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**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)

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

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CONSULTANT TO  
**ALLIANCE FOR RETAIL ENERGY MARKETS**

March 4, 2019

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The Alliance for Retail Energy Markets<sup>1</sup> (“AReM”) respectfully submits these Track 3 proposals in accordance with the *Amended Scoping Memo and Ruling of Assigned Commissioner* (“Ruling”), issued January 29, 2019, in this Resource Adequacy (“RA”) proceeding.<sup>2</sup> On February 22, 2019, Administrative Law Judge Debbie Chiv issued an e-mail ruling pursuant to Rule 11.6 of the Commission’s Rules of Practice and Procedure extending the deadline for submitting Track 3 proposals to March 4, 2019. AReM’s proposals address Issue 4.a: “Revisions to the load forecasting methodology,” and Issue 5: Other refinements.<sup>3</sup>

**I. REVISING THE LOAD FORECASTING METHODOLOGY.**

AReM members experienced significant and inexplicable adjustments to their load forecasts for the 2019 RA Compliance Year. These adjusted load forecasts led to unexpected increases in their RA requirements for certain months in 2019. Moreover, these adjustments came late in the procurement cycle, truncating the normal RA procurement process and

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<sup>1</sup> 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.

<sup>2</sup> Ruling, p. 4.

<sup>3</sup> Ruling, p. 3.

providing little opportunity for the members to obtain clarification or explanation of the adjustments. RA procurement proceeded for 2019 and the AReM members submitted their annual RA showings as required on October 31, 2018. Nonetheless, unanswered questions remained about the load forecasting and adjusting process for the 2019 RA Compliance Year.

In December 2018, AReM members met with the staffs of the Commission's Energy Division and the California Energy Commission ("CEC") to discuss these issues. Staff of both agencies acknowledged significant issues with the load forecasting and adjustment process during 2018. As a remedy, the CEC indicated that it is actively reviewing what transpired and intended to propose changes to improve transparency and accuracy. AReM looks forward to working with Commission and CEC staff in this effort.

Accordingly, AReM strongly supports including "revisions to the load forecasting methodology" within the scope of Track 3. Given the Commission's move to 3-year forward Local RA obligations for load-serving entities ("LSEs"),<sup>4</sup> and to ensure that the changes are fully vetted and understood by market participants, AReM further urges the Commission to allocate adequate time in Track 3 workshops. Such time is needed to address and resolve issues with the current load forecasting process, and any new proposed forecasting methodologies, with a particular focus on the steps taken to adjust the load forecasts submitted by LSEs and assign the LSEs their associated RA requirements. Specifically, AReM requests that the Commission and CEC modify their existing load forecasting processes to:

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<sup>4</sup> Adopted in the revised Track 2 decision, D.19-02-022, approved by the Commission on February 21, 2019.

- Require that the aggregated load of all electric service providers (“ESPs”) *after* any *pro-rata* adjustments does not exceed the cap on direct access service set by statute.<sup>5</sup>
- Provide an improved process by which an LSE can contest a proposed *pro-rata* adjustment.
- Improve the plausibility adjustment process by establishing clearer standards for when existing load is assumed to continue into the following year’s RA compliance period.

## II. ALIGNING RA AND RMR PROCESSES TO REDUCE BACKSTOP PROCURMENT.

AReM originally submitted its proposal in Track 1 to align the Commission’s RA process with the process conducted by the California Independent System Operator (“CAISO”) to procure Reliability Must Run (“RMR”) resources. AReM offered the proposal to address, in part, the “procurement challenges” noted in the initial RA Scoping Memo, which had led to additional backstop procurement by the CAISO in 2018.<sup>6</sup> However, the Track 1 decision, D.18-06-030, did not address the proposal. AReM then re-submitted the proposal in its Track 2 testimony.<sup>7</sup> Again, the Track 2 proposed decision, issued on November 21, 2018, and the revised decision, D.19-02-022, approved at the Commission’s February 21<sup>st</sup> meeting, did not address the proposal. Thus, AReM is re-submitting its proposal for consideration in Track 3.<sup>8</sup> The Commission’s move to 3-year forward Local RA obligations for LSEs reinforces the critical

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<sup>5</sup> The current cap is 24,792 gigawatt-hours. Senate Bill 237 (Stats. 2018, Ch. 600) increased the cap by 4,000 gigawatt-hours as of June 1, 2019.

<sup>6</sup> *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge*, R.17-09-020, January 18, 2018, p. 4.

<sup>7</sup> 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. 19-22.

<sup>8</sup> The Ruling (p. 2) explains that previous proposals submitted by parties in Tracks 1 and 2 that were not rejected will be considered in Track 3.

need to align these processes. Because AReM's full proposal is already on the record in this proceeding, AReM provides a summary of the proposal herein.<sup>9</sup>

Historically, the CAISO has conditionally approved extensions for existing RMR contracts in September of each year and then sent a letter to the resource on October 1 extending (or terminating) the contract for the following year. In all cases of RMR contracting, the CAISO signaled its intent to extend existing RMR contracts with resources well *before* LSEs submitted their final year-ahead RA showings due on October 31. This disconnect in timing between the CAISO's RMR contracting and the LSEs' RA procurement undermines bilateral contracting and has the potential to lead to unnecessary procurement by the CAISO. Significantly, disconnects can largely be avoided by developing and implementing a timeline that aligns the RA and RMR procurement processes.

AReM proposes that the Commission's deadlines for the annual RA showings be moved earlier in the year to be submitted before the CAISO awards the RMR contracts, as follows:

- Final Revised RARs Issued to LSEs – September 4-6 (instead of September 18-20).
- Annual RA Showing Deadline by LSEs – September 30 (instead of October 31).
- CAISO Conditional Approval of RMR Extensions – mid-October (instead of early to mid-September).
- CAISO Final RMR Approval Letter – November 1 (instead of October 1).

Aligning the schedules as proposed will permit bilateral contracting to be completed by LSEs *before* the CAISO extends RMR contracts for particular resources. This alignment should improve the current process and potentially reduce the need for RMR procurement by the CAISO. While this proposal does not address timing issues with new RMR designations that

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<sup>9</sup> For a complete discussion of the background and rationale for this proposal, please see AReM's Track 2 Testimony provided as an Attachment to its August 8<sup>th</sup> Comments, *loc. cit.*, pp. 19-22.

may arise, new designations -- until 2017 -- were a rare occurrence. This proposal should reduce unnecessary backstop procurement, especially if new RMR designations are avoided because of the opportunity generators will have to sell their capacity one- to several-years forward.

### **III. ALLOCATING RA CREDITS FOR ENERGY STORAGE PROCURED THROUGH NON-BYPASSABLE CHARGES.**

AReM originally submitted this proposal in Track 2,<sup>10</sup> but the Track 2 proposed decision, issued November 21, 2019, and the revised decision, D.19-02-022, approved at the Commission's February 21<sup>st</sup> meeting, did not address the proposal. Accordingly, AReM re-submits this proposal for consideration in Track 3.<sup>11</sup> Because AReM's full proposal is already on the record in this proceeding, AReM provides a summary of the proposal herein.<sup>12</sup>

While the Commission requires allocation of the RA value associated with energy storage procured through the Cost Allocation Mechanism ("CAM"), the Commission has not yet addressed allocation of the RA value associated with energy storage procured through other non-bypassable charges ("NBCs").<sup>13</sup> As a consequence, the customers of ESP and community choice aggregators ("CCAs") are being deprived of specific benefits for which they pay. This inequitable situation should be remedied in Track 3.

In D.14-10-045, the Commission adopted an overarching cost-allocation framework for energy storage procured by the IOUs, in which cost recovery is based on the regulatory function

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<sup>10</sup> AReM's Track 2 Testimony, *loc. cit.*, pp. 18-19.

<sup>11</sup> The Ruling (p. 2) explains that previous proposals submitted by parties in Tracks 1 and 2 that were not rejected will be considered in Track 3.

<sup>12</sup> For a complete discussion of the background and rationale for this proposal, please see AReM's Track 2 Testimony provided as an Attachment to its August 8<sup>th</sup> Comments, *loc. cit.*, pp. 18-19.

<sup>13</sup> Other NBCs include payments by retail customers through distribution rates, transmission rates, public purpose program ("PPP") charges or other similar cost recovery mechanisms. For explanation of the Commission's current rules for allocating RA value to ESPs and CCAs for non-storage resources procured through other NBCs, please refer to: *2019 Filing Guide for System, Local, and Flexible Resource Adequacy (RA) Compliance Filings*, September 26, 2018, pp. 4-5, 16-18, 23-24.

performed by the storage projects.<sup>14</sup> Costs of utility energy storage performing a “generation/market” function are recovered solely from utility bundled customers. Costs of utility energy storage performing other functions are recovered through NBCs, including Distribution rates, Transmission rates, the CAM, or Public Purpose Program (“PPP”) charges, as applicable. The Commission has also clearly established the requirements for calculating the RA value of energy storage projects.<sup>15</sup> Accordingly, AReM proposes that the Commission require that, to the extent non-CAM NBCs are used to fund utility energy storage projects with RA value, that RA value must be allocated on a *pro-rata* basis to ESPs and CCAs serving load in the procuring utility’s service territory.

#### IV. CONCLUSION

AReM appreciates the Commission’s consideration of these proposals and looks forward to working with Commission Staff and the parties to discuss the details of these proposals in the forthcoming RA deliberations.

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.

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CONSULTANT TO  
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<sup>14</sup> D.14-10-045, Table, p. 28. Also see, p. 40.

<sup>15</sup> D.14-06-050, Appendix B.