

**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 THE PROPOSED  
DECISION**

**INDEPENDENT ENERGY PRODUCERS  
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DECISION**

Administrative Law Judge Gamson's Proposed *Decision Adopting Local Procurement and Flexible Capacity Obligations for 2016, and Further Refining the Resource Adequacy Program*, issued on May 26, 2015, performs the essential function of setting the Local and Flexible Resource Adequacy (RA) procurement obligations for the 2016 compliance year. The Proposed Decision also recommends some refinements to the RA program. The comments of the Independent Energy Producers Association (IEP) on the Proposed Decision concern only two of those proposed refinements.

In particular, IEP is concerned that the Proposed Decision's recommendations and comments undermine the foundation for the Local RA procurement requirement. In addition, the Proposed Decision's treatment of the effect of outages on the calculation of a plant's Qualifying Capacity (QC) is based on an assumption about future actions that could result in a double penalty for outages if those actions are delayed or are not taken. IEP addresses each of those concerns in these comments.

## I. COMMENTS

### A. The Proposed Decision Undermines the Rationale for the 12-Month Local RA Obligation

When the Commission initially adopted the Local RA procurement obligation in Decision (D.) 06-06-064, it rejected proposals to limit the Local RA procurement obligation to only certain months or to limit the year-ahead showing to less than the full amount of the identified RA capacity need:

[T]here are sound reasons for tailoring the specific RAR [resource adequacy requirement] program components to comport with their underlying circumstances. As noted in the Staff Report, the local program component entails an iterative process in which the CAISO [California Independent System Operator] evaluates nominated local resources and identifies deficiencies requiring either supplemental LSE [load-serving entity] or backstop CAISO procurement. Also, as TURN [The Utility Reform Network] points out in its April 28 reply comments, the proposals for a five-month obligation ignore the fact that the CAISO's local reliability needs are not limited to the five summer months.<sup>1</sup>

Accordingly, the Commission ordered LSEs “to make annual compliance filings demonstrating that they have met 100% of the applicable local procurement obligation for each month of the following calendar year (January through December) . . . .”<sup>2</sup>

The Proposed Decision adopts the CAISO's proposal to cap the Local RA obligation in some months to the level of the System RA obligation for that month. It was unclear to IEP why the CAISO had concluded that the Commission's determination that “the CAISO's local reliability needs are not limited to the five summer months” no longer applies, and IEP's discussions with the CAISO did not add much further clarification. If the CAISO has concluded that the risks that gave rise to the identification of Local Reliability Areas are not

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<sup>1</sup> D.06-06-064, p. 41.

<sup>2</sup> D.06-06-064, p. 85 (Conclusion of Law No. 16).

present during certain months, it should provide for public review and discussion of the studies or other evidence that indicate that conditions on the grid have changed.

The CAISO's proposal also seems to be a reversal of course from the position it took the last time this question came up. In 2011, the CAISO opposed a proposal by San Diego Gas & Electric Company (SDG&E) to create a seasonal Local RA requirement, in contrast to the current requirement for level Local RA obligations for all 12 months.<sup>3</sup> The Commission rejected SDG&E's proposal because it concluded that SDG&E's proposed change to the Local RA obligation required a further study and vetting by stakeholders.<sup>4</sup>

Moreover, the CAISO's proposal and the Proposed Decision's determination appear to be an implicit repudiation of the original principles of the Local RA requirement, without first undertaking an express reconsideration of the Local RA program.

This suspicion is reinforced by the Proposed Decision's language that goes beyond the CAISO's proposal to conclude:

This proposal compels us to examine the local RA requirement based on the August peak demand and imposed on LSEs for the entire year. The local RA requirement is higher than needed for non-summer months. Therefore, we request that the CAISO consider monthly or seasonal local requirements.<sup>5</sup>

The Commission certainly has the ability and authority to re-examine the Local RA program and the basis for the Local RA obligation, but it has not performed that re-examination in this proceeding. The Scoping Memo for this proceeding provided for a broad potential scope by including "[a]ny other issue identified by Energy Division and included in its January 2015

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<sup>3</sup> California Independent System Operator Corporation Reply Comments on Phase 2 Proposals, R.09-10-032, Feb. 22, 2011, pp. 9-10.

<sup>4</sup> D.11-06-022, pp. 44-45.

<sup>5</sup> Proposed Decision, p. 53.

reports or by parties in proposals submitted by January 16, 2015,” but other than the CAISO’s proposal, no party proposed a reconsideration of the foundations for the Local RA requirement.

Thus, the Proposed Decision’s statement that “[t]he local RA requirement is higher than needed for non-summer months” is not supported by the record in this proceeding. The Proposed Decision’s statement that the CAISO’s proposal “compels us to examine the local RA requirement based on the August peak demand and imposed on LSEs for the entire year” may be intended to propose such an examination in connection with the establishment of the 2017 Local RA requirement or the addition of a new phase to this proceeding, but the fact remains that the Commission has not performed this examination in this proceeding.

For these reasons, IEP respectfully recommends that the Proposed Decision should be modified to reject the CAISO’s proposal to cap the Local RA procurement requirement at the System RA requirement and to delete the second full paragraph on p. 53 (the second full paragraph under the heading, “5.8.3 Discussion”).

**B. The Treatment of Outages**

The Proposed Decision endorses Energy Division’s proposal to include periods of outages in the calculation of a unit’s Qualifying Capacity, without any adjustment for the outages.

IEP notes that one of the concerns raised about Energy Division’s proposal was the potential for a double penalty for generators who experience an outage. Generators with an outage could be penalized first under the provisions of the Standard Capacity Product and second by a derating of the unit’s QC. The Proposed Decision concludes that the double penalty issue “is no longer pertinent,” because wind and solar resources will be exempted from the Standard Capacity Product’s availability requirements under the CAISO’s RA Availability Incentive

Mechanism (RAAIM).<sup>6</sup> The RAAIM, however, has not yet been approved by the Federal Energy Regulatory Commission (FERC) for inclusion in the CAISO's tariff. If the RAAIM is not approved, or if its effectiveness is delayed, then generators experiencing an outage would still be subject to a potential double penalty during 2016.

To avoid the potential double penalty of generators who experience an outage, the Proposed Decision should be modified to require the exclusion of outage data from the calculation of a unit's QC, at least until the RAAIM is approved by FERC and made effective.

## **II. CONCLUSION**

IEP respectfully urges the Commission and the Administrative Law Judge to modify the Proposed Decision as recommended in these comments. Specifically, the Proposed Decision should be modified to:

- reject the CAISO's proposal to cap the Local RA procurement requirement at the System RA requirement and to delete the second full paragraph on p. 53, and
- require the exclusion of outage data from the calculation of a unit's QC, at least until the RAAIM is approved by FERC and made effective.

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<sup>6</sup> Proposed Decision, p. 24.

Respectfully submitted June 15, 2015, at San Francisco, California.

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