

BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA



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

Rulemaking 16-02-007
(Filed February 11, 2016)

OPENING COMMENTS OF THE UTILITY REFORM NETWORK ON
THE PROPOSED DECISION OF ALJ FITCH ADOPTING
PREFERRED SYSTEM PORTFOLIO AND PLAN
FOR 2017-2018 INTEGRATED RESOURCE PLAN CYCLE



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PREFERRED SYSTEM PORTFOLIO AND PLAN
FOR 2017-2018 INTEGRATED RESOURCE PLAN CYCLE**

Pursuant to Rule 14.3 of the Commission Rules of Practice and Procedure, The Utility Reform Network (TURN) submits these opening comments on the March 18, 2019 Proposed Decision (PD) of ALJ Fitch. TURN generally supports the PD and urges the Commission to adopt the minor modifications outlined in these comments.

TURN specifically supports the PD's rejection of the Hybrid Conforming Plan (HCP) and the determination that an aggregation of the individual plans submitted by Load Serving Entities (LSEs) is insufficient to achieve the state's clean energy, climate, and reliability objectives at least cost. Moreover, TURN agrees with PD's concerns over the uncertainty of many resources included in individual LSE plans and the failure of the HCP to achieve sufficient Greenhouse Gas (GHG) emission reductions.¹ The rejection of the HCP is an important step towards moving the IRP process from a pure modeling exercise into an attempt to enforce coordinated planning.

**I. THE PROCUREMENT TRACK SHOULD BE USED TO CLARIFY THE
RULES AND PROCESSES APPLICABLE TO BACKSTOP
PROCUREMENT**

The PD calls for the initiation of a "procurement track" to consider specific directives for the acquisition of resources needed to support the achievement of 2030 objectives.² The procurement track is designed to "tackle some of the critical questions" including the enforcement of incremental obligations, the development of a backstop procurement mechanism the types of resources needed, and the assignment of costs and benefits to

¹ Proposed Decision, pages 86, 95, 102, 105.

² PD, page 136.

all LSEs.³ TURN supports the initiation of a procurement track and urges the Commission to prioritize certain tasks for early resolution.

The PD should establish that the first portion of this track will resolve threshold questions relating to the development of a backstop procurement process to execute unsatisfied resource commitments needed to meet clean energy, reliability or system optimization needs. Specifically, the Commission must clarify the approach that will be utilized under either §454.51 or §454.52, the opportunities for Community Choice Aggregators to self-provide any identified renewable integration need, and the allocation of costs and benefits resulting from any authorized procurement. In addition, the PD should direct coordination between this effort and the development of a central buyer for Resource Adequacy authorized in D.19-02-022. The Commission may wish to conduct consolidated workshops to develop a common mechanism that could be used to satisfy both Resource Adequacy and IRP needs.

The development of a backstop mechanism should be the first priority for the procurement track. The identification of specific resource needs and the authorization of procurement should occur afterwards. Unless a mechanism has been approved for this purpose, LSEs considering incremental procurement would lack basic information about the backstop structure that will be used to address any deficiencies. Although not endorsing any specific procurement at this time, TURN recognizes that near-term needs may arise (particularly relating to reliability) that merit prompt action. Sequencing the track to first resolve details relating to the mechanism will enable prompt action if and when it is needed.

³ PD, pages 136-137.

This track should also consider the appropriate use of backstop procurement in the event that one or more LSEs does not procure consistent with the commitments included in filed plans. To the extent that actual procurement by one or more LSEs significantly deviates from the inputs used to develop a future Preferred System Plan, the Commission may determine the need for additional procurement. In this event, any LSEs deemed to have uniquely contributed to a shortfall should be held responsible for the costs of curing the deficiency. Absent this type of ‘true up’ mechanism, the IRP process could lead to a wave of LSEs that overpromise and underperform without consequence. The Commission should avoid any outcome that incentivizes this type of behavior and permits ‘free riders’ to escape any unique cost responsibility.

II. THE NEXT PLANNING CYCLE SHOULD EXAMINE THE REGIONAL GREENHOUSE GAS EMISSIONS IMPACTS OF VARIOUS PROCUREMENT CHOICES

The PD identifies concerns about the inclusion of significant existing out of state hydroelectric resources in plans submitted by a number of LSEs. Although finding that the proposed utilization of these resources “is within historical import levels”, the PD expressly acknowledges that no analysis of resource (or contract) shuffling has been performed.⁴

In the next IRP cycle, TURN urges the Commission to carefully examine the regional GHG emissions impacts associated with these transactions. The PD’s suggestion that total forecasted large hydro imports are within historic norms fails to consider whether historic imports of large hydro were reported as specified resources by California LSEs.

⁴ PD, page 90.

TURN suspects that significant historic hydro imports occurred as part of generic energy transactions and were not reported as “hydropower” by California LSEs. To the extent that these same import volumes are now being reclassified as “carbon free” in the IRP process, the Commission should recognize that this reclassification may have little or no real-world impact and does not represent progress towards meeting GHG emissions intensity targets.

Given the large volume of legacy out-of-state “carbon free” resources that could be included in plans submitted by California LSEs, the Commission must take a deeper dive into understanding whether these commitments are driving changes to regional GHG emissions (or have ‘secondary dispatch’ effects) and the extent to which they represent firm imports that could be relied upon to meet Resource Adequacy requirements. Furthermore, the Commission should analyze recent procurement by LSEs to determine whether existing contractual arrangements have yielded hourly import profiles that are consistent with the modeling assumptions used in this proceeding. This information would assist with refinements to the Clean Net Short calculator.

III. THE COMMISSION SHOULD CLARIFY ITS ENFORCEMENT AUTHORITY

The success of the IRP process depends upon the ability of the Commission to effectively enforce program requirements on all LSEs. The first IRP cycle yielded a number of disappointments including one LSE that failed to submit a plan and many other LSEs submitting incomplete plans or incorporating inaccurate calculations.⁵ These challenges are compounded by the PD’s observation that “we currently lack a

⁵ PD, pages 19, 20, 82.

compliance enforcement mechanism if LSEs fail to adhere to the filing requirements and deadlines.”⁶

The Commission must promptly clarify its enforcement authority and develop specific financial penalties for noncompliance. Although the IRP code sections enacted in SB 350 do not contain express penalties, the Commission has authority to assess fines pursuant to the provisions of the Public Utilities Code that address contempt or non-compliance with any Commission order.⁷ The PD should commit to the development of comprehensive sanctions for any LSE that fails to comply with the requirements in a future IRP cycle. The establishment of sanctions will ensure robust compliance by all LSEs and result in higher quality submissions in future IRP cycles.

TURN appreciates the opportunity to file these comments.

Respectfully submitted,

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⁶ PD, page 146.

⁷ Public Utilities Code §2111-2112.