

**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 WORKSHOP AND
PARTY PROPOSALS**

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As provided in the *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge*, issued on January 6, 2015, the Independent Energy Producers Association (IEP) respectfully offers the following comments on the workshop on Resource Adequacy (RA) topics convened on February 9, 2015, and the proposals presented by the parties to this proceeding. IEP previously commented on the Energy Division's proposals in comments filed on January 30, 2015.

I. LIMITING LOCAL RA CAPACITY MONTHLY SHOWING TO THE LEVEL OF THE SYSTEM RA REQUIREMENT

The California Independent System Operator (CAISO) proposed to limit the monthly Local RA capacity showing of Load-Serving Entities (LSEs) in months when the System RA reporting requirement is less than the monthly Local RA showing.

Following the workshop, IEP engaged in discussions with the CAISO about this proposal. Even after these discussions, IEP remains unclear about the details of the CAISO's proposal, the reasons behind the proposal, and the practical implications of the proposal. For

several reasons, IEP is unable to support this proposal until it is more confident that it understands the details and implications of this proposal.

First, the proposal appears to undermine the Commission's decision to require LSEs to make a year-ahead showing that it has procured adequate Local RA capacity for each month of the year.¹ The Commission imposed this requirement to ensure overall grid reliability in response to the fact that local reliability issues were not necessarily correlated with annual peak demand, and local reliability concerns could arise at any time of the day and at any season of the year. IEP supported this reasoning and overall approach. The CAISO's proposal appears inconsistent with this reasoning and could undermine the Commission's original intent. If the CAISO has concluded that the risks that gave rise to the identification of Local Reliability Areas are not 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.

Second, the CAISO's proposal appears to conflict with positions it has taken recently on similar issues. In 2011, for example, the CAISO opposed a proposal by San Diego Gas & Electric Company (SDG&E) to "shape" the monthly Local RA requirement, in contrast to the current requirement for level Local RA obligations for all 12 months.² Now the CAISO seems to support something like what it formerly opposed. Again, IEP is unclear about whether the CAISO's seemingly changed position is grounded in changes in grid conditions or other relevant considerations.

¹ D.06-06-064, p. 42.

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

Third, IEP is concerned that the CAISO's proposal could constrain the already limited duration of time when generating resources can undertake maintenance activities without affecting reliability or incurring additional costs or penalties.

Finally, and most fundamentally, the CAISO has failed to make the case that local reliability requirements can be relaxed without creating adverse effects or increased risks for the grid. IEP continues to have concerns about this proposal and is unable to support the CAISO's proposal until the CAISO provides a better explanation of its proposal.

II. UNBUNDLING OF FLEXIBLE AND GENERIC CAPACITY

SDG&E presented a proposal for unbundling flexible capacity and generic capacity, so that a resource could sell its flexible attributes separately from its generic attributes. SDG&E's proposal would allow a resource that had committed its generic capacity to an LSE, but still had uncommitted flexible capacity, to attempt to sell its excess flexible capacity, an option that is not available if flexible capacity remains bundled with generic capacity.

IEP has consistently urged the Commission to define "products"--bundles of operating characteristics or attributes--that resources could sell and that the market could value. IEP agrees that unbundling flexible capacity from generic capacity allows for a more efficient use of existing capacity and provides market-based information to the developers of new capacity about the characteristics that the market values. Moreover, unbundling the flexible capacity from generic capacity will better align the Commission's approach with the approach employed by the CAISO and thereby send clearer market signals to stakeholders. For these reasons, IEP urges the Commission to adopt SDG&E's proposal.

III. DISPATCH REQUIREMENTS FOR DEMAND RESPONSE

Calpine proposed that in order to qualify as Local RA capacity, demand response resources should be required to respond to a dispatch order within 20 minutes. Calpine states

that its proposal is consistent with recent guidance provided by the CAISO in the Long-Term Procurement Plan proceeding. Calpine's proposal is also consistent with the principle that Local RA capacity should be available to deal with contingencies that local area contingencies can arise suddenly and at any time.

To the extent practical, the Commission and the CAISO should strive to have consistent eligibility and operational requirements for Local RA. Moreover, as noted above, aligning the Commission's approach to RA qualification with the CAISO's approach sends the appropriate market signals to all market participants. IEP agrees with Calpine that to qualify as Local RA capacity, demand response should be able to respond to a dispatch order within 20 minutes.

IV. THE ROLE OF STORAGE IN RESOURCE ADEQUACY

Several proposals were presented that appeared to attempt to create special provisions that would allow storage resources to participate more fully in the RA program. IEP and its members recognize the important role that storage can play in California's energy future, but IEP has maintained a consistent principle that specific technologies should neither be advantaged nor disadvantaged in the RA program. Once the attributes of a desired product are defined, any technology that can provide those attributes should be allowed to compete on a fair and technology-neutral basis to provide that product.

Currently, the existing Maximum Cumulative Capacity (MCC) buckets are designed to address a 4-hour system peak based on empirical studies and presumed needs of the systems. Southern California Edison Company (SCE) proposes to create a new two-hour MCC bucket. This proposal seems to be designed to accommodate the limitations of various storage technologies. Presently, IEP sees no added value and no need for a new, 2-hour MCC bucket. It may be that a 2-hour MCC bucket, even if limited in size, may not provide sufficient resources at

the unpredictable moment when the system peak occurs. Additional information and studies are needed before IEP and other parties can be assured that a 2-hour MCC bucket would not affect grid reliability. To the extent that a new 2-hour MCC bucket is created, all technologies or resource types should be eligible for that bucket and should be subject to comparable availability requirements.

V. CONCLUSION

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

Respectfully submitted February 27, 2015, at San Francisco, California.

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