

**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 2016 and 2017 Compliance Years.

Rulemaking 14-10-010  
(Filed October 16, 2014)

**COMMENTS OF THE INDEPENDENT ENERGY  
PRODUCERS ASSOCIATION ON REFINEMENTS TO THE  
RESOURCE ADEQUACY PROGRAM**

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The *Administrative Law Judge's Ruling Seeking Party Comments and Proposals* (Ruling), issued on December 12, 2014, solicited comments on questions regarding refinements to the Resource Adequacy (RA) program and proposals for RA program changes to be considered for the 2016 RA compliance year. The Independent Energy Producers Association (IEP) respectfully offers the following comments in response to the Ruling.

**I. GUIDING PRINCIPLES**

The Ruling lists five principles to guide parties as they develop their proposals for RA program changes. Additional principles that are or should be central to the RA program are *consistency* and *comparability*.

*Consistency.* The elements of the RA program should be consistent, to the extent feasible, with the requirements, practices, and assumptions of other entities involved in ensuring resources adequacy in California, *e.g.*, regulatory agencies like the California Energy Commission and entities like the California Independent System Operator (CAISO). In the RA context, it is particularly critical for the Commission's RA program to be consistent with the

operational needs of the CAISO, the entity that is responsible for maintaining the reliability of the bulk of the electric grid in California. When the Commission's requirements are not aligned with the needs and practices of the CAISO, both generators hoping to sell RA capacity and load-serving entities (LSEs) with RA compliance obligations are left with uncertainties that can needlessly increase the cost of negotiating and completing RA transactions.

In recent years, the Commission and the CAISO have at times differed on the requirements for certain RA products and on whether certain RA products could be unbundled and sold separately from system or local RA capacity. The parties' proposals should strive to ensure a consistency between the CAISO's needs and the Commission's requirements.

**Comparability.** Ultimately, RA products are used in wholesale markets to ensure electric grid reliability. Accordingly, consistent with the Federal Power Act, the principles of nondiscrimination and comparability should be explicitly incorporated in the Commission's RA program design.

A variety of technologies and resources will be employed to help ensure grid reliability. To the extent that these technologies and resources are eligible to be counted to meet the LSEs' RA obligations, these technologies and resources should be able to rely on comparable treatment (subject to appropriate use limitations as prescribed in the CAISO tariff). Moreover, the principle of comparability should not be unreasonably modified to favor any particular technology, but should strive to ensure that each MW of Net Qualifying Capacity or Effective Flexible Capacity provides the CAISO with a comparable ability to meet the grid's operational needs.

While the standards and requirements for RA products set by the Commission should reasonably match the operational needs of the CAISO, all technologies and resources that

can meet the standards and requirements should be eligible to provide the specified products. This includes Partial Resource Adequacy Resources. For example, assuming the product needed is a 3-hour continuous ramping capability, and a resource with a nameplate capacity of 100 MW has demonstrated that it can reliably provide 30 MW of 3-hour continuous ramping capability, then that resource should be awarded qualifying capacity equivalent to that portion of the resource meeting the product standard. This is consistent with the calculation of Net Qualifying Capacity and Effective Flexible Capacity developed by the Commission and CAISO.

On the other hand, the corollary is that technologies and resources that are not able to meet the specified RA product requirements (in whole or in part) should not be eligible to supply that RA product for compliance purposes. In this regard, IEP has concerns about relaxing the eligibility standards established for a defined product to accommodate individual technologies or resources. Rather than adopting less stringent eligibility criteria for a specific RA product, *e.g.*, a 3-hour ramping product, to facilitate participation in that market by resources incapable of meeting a 3-hour ramp, the Commission should consider whether additional RA products (*e.g.*, a 2-hour ramping product) would aid the CAISO in reliably operating the grid. To relax current eligibility standards in hopes of improving a particular technology's ability to offer flexible capacity could leave the CAISO without the resources it needs to preserve the reliable operation of the grid.

Maintaining the principle of comparability will allow the LSEs to secure the RA capacity needed to maintain the reliability of the system at the lowest possible cost.

## **II. RESPONSE TO QUESTIONS**

IEP responds to only the first question posed in the Ruling. That question asked whether the current eligibility criteria for energy storage and demand response (DR) are appropriate, and whether the eligibility criteria should be less stringent.

The question can be answered with reference to the principle of comparability described above. The eligibility criteria for all types of resources should be set in a way that meets the operational needs of the CAISO. Once the criteria are established, the same criteria should apply to all supply technologies to the extent possible.

Based on the principle of comparability, less stringent eligibility criteria should not be adopted for energy storage or DR unless less stringent criteria are also appropriate for other types of resources. If the current eligibility criteria were set correctly to reflect the operational needs of the CAISO, then relaxing those criteria for storage and DR could leave the CAISO with a shortfall of resources or the wrong types of resources that it needs to reliably operate the grid. Any special considerations unique to energy storage or DR are better reflected in limitations noted in the resource's Master File, rather than in less stringent edibility criteria.

### **III. CONCLUSION**

IEP respectfully urges the Commission and the Administrative Law Judge to consider these comments as they deliberate on refinements to the Resource Adequacy program.

Respectfully submitted January 16, 2015 at San Francisco, California.

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