questions whether an increased trigger price is the appropriate remedy. For example, RA workshop participants noted that some LSEs may be holding on to Local RA capacity in order to meet their System RA obligations. In addition, CalCCA observed in its Track 3 proposals that “the IOUs acknowledge that they retain more than what is needed for its compliance purposes, referred to as a ‘buffer.’” Such actions can create an artificial scarcity of Local RA with potentially adverse repercussions for LSEs.²³

²⁰ See, D.06-06-064, pp. 69-70. Aggregating six PG&E Local Capacity Areas into “PG&E Other” was another market power mitigation measure adopted by the Commission when it established Local RA requirements for LSEs.

²¹ SDG&E, p. 5.

²² Energy Division, p. 24.

²³ CalCCA, p. 6.

Accordingly, before the Commission considers increasing the waiver trigger price, the Commission should first investigate the root cause of the increased number of waiver requests. Otherwise, an increased waiver trigger price could actually exacerbate the market power it was intended to mitigate by rewarding entities that may be withholding capacity with higher prices.

Moreover, AReM objects to Staff's proposal, which would establish a new trigger price of \$51/kW-year based on RA market prices reported for 2017.²⁴ This approach simply reinforces market power by setting the trigger price based on RA market prices that have market power embedded within them – a decidedly inappropriate approach. AReM recommends leaving the current waiver trigger price in place unless and until the Commission determines the root cause of the “tightening” in the Local RA. Alternatively, if the Commission nevertheless elects to consider raising the Local RA waiver trigger price, AReM would support a fixed price that is administratively determined and not driven by a market that may be rife with failures.

SDG&E proposes that the Commission adopt a mechanism that compares an “equivalent” annual RA offer to the kW-year capacity cost trigger to address the mismatch between monthly terms for Local RA contracts and the current yearly trigger price.²⁵ This reasonable change would, as SDG&E argues, “provide helpful guidance that would offer LSEs a greater measure of certainty regarding the waiver process.”²⁶ AReM endorses the adoption of SDG&E's proposal.

²⁴ Energy Division, p. 24.

²⁵ SDG&E, pp. 3-4.

²⁶ SDG&E, p. 4.

B. Energy Division's Proposal for an Advice Letter Process for Waiver Requests

AReM does not oppose Energy Division's proposal to require LSEs to submit waiver requests through the Tier 2 advice letter process.²⁷ However, AReM notes that such waiver requests will contain considerable market-sensitive data. Therefore, AReM requests clarification that the customary confidentiality rules will apply to this advice letter process and LSEs may request confidential treatment of their waiver request pursuant to D.06-06-066.

C. PG&E's Proposal to Add to the Conditions for Requesting a Local RA Waiver

PG&E proposes to add a condition by which the Commission may grant an LSE's request for a Local RA waiver -- participation in sellers' solicitations.²⁸ AReM finds merit in the principle that LSEs should demonstrate they were active in the RA market to obtain a waiver, but does not believe a more prescriptive approach is necessary. This factor should be taken into consideration when determining if waivers should be granted but should not be a requirement. For example, an LSE may be working on bilateral transactions when another LSE releases a solicitation, a legitimate reason why they did not participate in a solicitation.

D. SCE's Proposal for System/Flexible RA Waivers and Associated Waiver Trigger Price

AReM supports SCE's proposal to permit LSEs to request penalty waivers if they are unable to procure System or Flexible RA.²⁹ AReM made a similar proposal in Track 2.³⁰ As AReM explained then, the proposal "would address a legitimate and immediate concern of LSEs

²⁷ Energy Division, p. 25.

²⁸ PG&E, pp. 8-9.

²⁹ SCE, pp. 15-17.

³⁰ *Track 2 Comments of the Alliance for Retail Energy Markets*, R.17-09-020, August 8, 2018, Attachment, pp. 25-27.

-- that they are unable to procure System or Flexible RA, not for lack of trying, but because suppliers are unwilling or unable to sell to them.”³¹

While SCE proposes to set the trigger price at the CPM soft-offer cap of \$75.68/kW-year,³² AReM proposed in Track 2 to use \$58/kW-year for the System and Flexible RA trigger price. This price is based on the going-forward cost of a combustion turbine, defined as the sum of the insurance, *ad valorem* and fixed operations and maintenance cost components in Table E-4 of the 2015 CEC report, “Estimated Cost of New Renewable and Fossil Generation in California Final Staff Report.”³³ AReM requests that its proposed trigger price be adopted in Track 3 for a System/Flexible waiver process.

III. FLEXIBLE RA REQUIREMENTS

A. California Wind Energy Association’s Proposal to Allocate Flexible RA Requirements Cased on Contribution to Ramps

The California Wind Energy Association (CalWEA) proposes that the Commission allocate Flexible RA requirements to each LSE based on that LSE’s contribution to monthly net-load ramps, replacing the current allocation approach based on load-ratio share.³⁴ CalWEA explains that its approach is consistent both with the approach used by the CAISO to allocate the Flexible RA requirements to Local Reliability Authorities and with cost causation.³⁵ AReM agrees that the Commission’s current load-share approach sends incorrect price signals and

³¹ *Ibid*, p. 26.

³² SCE, p. 17.

³³ CEC, March 9, 2015, as approved by the Commission on November 1, 2017 for the RA Capacity Adder in the Power Charge Indifference Adjustment (PCIA) in Southern California Edison Company’s Advice Letter 3667-E.

³⁴ CalWEA, pp. 2-5.

³⁵ CalWEA, p. 2 and p. 5.

“undermines the incentive for an LSE to procure resources with low flexible capacity needs.”³⁶ AReM supports CalWEA’s proposal and urges its adoption in Track 3.

B. Proposals to Unbundle Flexible RA

The California Energy Storage Alliance (“CESA”), Joint Demand Response (“DR”) Parties, and SCE each proposed unbundling the Flexible RA “attribute.”³⁷ These and other parties have made similar proposals in the past. In support, SCE cites expected benefits of “freeing up stranded flexible capacity in an LSE’s portfolio and allowing more liquidity in flexible capacity procurement.”³⁸

AReM tentatively supports such unbundling, provided that the adopted proposal also addresses how unbundling will affect allocations associated with utility RA procurement through non-bypassable charges (“NBCs”). AReM’s representative raised this issue at the RA workshop and was basically told “not to worry.” That response is inadequate. Utilities currently procure RA capacity through the following NBCs: Cost Adjustment Mechanism (“CAM” and related utility mechanisms); distribution rates; transmission rates; and public purpose program (“PPP”) charges. NBCs are paid by all customers and all associated benefits should be properly and reasonably allocated to all LSEs, including to ESPs and CCAs.³⁹

AReM respectfully requests that the proponents of unbundling (or the Commission) include within any adopted proposals details on: (1) how the Flexible RA component associated with RA capacity procured through NBCs will be calculated and allocated to LSEs; and (2) how this Flexible allocation will affect the non-Flexible component of the NBC allocation. AReM

³⁶ CalWEA, p. 4 and p. 5.

³⁷ CESA, pp. 4-5; Joint DR Parties, p. SCE, pp. 14-15.

³⁸ SCE, p. 14,

³⁹ On a related point, AReM has submitted a Track 3 proposal seeking allocation of RA credits for energy storage procured through non-CAM NBCs. See AReM, pp. 5-6.

has repeatedly asked proponents of unbundling to address these questions, but no information has been forthcoming.⁴⁰

C. Independent Energy Producers Association’s Proposal for a Planning Reserve Margin for Flexible RA

The Independent Energy Producers Association (“IEP”) proposes to adopt a separate Planning Reserve Margin (“PRM”) applicable only to Flexible RA requirements.⁴¹ IEP provides scant rationale in support of its proposal, referring to “high variability” in differences between forecast and actual ramps, “which should be expected to increase in the near future.”⁴² Such rationale is entirely insufficient to spur the Commission to embark on this major task. For comparison, the Commission established the current PRM used for setting System RA requirements in a series of decisions spanning several years, and only after testimony and hearings and carefully considering the parties’ opinions, studies, and evidence submitted.⁴³ AReM does not see any need or justification to pursue IEP’s proposal at this time.

IV. PATH 26 REQUIREMENTS

Both Energy Division and SCE propose eliminating the Path 26 constraint.⁴⁴ Energy Division provides analysis in support of its recommendation, concluding that: (1) Path 26 has “not been fully used in either direction in recent years;” and (2) the scenarios under which the North-to-South Path 26 constraint could be violated appear unlikely.⁴⁵ To be clear, AReM understands the proposal to eliminate the need for LSEs to procure and show RA capacity for

⁴⁰ For example, see *Comments on Final Phase 3 Proposals by the Alliance for Retail Energy Markets*, R.14-10-010, March 10, 2017, pp. 9-10.

⁴¹ IEP, pp. 3-4.

⁴² *Ibid.*

⁴³ See, D.02-10-062, pp. 29-30 and D.04-01-050, pp. 22-24.

⁴⁴ Energy Division, pp. 27-36; SCE, pp. 10-13.

⁴⁵ Energy Division, p. 27.

separate North and South Path 26 requirements. Thus, if approved, LSEs would no longer have geographic constraints on procurement to meet their System RA requirements. If this understanding is correct, AReM supports removing the Path 26 requirements, provided the CAISO agrees with Energy Division's assessment.

V. RA REQUIREMENTS AND ALLOCATIONS

A. Proposals to Extend Multi-Year Requirements to System and Flexible RA

IEP, Middle River Power and the Western Power Trading Forum ("WPTF") recycle their previous proposals to require multi-year procurement of System and Flexible RA.⁴⁶ As AReM has noted in the past, it could support multi-year forward procurement of all RA types through a centralized capacity clearing market, but opposes imposing such a procurement obligation on LSEs unless and until such a centralized market is implemented. Moreover, these parties have demonstrated no urgency for procurement of System or Flexible RA, nor has the CAISO recently engaged in any backstop procurement for any type of RA other than Local RA. Energy Division's own proposals have consistently focused solely on forward procurement of Local RA. Thus, no justification has been provided for imposing multi-year forward System or Flexible RA procurement obligations on LSEs and such proposals should not be adopted at this time

B. Seasonal or Monthly Local RA Requirements

PG&E and CalCCA each propose modifications to the current method for establishing Local RA requirements for LSEs.

PG&E proposes establishing seasonal-varying Local RA requirements beginning with the 2021 RA compliance year.⁴⁷ AReM has endorsed the concept of seasonal Local RA

⁴⁶ IEP, pp. 2-3; MRP, pp. 4-11; WPTF, p. 5.

⁴⁷ PG&E, pp. 6-8.

requirements when proposed in the past and again endorses this proposal by PG&E. As AReM previously explained, seasonal Local RA requirements would provide LSEs with additional flexibility in procuring RA and reduce the potential for over-procurement.⁴⁸

Alternatively, CalCCA proposes that Local RA requirements be allocated “to reflect each LSE’s actual month-to-month load forecasts,” arguing that (1) the current method is inconsistent with CCA load migration and (2) ELCC values for renewables vary by month.⁴⁹ CalCCA provided no details on how this proposed allocation process would work. At the RA workshops, a CalCCA representative clarified that the current 100% procurement requirement for Local RA requirements would not change, only the allocations of those requirements to LSEs. While that clarification is helpful, the fact remains that CalCCA did not provide adequate details to assess its proposal. Accordingly, this proposal should not be considered further until the details are provided.

VI. ADDITIONAL PROPOSALS TO IMPROVE MARKET LIQUIDITY AND REDUCE POTENTIAL EXERCISE OF MARKET POWER

CalCCA proposed several actions for the Commission to take to improve market liquidity and reduce the potential exercise of market power by the utilities,⁵⁰ including: (1) providing guidance to the utilities on managing their excess RA capacity; (2) specifying a requirement that the utilities offer to the market 100% of their RA capacity in excess of their forecast bundled load; (3) prescribing the solicitation schedules for the utilities to maximize the opportunity for other LSEs to procure to meet their compliance obligations; (4) obligating the IOUs to post their excess RA capacity on an Electronic Bulletin Board (EBB) to facilitate bilateral transactions in

⁴⁸ *Comments on Preliminary Phase 3 Proposals by the Alliance for Retail Energy Markets*, R.14-10-010, January 13, 2017, p. 4.

⁴⁹ CalCCA, pp. 2-3.

⁵⁰ CalCCA, pp. 7-8.

the beginning of each year; and (5) standardizing and updating the utilities' contract terms "to make contracting more efficient and fair, and as a means of mitigating market power."⁵¹ AReM raised similar issues earlier in this proceeding and proposed relaxing the utilities' rules to facilitate sale of excess RA as a remedy.⁵² Shell has also proposed establishing an obligation for the utilities to post excess RA capacity on an EBB.⁵³ AReM supports these proposals. Moreover, the advent of multi-year Local RA requirements AND the disaggregation of "PG&E Other"⁵⁴ make reforms to current rules regarding utility sales of excess RA critically urgent. AReM urges the Commission to adopt these and other applicable proposed reforms in Track 3.

A question arose at the RA workshop as to whether the proposal to obligate the utilities to post excess RA capacity on the EBB should also be imposed on other LSEs. AReM responds that the obligation to post on the EBB should only apply to the utilities. The utilities have Commission-approved cost recovery for their RA procurement and thus have no financial incentive to monetize their excess RA, whereas merchant generators and non-utility LSEs do not have Commission-approved cost recovery and therefore have a financial incentive to manage their excess RA procurement prudently. Direction from the Commission requiring the utilities to post on the EBB would certainly provide an important step in providing the necessary incentives to the utilities to offer their excess available RA capacity to the market.

⁵¹ CalCCA, p. 8.

⁵² See, for example, *Track 2 Comments of the Alliance for Retail Energy Markets*, R.17-09-020, August 8, 2018, Attachment, pp. 22-25.

⁵³ Shell has made its EBB proposal several times in this and previous RA proceedings. For the most recent example, see *Prepared Testimony of Michael Evans on Behalf of Shell Energy North America (US, L.P. On Track 2 Resource Adequacy Proposals*, R.17-09-020, July 10, 2018, pp. 19-21.

⁵⁴ D.19-02-022, Ordering Paragraph 15.

VII. CONCLUSION

AReM appreciates the opportunity to provide comments on the Track 3 proposals submitted by Energy Division, the CEC and other parties. AReM looks forward to continued engagement on these proposals as they are refined and improved going forward.

Respectfully submitted,

A handwritten signature in black ink that reads "Sue Mara". The signature is fluid and cursive, with the first name "Sue" and last name "Mara" clearly distinguishable.

Sue Mara
CONSULTANT TO
ALLIANCE FOR RETAIL ENERGY MARKETS

March 22, 2019