INDEPENDENT
ENERGY
PRODUCERS
ASSOCIATION

February 23, 2017

The Honorable Michael Picker, President
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Community Choice Aggregation En Banc Hearing

Dear President Picker:

I wish to thank the Commission for convening the Community Choice Aggregation En Banc Hearing on February 1, 2017. It was very timely and informative. While the Commission is in the early stages of grappling with the role of Community Choice Aggregation (CCAs) in energy planning and policy implementation, I would like to offer these informal comments building on themes that emerged during the En Banc. My comments are presented in the form of some questions that I believe the Commission ought to address in the near future so as to help provide clarity regarding the path forward.

- **What mechanisms will "back-stop" investment in needed infrastructure while the market and regulatory uncertainties work themselves out?** Currently, the Commission appears to rely on a policy of "utility-customer indifference" toward utility investment in light of CCA formation. This policy enables the utilities to impose a non-bypassable charge on departing load in specific circumstances (e.g. resource adequacy). Is this policy sufficient and sustainable to support needed infrastructure investment identified by the Commission? Alternatively, would the Commission, the utilities, ratepayers, and the marketplace benefit from a stronger statement as to the role the utilities will serve with regards to backstopping long-term infrastructure investment identified by the Commission as needed?

- **Where is the market for new long-term capacity?** It was reported that one or more utilities risk losing 40-60 percent of their existing load to CCAs in the not too distant future. Importantly, the load is not departing California but rather shifting among LSEs. Where are the *market signals* expected to emerge for timely, long-term capital investment needed to meet load in this shifting environment? Where is the *market structure* that supports new capacity/infrastructure in a timely and cost-effective manner, if long-term contracting deteriorates in an environment of CCA expansion and growth?

- **Who is the "provider of last resort"?** Some CCA proponents argue that the Commission has little, if any, jurisdiction over CCA formation and operations. Not only does the Commission need to consider the effect of load departing from the utilities to the CCAs, but the Commission needs to address the risk of load departing from the CCA back to the utility seemingly "at will." What should the Commission do to provide reasonable stability and regulatory certainty over an inherently unstable market design such as this?

In addition to the broad, framework issues raised above, the En Banc raised a number of specific issues that may have significant impacts on electric grid planning and operations:

- **Does centralized, integrated resource planning make sense absent centralized control?** Pursuant to SB 350, the Commission is developing a comprehensive, integrated resource planning (IRP) framework guiding investment to achieve various public policy objectives, including significant GHG reduction. The approach entails complex modeling; and, the planning process is time and resource intensive. Yet, ultimately, successful outcomes are determined in whole or in part by LSE behavior. If the Commission's authority over CCA IRPs is limited to a review and certification function, what happens if the CCA IRP fails to meet the standards and goals of the Commission? Moreover, assuming that electrical corporations represent only 40-60 percent of the statewide load in the near future, what value and impact will the Commission-approved IRP have on achieving statewide goals absent any controls over CCA IRPs?

- **Does a LSE model premised on a "thousand points of light" undermine the resource adequacy (RA) framework?** The current reliability framework represents interrelated parts in which the Commission, the CAISO, and the Federal Energy Regulatory Commission share authorities. In light of the predictions of significant CCA growth (e.g. 40-60 percent of utility load), the Commission should address whether the current approach to determining RA needs and obligations will continue to be reasonably predictive of the real-time needs to operate the grid reliably throughout the state. Does the growth of CCAs risk inefficient resource retirements due to a disaggregation of procurement across many smaller LSEs? Is it timely to consider a multi-year forward RA framework imposed on all jurisdictional LSEs, given the uncertainties and disaggregation of responsibilities?

- **What will be the plan, if CCA credit-worthiness does not emerge at the scope and scale proponents assume?** While some CCA communities appear to provide a suitable balance sheet for long-term investment (due to favorable demographic and income characteristics, etc.), many communities considering a CCA structure may not achieve the credit-worthiness necessary to support needed infrastructure investment. What is the risk that a "procurement gap" emerges due to expectations of CCA investment that does not materialize?

The En Banc raised a number of critical questions, but fundamentally the Commission is confronted with the following: "where are we?" and "where do we go from here?" I look forward to working with the Commission on these critical energy matters.

Respectfully submitted,

Jan Smutny-Jones
Chief Executive Officer

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