



May 18, 2020

President Marybel Batjer
 Commissioner Martha Guzman Aceves
 Commissioner Clifford Rechtschaffen
 Commissioner Genevieve Shiroma
 Commissioner Liane M. Randolph

RE: California Public Utilities Commission Proposed Decision in the Resource Adequacy Rulemaking

Dear President Batjer and Commissioners:

We write to express our deep concerns with the Proposed Decision (PD) issued March 26, 2020 regarding centralized procurement of Resource Adequacy (RA). We strongly urge you to modify the PD prior to a vote by the Commission in order to preserve California’s leadership in grid decarbonization to fight climate change.

Consideration of centralized procurement of RA resources has been an ongoing matter of discussion in Track II of the CPUC’s RA proceeding for over a year and has generated a voluminous record. Parties developed and presented a range of options to address reliability challenges, maintain

stability, and further investment in green resources. Unfortunately, the PD ignored parties' previously articulated concerns and charged ahead for a second time with a central buyer framework that would place Pacific Gas & Electric Company and Southern California Edison Company as buyers of local RA resources and allow recovery of RA costs through a delivery-side non-bypassable charge.

This PD, like the last one, represents a significant step backwards in grid decarbonization and renewables integration. The framework must be altered as follows to ensure that load-serving entities (LSEs) are not disincentivized from advancing California's clean energy goals:

1. **FINANCIAL CREDITING:** An IOU-as-central-buyer model makes it challenging, if not impossible, for the LSEs investing in renewable energy in local areas to buy local RA associated with these projects. This is because these LSEs have no certainty of getting credit for their investments in local RA. This outcome fundamentally undermines the value proposition of making investments in locally sited preferred resources, storage, and long-duration resources needed to phase out natural gas power plants. To correct this situation, financial crediting of preferred resources shown by LSEs must be incorporated into the central buyer framework.
2. **PROPER COST RECOVERY:** Shifting cost recovery from the generation side of the bill to the delivery side is fundamentally at odds with long-standing cost allocation policies and creates two negative outcomes. First, it makes it hard for consumers to accurately compare the generation rates of LSEs because some generation costs will be hidden in the delivery portion of the customer bill. Secondly, it disincentivizes LSE investments in distributed energy resources (DERs) (e.g., energy efficiency, demand response, and behind-the-meter solar plus storage) and dynamic rates that reduce peak load. This outcome is fundamentally at odds with state policy designed to align load with production as a means to decrease customer costs. Costs must be recovered through a generation rate, and cost allocation must account for the peak load of the LSE serving that customer. Such a framework preserves the incentive for LSEs to reduce their peak loads through DER investments and advanced rate design.
3. **LIMITED PROCUREMENT:** The PD allows PG&E and SCE to buy energy and other RA products as part of their procurement of local RA resources. The PD also authorizes local RA procurement with no time bound. Such authorizations fundamentally undermine the competitive marketplace and LSE efforts to procure their own resources to meet their load, ultimately raising customer costs. To avoid this deleterious outcome, the central buyer should be limited to procurement of RA only. An unlimited timeframe for local RA procurement could also lead to outcomes where natural gas resources are locked into contracts for much longer terms than are necessary. Centralized buying of local RA resources should be limited in time to no greater than three years in order to allow new preferred resource development to replace existing fossil generation.
4. **TEMPORARY CONSTRUCT:** The PD should specify that having PG&E and SCE serve as the central procurement entities in their respective service territories is a temporary measure until the state can identify a capable neutral entity to fill this role.

Comments filed on the PD reveal that the majority of parties agree that these modifications to the PD are necessary to ensure local reliability while:

- maximizing investments in fossil-free and load-reducing resources, and
- minimizing customer costs.

To move this proceeding forward from where the PD landed, additional process will be needed to flesh out the details on the matters presented above. The undersigned suggest workshops facilitated by the Energy Division in order to ensure these matters are addressed expeditiously and further market disruptions are minimized.

Sincerely,

Laura Neish, Executive Director, 350 Bay Area
Danielle Osborn Mills, Director, American Wind Energy Association, California Caucus
Erika Morgan, Operations Coordinator, California Alliance for Community Energy
Beth Vaughan, Executive Director, California Community Choice Association
Alex Morris, Executive Director, California Energy Storage Alliance
Greg Wikler, Executive Director, California Efficiency + Demand Management Council
Scott Murtishaw, Senior Advisor, California Solar + Storage Association
Kenneth Sahn White, Director of Policy & Economic Analysis, Clean Coalition
Jessica Tovar, Coordinator, East Bay Clean Power Alliance
Steve Irvin, Executive VP Western and Central Regions and Mexico, EDP Renewables North America
Jessica Craven, Founder, Feminists in Action (Indivisible)
Duane Bindschadler, Leader, Indivisible CA-33
Vlad Popescu, Founder, Indivisible CA 43
Jennifer Tanner, Founder, Indivisible California Green Team
Susan Morgan, Leader, Indivisible Marin
Rebecca Elliot, Lead Administrator, Indivisible San Jose
A driene Couter, Leader, Indivisible Ventura
Derek Dolfie, Legislative Representative, League of California Cities
Andrew Hoffman, Chief Development Officer, Leapfrog Power, Inc.
Al Weinrub, Coordinator, Local Clean Energy Alliance
Mala Wingard, Steering Committee, Normal Heights Indivisible
John Anderson, Director of Energy Markets, OhmConnect, Inc.
Ruth Richardson, Founder, Rooted in Resistance (Indivisible)
Hans Isern, Senior VP, sPower
Rachel McMahon, Senior Manager of Public Policy, Sunrun
Ellie Cohen, Chief Executive Officer, The Climate Center
Ed Smeloff, Senior Director of Grid Integration, Vote Solar