

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the  
Resource Adequacy Program, Consider  
Program Refinements, and Establish Forward  
Resource Adequacy Procurement Obligations.

Rulemaking 19-11-009  
(Filed November 7, 2019)

**REPLY COMMENTS OF  
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL, CPOWER,  
AND LEAPFROG POWER, INC. ON  
PROPOSED DECISION ON TRACK 3B.2 ISSUES: RESTRUCTURE OF  
THE RESOURCE ADEQUACY PROGRAM**

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**I. INTRODUCTION**

The California Efficiency + Demand Management Council (“Council”),<sup>1</sup> CPower, and Leapfrog Power, Inc. (collectively “the Joint Parties”) respectfully submits these Reply Comments on the Proposed Decision on Track 3B.2 Issues: Restructure of the Resource Adequacy Program (“Proposed Decision” or “PD”), mailed in this proceeding on June 10, 2021. These Reply Comments are timely filed and served pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure and the instructions accompanying the Proposed Decision.

**II. SUMMARY**

The Joint Parties urge the Commission to maintain its proposal to adopt PG&E’s “Slice-of-Day” framework and further develop it through a series of workshops. However, the scope of the workshops should be revised by adding the unbundling and transactability of RA products and removing the determination of the number and duration of the slices; in addition, it should deprioritize the hedging discussion until the other more fundamental elements can be determined. Finally, the Commission should approve a three-year forward System and Flexible RA requirement to be implemented beginning in 2023 and put the State in a position to lock in the RA capacity it will need to maintain reliability more than one year in advance.

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<sup>1</sup> The views expressed by the California Efficiency + Demand Management Council are not necessarily those of its individual members.

### III. THE JOINT PARTIES REPLY COMMENTS

#### **A. The Commission should maintain its proposed approach to develop the Slice-of-Day framework but retain the flexibility to adopt elements of other proposals.**

Most parties submitting opening comments on the PD were generally supportive of moving forward with the Pacific Gas and Electric Company (“PG&E”) Slice-of-Day framework, but a few urged the Commission to also include the Southern California Edison/California Community Choice Association “SCE/CalCCA” framework for continued development in parallel. The Commission should “stay the course” and maintain its plan in the PD to push forward with the Slice-of-Day framework while keeping the door open for parties to recommend adopting elements from the SCE/CalCCA proposal when practical. As the Joint Parties discuss further below, the effort to further develop the Slice-of-Day framework will be significant and potentially contentious, so expanding the workshop scope to develop two separate frameworks would double the workload among parties and Commission staff, and greatly complicate the entire process.

#### **B. Workshop topics should be expanded to include unbundling and transactability of RA products.**

The California Energy Storage Alliance (“CESA”) makes an excellent point in its opening comments that the Slice-of-Day framework could be highly conducive to unbundling not only at the temporal level (i.e., allocating different slices to different LSEs), but also at the product level (i.e., System, Flexible, and Local).<sup>2</sup> As they correctly highlight, this could maximize the value of each RA resource by enabling its individual temporal and product components to be easily transacted with any LSE with as an unmet need. The Joint Parties agree and echo CESA’s recommendation that the workshop scope include temporal and product unbundling as well as the transactability of these components. These topics might fit best within the Resource Counting workshop because the definition of the products is directly tied to how they are counted.

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<sup>2</sup> CESA Opening Comments, at pp. 8-9.

**C. The Commission should deprioritize the hedging component workshop and resist the urge to stray into the CAISO’s jurisdiction.**

The Joint Parties does not object to a workshop on a potential hedging component as part of the effort to further develop the Slice-of-Day framework, but a hedging component should not be considered a *fait accompli*. The Protect Our Communities Foundation (“PCF”) expressed strong support in its opening comments for Energy Division’s March 17 Bid Cap proposal on the basis that the Slice-of-Day framework needs to be paired with a cost containment proposal.<sup>3</sup> However, it is premature to know if a hedging component is necessary because, as SCE notes, the framework has not yet been fully developed.<sup>4</sup> The Commission should prioritize the workshops such that the focus is on developing the Slice-of-Day framework first then address the hedging issue. It is highly likely that MRP’s prediction that multiple workshops will be needed for at least some of the topics will prove to be accurate.<sup>5</sup>

Even if a need is found for a hedging component, the Joint Parties respectfully urge the Commission to avoid straying too far into the CAISO’s jurisdiction. An energy market bid cap is highly distortionary because it takes no account of individual resource economics and strays into the energy market which the CAISO is responsible for operating and the FERC is responsible for regulating. Furthermore, an artificial bid cap risks incentivizing resources to export their capacity and energy to other markets that do not have such limitations.

**D. The Commission should adopt six four-hour slices to maintain consistency with the current minimum RA resource requirement.**

The Joint Parties agree with MRP that any workshop discussions to flesh out the Slice-of-Day framework should focus on six four-hour slices.<sup>6</sup> This is a logical basis given that, as MRP states, “the current minimum standard to qualify as an RA resource is to be able to sustain output over four consecutive hours each day over three consecutive days.”<sup>7</sup> The Joint Parties are concerned that the Commission may devote so much time to this issue within the context of the five prescribed workshops, that other less well-defined aspects of the Slice-of-Day framework

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<sup>3</sup> PCF Opening Comments, at pp. 5-6.

<sup>4</sup> SCE Opening Comments, at p. 9.

<sup>5</sup> MRP Opening Comments, at p. 4.

<sup>6</sup> MRP Opening Comments, at p. 4.

<sup>7</sup> *Id.*

could be deprived of the necessary time to develop. The Commission should adopt six four-hour slices in this final decision for now because it is consistent with current RA rules and frees up time in the workshop process that can be better spent developing the other aspects of the Slice-of-Day framework. This would not prevent the Commission from reassessing this structure perhaps in 2025 or 2026 once one or more years of experience can be gained.

**E. The Commission should approve a three-year forward System RA requirement to be implemented beginning in 2023.**

The Independent Energy Producers Association (“IEP”) makes a compelling argument for adopting a three-year forward System RA requirement now rather than waiting for the workshop process. As IEP recommends, the Commission need only make a policy decision at this point “with requirements equal to 100% of each LSE’s forecasted demand for each ‘slice’ in Years 1 and 2 and 50% (or higher) of forecasted demand in Year 3.”<sup>8</sup> The Commission should also adopt a forward Flexible RA requirement in this decision even if it leaves the actual percentages open to development through the workshop process.

The prevalence of regional rather than California-specific heat events in the past two summers makes it clear that California has been and will continue to compete with other states for capacity. With this in mind, MRP argues that “[m]ulti-year forward RA requirements can address mid-term procurement needs in a measured and thoughtful way rather than through recurring cycles of just-in-time emergency procurement.”<sup>9</sup> The Commission should put the State in a position to lock in the RA capacity it needs more than one year in advance.

### **III. CONCLUSION**

The Joint Parties appreciate this opportunity to provide these Reply Comments on the Proposed Decision.

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<sup>8</sup> IEP Opening Comments, at p. 7.

<sup>9</sup> MRP Opening Comments, at pp. 5-6.

Respectfully submitted

July 6, 2021

/s/ GREG WIKLER

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