

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)

**JOINT REPLY COMMENTS OF CPOWER, ENEL X NORTH AMERICA, INC., AND
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL
ON THE PROPOSED DECISION ON
CENTRAL PROCUREMENT OF THE RESOURCE ADEQUACY PROGRAM**

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CPower, Enel X North America, Inc. (Enel X), and the California Efficiency + Demand Management Council (CEDMC) (collectively, “Joint Parties”) respectfully submit these Joint Reply Comments on the Proposed Decision on Central Procurement of the Resource Adequacy Program (Proposed Decision) mailed in this proceeding on March 26, 2020. These Joint Reply Comments are timely filed and served pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure and the Practitioner Alert issued by the ALJ Division on March 18, 2020.

**I.
SUPPORT FOR THE PROPOSED DECISION IS LIMITED.**

Only a very few parties express full-throated support for the Hybrid Local RA Procurement Model (Hybrid Model) adopted by the Proposed Decision, albeit with some requested modifications and clarifications. Those parties are Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (SCE), filing Joint Opening Comments as the Joint Utilities, and the Public Advocates Office (PAO). In its Opening Comments, the California Independent System Operator (CAISO) stated that it could implement the Proposed Decision, but noted conflicts with its tariff and a few other concerns that will be discussed below.¹

In their Joint Opening Comments, the Joint Utilities defend the Proposed Decision by stating that individual Load Serving Entities (LSEs) will still have an opportunity to self-procure

¹ CAISO Opening Comments, at pp. 2-3.

local resources.² The Joint Utilities also contend that the hybrid procurement model in the Proposed Decision provides significant procurement flexibility and optionality for LSEs.³

However, several parties, including the Joint Parties, disagree strongly with the contention of the Joint Utilities that the Hybrid Model provides the opportunity to economically self-procure or that it provides significant procurement flexibility. In fact, by reducing the economic value of procuring the local capacity resource by the procuring LSE by not receiving a one-for-one credit against the local RA assessment, this model discourages LSE procurement.⁴

In this regard, the California Community Choice Association (CalCCA) correctly states in its Opening Comments that the proposed Hybrid Model is in effect a full procurement model.⁵ This is because the Hybrid Model fails to give full credit to the LSE who makes local RA procurement decisions. CalCCA further states that the difference between the Proposed Decision and the Full Procurement Model is a “distinction without a difference, since there is virtually no economic incentive or rational reason for an LSE to make such a showing.”⁶

In addition, CalCCA correctly states that RA value, and in particular, local RA value, is a significant revenue stream to determine project viability,⁷ a point the Joint Parties also raised in their Joint Opening Comments.⁸ San Diego Gas and Electric Company (SDG&E) further states that “by creating a built-in disincentive to self-procure, the hybrid approach creates a de facto prohibition on self-procurement.”⁹ SDG&E illustrates the economic disincentive in a very straightforward manner where one LSE, who had procured local RA capacity, was allocated more local RA costs by the CPE than other LSEs who had not made any local RA capacity procurement.¹⁰ Clearly, the Proposed Decision’s adoption of a Hybrid Model must not be adopted, or, if it proceeds, it must be modified, at a minimum, to provide one-for-one local RA credit for resources procured by LSEs.

² Joint Utilities Opening Comments at p. 3.

³ *Id.*, at p. 6.

⁴ Joint Parties Opening Comments, at pp. 4-5; Western Power Trading Forum (WPTF) Opening Comments, at p. 7; Shell Energy North America Opening Comments, at pp. 2-3; LS Power Opening Comments, at p. 4; Calpine Corporation Opening Comments, at p. 3; Sunrun, Inc. Opening Comments at pp. 2-3.

⁵ CalCCA Opening Comments, at p. 2.

⁶ *Id.*, at p. 3.

⁷ *Id.*, at pp. 3-4.

⁸ Joint Parties Opening Comments, at p. 9.

⁹ SDG&E Opening Comments, at p. 5

¹⁰ *Id.*, Table 1, at p. 4.

CAISO also requested that the Commission direct the CPEs to consider availability limitations due to output duration, frequency of dispatch, or charging requirements;¹¹ put limits on CPE's procurement of availability limited resources;¹² and address whether Maximum Cumulative Capacity (MCC) limitations apply to the CPE.¹³ CAISO also cautioned against use of the Load Impact Protocols for determining demand response capacity value at this time,¹⁴ as the Joint Parties also did in their Joint Opening Comments.¹⁵ It is the Joint Parties' assumption that the MCC buckets would apply to the CPE, but the Commission must confirm that understanding by modifying the Proposed Decision accordingly.

However, as CAISO's other cautions about further limitations of DR or energy storage resource procurement due to availability limitations, the Joint Parties note that those issues are under consideration in Track 2 of R.19-11-009 (RA), and the Proposed Decision here must not prejudge disposition of those issues. Similarly, the Commission is also considering potential revisions to the Load Impact Protocols and their application to third-party demand response in Track 2 of R.19-11-009, making any resolution of that issue or their application in the Proposed Decision also inappropriate. Therefore, the Commission should disregard CAISO's request to further consider limiting procurement of availability-limited resources.

II.

MULTIPLE PARTIES SHARE THE JOINT PARTIES' SIGNIFICANT CONCERNS AND OBJECTIONS TO THE PROPOSED DECISION RELATED TO THE ROLE OF THE CPE.

The Joint Parties raised several concerns about the role of the IOUs as the CPE including the lack of procurement guidance to the CPE, the role of the Independent Entity (IE) and Procurement Review Group (PRG) relative to CPE procurement decisions, the cost allocation mechanism, protection against anti-competitive behavior, and preferential treatment provided to the CPE relative to other LSEs.¹⁶ Many parties, including the Joint Utilities,¹⁷ requested additional clarification or additional remedies.

Relative to the lack of procurement guidance to the CPE, and the fact that the guidance does not reduce reliance on CAISO backstop procurement, CalCCA, Sunrun, and Calpine

¹¹ CAISO Opening Comments, at p. 4.

¹² *Id.*, at p. 3.

¹³ *Id.*, at p. 4.

¹⁴ *Id.*, at pp. 4-5.

¹⁵ Joint Parties Opening Comments, at p. 8.

¹⁶ *Id.*, at pp. 10-14.

¹⁷ Joint Utilities Opening Comments, at p. 8.

expressed concern about the lack of procurement guidance provided by the Proposed Decision to the CPE.¹⁸ Shell Energy North America says that the Proposed Decision would provide the CPE “unfettered discretion to rely upon CAISO backstop procurement if bid costs are “unreasonably high.”¹⁹ In addition, the Proposed Decision “grants a license for the IOUs to engage in excess procurement of local RA resources.”²⁰ Parties are concerned about the role of the IOU acting as a CPE for any prolonged period of time and, therefore, suggest that the IOUs fulfill the role of the CPE only on a transitional basis.²¹ The Proposed Decision must be revised to provide clearer procurement direction to the CPE that includes limiting procurement to the RA requirement and exploring an alternative to the IOUs as the CPE.

Relative to the cost allocation methodology adopted by the Proposed Decision, Calpine, the Joint Parties, and others, disagree that the cost allocation methodology adopted by the Proposed Decision is appropriately allocating costs consistent with cost causation principles nor is it materially less administratively difficult than other methodologies, which were dismissed by the Proposed Decision.²² In terms of the manner in which costs are recovered, CalCCA states, a cost allocation mechanism linked to peak load is crucial, since peak load is the primary driver for the need of local capacity resources.²³ If costs are allocated in a manner inconsistent with the way in which the RA is determined, which is on a peak demand basis, cost shifting and inequities will occur. In order to preserve cost indifference and adhere to cost causation principles, the Proposed Decision must adopt a modified cost allocation mechanism.²⁴ As such, the Joint Parties support the CalCCA proposed cost allocation methodology.

In terms of the “protections,” SDG&E warns that reliance on a code of conduct alone may not prevent concerns regarding protection of market sensitive information.²⁵ LS Power states that the Commission should implement “clear separation rules between the two sides of the utility and the CPE.”²⁶ The Joint Parties urge stronger protections be adopted.

¹⁸ CalCCA Opening Comments, at pp. 6-7; Sunrun Opening Comments, at p. 7; Calpine Opening Comments, at p. 9.

¹⁹ Shell Energy North America Opening Comments, at p. 10

²⁰ *Id.*, at p. 11.

²¹ SDG&E Opening Comments, at pp. 7-8; CalCCA Opening Comments, at pp. 14-15.

²² Calpine Opening Comments, at p. 8; Joint Parties Opening Comments, at pp. 11-12.

²³ CalCCA Opening Comments, at p. 4.

²⁴ SDG&E Opening Comments, at p. 6.

²⁵ *Id.*, at pp. 10-11.

²⁶ LS Power Opening Comments, at p. 6.

**III.
CONCLUSION**

CPower, Enel X, and CEDMC (Joint Parties), therefore, renew their objections to the Proposed Decision stated here and in their Joint Opening Comments consistent with their Proposed Modifications to Findings of Fact, Conclusion of Law, and Ordering Paragraph in Appendix A thereto. Without significant change, the Proposed Decision should be withdrawn or an Alternate Proposed Decision issued.

Respectfully submitted,

April 20, 2020

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