

**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 2019 and 2020 Compliance Years.

Rulemaking 17-09-020
(Filed September 28, 2017)

**REPLY COMMENTS OF THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION ON THE FEBRUARY 22-23,
2018 RESOURCE ADEQUACY WORKSHOP AND
PARTIES' PROPOSALS**

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As permitted by the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (Scoping Memo) issued January 18, 2018, the Independent Energy Producers Association (IEP) offers its reply to comments on the resource adequacy (RA) workshop held on February 22-23, 2018 and on parties' Track 1 proposals.

I. SUMMARY

Track 1 addresses time-sensitive refinements to the RA program necessary to maintain grid reliability while reducing the risk of backstop procurement, including consideration of a multi-year RA framework.¹ While parties have raised a number of hypothetical concerns about what would happen if a multi-year RA framework is adopted (as discussed in more detail below), the statements of these concerns rely on exaggeration and appear to be designed to defer, yet again, a matter that has been before the Commission since at

¹ As defined in the Scoping Memo, Track 2 is to address issues that are less time-sensitive or too complex for resolution by June 2018. A Track 2 Proposed Decision is scheduled for the fourth quarter of 2018.

least 2010. IEP urges the Commission to not allow these concerns to lead it into further delay. Rather, the Commission should adopt a multi-year framework in Track 1 as a matter of policy, recognizing that refinements can and will be considered in Track 2 and in successor RA proceedings. Moreover, in Track 1 the Commission should adopt a number of refinements that are supported by a broad consensus, as presented below.

In its Track 1 decision the Commission should:

- Adopt a multi-year RA framework as a simple extension of the existing one-year forward RA framework;
- Determine that behind-the-meter (BTM) solar will be treated as a supply resource in the Effective Load Carrying Capacity (ELCC) methodology;
- Determine that the Commission’s RA Measurement Hours and California Independent System Operator’s Availability Assessment Hours will be aligned;
- Determine that, in the absence of Final Studies, 2019 Local Capacity Requirements (LCR) and 2019 Flexible Capacity Requirements (FCR) will be based on Preliminary Studies, including a “dead-band” condition;
- Clarify that refinements to the flexible RA requirement, including consideration of a fast, flexible RA requirement, will be a primary issue in Track 2 so that the Commission’s determination may be implemented no later than the 2020 compliance year; and
- Create a Track 2 Electronic Bulletin Working Group to develop proposals to facilitate the buying and selling of system, local, and flexible RA capacity among LSEs. A number of parties support a bulletin board.²

² Comments of the CCA Parties on the Track 1 Proposals and Workshop, p. 8; Opening Comments of Shell Energy North America (US), L.P. on Track One Resource Adequacy Proposals, p. 11; Comments of the Independent Energy Producers Association on the February 22-23, 2018 Resource Adequacy Workshop and Parties’ Track 1 Proposals, p.11.

II. REPLY TO COMMENTS ON A MULTI-YEAR FORWARD RA FRAMEWORK

IEP's Comments noted that the Commission can establish a multi-year forward RA framework based on the existing one-year forward RA framework by simply (a) extending the number of years forward for which load-serving entities (LSEs) will have an obligation (*i.e.*, the duration) and (b) setting the yearly forward obligation as a percent of an LSE's local RA requirement and flexible capacity requirement. We again emphasize the simplicity of the necessary elements of this policy decision.

In comments on the duration of the multi-year forward framework, parties have noted that the IEP Proposal and the Energy Division's Solution #2 are conceptually very similar.³ The IEP Proposal is based on a *minimum* 3-year forward framework, while the Energy Division proposal is based on a 5-year forward framework. In prior RA proceedings, IEP proposed a 5-year forward obligation. Accordingly, IEP supports the Energy Division proposal for a 5-year forward RA framework because it provides a higher degree of transparency and promotes the proper amount of forward RA procurement to best ensure grid reliability over the near- to mid-term (*i.e.*, 3-5 years). IEP recommends, however, that the Commission should include system, flexible, and local RA requirements in a common multi-year forward RA framework.⁴

IEP's and Energy Division's Solution #2 proposals for setting the forward obligation as a percent of forecasted need are also very similar. Both the IEP Proposal and the

³ See Calpine Corporation Comments on Track 1 Resource Adequacy Proposals, March 7, 2018, p. 6. The Energy Division proposes two solutions for implementing a multi-year RA Framework: a program in which the residual RA procurement responsibility rests with a Central Buyer (Solution #1) or a program in which the residual RA procurement responsibility rests with LSEs. See *Current Trends in California's Resource Adequacy Program: Energy Division Working Draft Staff Proposal*, February 16, 2018.

⁴ Comments of the Independent Energy Producers Association on the February 22-23, 2018 Resource Adequacy Workshop and Parties' Track 1 Proposals, p. 5.

Energy Division's Solution #2 set the Year 1 obligation at 100% and the Year 5 obligation at 80%, an approach that implements a multi-year framework with minimal policy or procedural changes to the Commission's existing, one-year forward RA framework.

In contrast to the Energy Division's Solution #2 and the IEP Proposal, some parties who ostensibly support a multi-year forward RA framework propose to set the duration or the percentage forward obligation at levels that will have no meaningful impact on existing procurement practices in the near to mid-term. For example, the CCA Parties would limit the forward obligation to three years and set the obligation in Year 2 and Year 3 at only 25% of the forecasted need.⁵ Similarly, the Alliance for Retail Energy Markets proposes to set the Year 2 obligation at 70% and the Year 3 obligation at 30%.⁶ In setting the percentage obligation in the forward timeframe so low, these proposals provide little additional transparency on RA procurement to meet forecasted need in the near to mid-term. Moreover, these proposals will have little effect on the need for backstop procurement. The Commission should not embrace proposals that provide little effect on the forward procurement of resources needed to enhance grid reliability, integrate renewables, reduce backstop procurement, and meet other policy goals.

Some parties have submitted proposals that are so inherently complex or contentious that they seem to guarantee that the Commission will not act on a multi-year framework in Track 1. For example, some parties seek to tie adoption of a multi-year framework to the simultaneous adoption of a central procurement entity (CPE) or a centralized capacity market (CCM).⁷ Some parties state that a multi-year forward procurement obligation necessarily

⁵ Comments of the CCA Parties on the Track 1 Proposals and Workshop, p. 6.

⁶ Track 1 Proposals of the Alliance for Retail Energy Markets, p. 6.

⁷ Pacific Gas and Electric Company's Comments on Track 1 Proposals, p. 3; Comments of the Alliance for Retail Energy Markets on Track 1 Proposals and Workshop, p. 4.

triggers the need for a FERC-regulated centralized capacity market.⁸ This linkage is misplaced. The relatively simple step of extending the existing, one-year forward RA framework to a multi-year forward RA framework need not and should not be tied to the more complex and contentious issues raised by a CPE or CCM mechanism. Consideration and adoption of the simple multi-year RA framework IEP recommends falls well within the Commission's jurisdiction over its resource adequacy program. Rather than taking the time needed to work out the details of a CPE or CCM, the Commission should act now in Track 1 to adopt a multi-year forward framework.

Respectfully submitted March 16, 2018, at San Francisco, California.

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⁸ Opening Comments of Shell Energy North America (US), L.P. on Track One Resource Adequacy Proposals, p. 6.