

**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)

**COMMENTS OF THE INDEPENDENT ENERGY
PRODUCERS ASSOCIATION ON THE ASSIGNED
COMMISSIONER'S RULING SEEKING COMMENT ON
CLARIFICATION TO RESOURCE ADEQUACY IMPORT
RULES**

INDEPENDENT ENERGY PRODUCERS
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The Independent Energy Producers Association (IEP) is pleased to comment on the Assigned Commissioner’s Ruling Seeking Comment on Clarification to Resource Adequacy Import Rules (Ruling), dated July 3, 2019.

I. OVERVIEW

IEP believes it important that the Commission takes the steps necessary to ensure that the following principles govern and guide its Resource Adequacy (RA) program:

A. Comparable Treatment Between Internal and External Resources (Imports)

It is imperative to the integrity of the RA Framework that resources be treated on a comparable basis in the context of implementing the Commission’s RA Framework and accounting for RA supply. Internal and external/imports resources should face comparable availability/delivery requirements, must-offer obligation (MOO), replacement obligations, etc. The absence of comparable treatment among/between internal and external supply will result in

load-serving entities (LSEs) inexorably shifting to the procurement to those resources of least cost, which may not provide the requisite reliability benefits sought by the Commission.

B. Avoidance of Double-counting of RA Resources

Rules and procedures should apply that provide reasonable assurance that the capacity associated with specific resources is not double-counted by LSEs, balancing authorities, etc. Double-counting of capacity undermines grid reliability in both geographic areas for which the capacity is being double-counted; thus, the negative effect of double-counting RA capacity may be twofold when measured by the expectations of the multiple balancing authorities in which the resource supply is being double-counted.

C. Avoidance of “Speculative Supply”

The California Independent System Operator (CAISO) describes “speculative supply” as a situation in which zero eligible RA capacity is secured at the time of the RA showings.¹ IEP generally concurs with this broad statement. It cannot be the case that supply included in LSE “showings” of RA compliance is unlikely to be unavailable when and where needed to meet its RA obligations (absent forced and/or planned outages).²

D. Alignment with the CAISO Import Rules

The Commission’s Import Rules must align with the CAISO’s tariff with regards to counting internal and external resources for purposes of ensuring grid reliability.

Below, IEP answers specific questions in the order presented in the Ruling.

¹ See *Resource Adequacy Enhancements: First Revised Straw Proposal, Stakeholder Meeting Agenda*, July 8-9, 2019, slide 73.

² IEP recognizes the need for reasonable RA Replacement Rules to govern situations of forced/unforced outages.

II. ANSWERS TO SPECIFIC QUESTIONS POSED IN RULING

1. *Should Commission decisions (a) require RA import contracts to include the actual delivery of firm energy with firm transmission and (b) clarify that only a bidding obligation is deemed not sufficient to meet RA rules?* Absent a firm delivery obligation for energy in support of an RA contract, IEP questions why “import” RA contracts would not fall into the category of Speculative Supply. We are interested in examples of situations/conditions in which import RA contracts with nonfirm energy and/or nonfirm transmission would otherwise ensure firm delivery comparable to that required of internal generation.

IEP welcomes a broader discussion on this matter. A must-offer obligation” (MOO) is not equivalent to a “must-deliver” obligation from a specific resource. Thus, while RA imports should prove their ability to respond when called by the CAISO (e.g., by pre-arranging transmission, etc.), one can envision times if system conditions warrant when a firm delivery obligation across an intertie (i.e., a firm import) might be filled by energy from external resource (likely in the same Balancing Authority) that satisfies the needs of the CAISO at that time.

2. *Do parties agree that firm transmission capacity is required in addition to firm energy? Please explain why or why not.* See answer to Question 1 above.

3. *Should the Commission clarify its rules, or are existing decisions and requirements sufficient? If the former, please propose clarifying language and/or how such clarifications should be established?* Additional clarity in the rules may be warranted, particularly given that the CAISO has engaged a RA Enhancement Stakeholder Initiative to address, among other matters, concerns over import RA capacity being either “speculative” or double-counted and, thus, not available to the CAISO in a manner comparable to internal supply. The Commission

Decisions referenced in the Ruling (e.g., D.04-10-035, D.05-10-042) have governed RA rules for some time, so we are surprised that the issues highlighted in the Ruling have come to the fore at this late date. Thus, we presume additional clarity may be warranted.

4. *If the Commission determines that RA import contracts with a bidding obligation, but without delivery of firm energy with firm transmission, do not qualify as RA, how should these types of contracts be addressed going forward? Should these contracts be disallowed for the balance of 2019, beginning in 2020, or at a later date?* If the resources being “shown” to meet LSE obligations are not eligible to meet the specific RA product need (System, Local, and/or Flexible), then the Commission should not allow LSEs to count that supply against their RA obligations. On the other hand, if this is a situation in which, for example, the Import RA Rules are being interpreted by the Commission in a new, substantively different manner, then IEP recommends that the Commission “grandfather” the contracts in LSE RA Showings.

5. *How should LSEs document that their RA import resources meet the Commission’s import rules? Examples may include, but are not limited to, LSEs providing attestations or certifications for each import contract or attestations from the import provider.* IEP does not have any specific recommendations at this time other than to note that in principle the standards of documentation ought to be clear, transparent, and unambiguous.

6. *If necessary, how should Energy Division staff determine compliance?* It is not apparent to IEP that the Energy Division needs to change its administrative rules, procedures, etc. for determining compliance. As noted above, however, to the extent that the Energy Division must

change its administrative procedures for determining compliance, those changes ought to be clear, transparent, and unambiguous.

7. If it is determined that the imports used by an LSE do not meet the Commission's firm energy requirements, does the existing RA penalty structure provide enough deterrence to prevent further transactions of this type? If not, what additional remedies or corrective measures should be imposed?

The primary goal of the RA penalty structure ought to be to incent LSEs to procure in the forward markets the requisite RA capacity when and where needed to ensure resource adequacy (System, Local, and Flexible) and to mitigate the need for CAISO Backstop Procurement. IEP has raised concerns in the past that the Commission's penalty structure may not provide enough deterrence to ensure adequate supply to meet the full array of RA needs (System, Local, Flexible) and mitigate the risk of CAISO backstop procurement. While the local capacity RA Waiver trigger has recently been raised, we continue to have concerns that the RA Waiver trigger for local RA capacity fails to provide enough deterrence to mitigate the risks of relying on speculative supply and/or CAISO RA backstop procurement.

Respectfully submitted July 19, 2019 at San Francisco, California.

A handwritten signature in black ink that reads "Steven Kelly". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

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