

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Develop an Electricity  
Integrated Resource Planning Framework and to  
Coordinate and Refine Long-Term Procurement  
Planning Requirements.

Rulemaking 16-02-007  
(Filed February 11, 2016)

**COMMENTS OF THE INDEPENDENT ENERGY  
PRODUCERS ASSOCIATION ON THE ASSIGNED  
COMMISSIONER AND ADMINISTRATIVE LAW  
JUDGE'S RULING INITIATING PROCUREMENT TRACK  
AND SEEKING COMMENT ON POTENTIAL  
RELIABILITY ISSUES**

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In response to the Assigned Commissioner and Administrative Law Judge’s Ruling initiating a procurement track in Rulemaking (R.) 16-02-007 and seeking comment on potential reliability issues (Ruling, dated June 20, 2019), the Independent Energy Producers Association (IEP) is pleased to provide these comments. First, we offer some general comments and observations. Second, we respond to the specific questions posed in the Ruling.

**I. Overview of Comments**

The Ruling correctly focuses on the practical needs of ensuring grid reliability in the near- and medium-term given the current, relatively chaotic, energy environment in California. As noted by the Department of Market Monitoring (DMM) of the California Independent System Operator (CAISO), the potential for scarcity (and the potential for the exercise of system-level market power) is due to several trends:

- The retirement of gas capacity (e.g., approximately 9,000 MWs of gas capacity retirement by 2021 due to the Once-Through-Cooling requirements);

- An increasing portion of resource adequacy (RA) requirements being met by intermittent resources (e.g., solar/wind);
- Fewer energy tolling contracts between load-serving entities (LSEs) and gas units within the CAISO;
- Increasing RA requirements met through imports not backed by energy contracts or physical resources; and
- Increasing portion of load being served by Community Choice Aggregators (CCAs).<sup>1</sup>

Individually and collectively, the factors identified by the DMM increase the risks that grid reliability will be undermined in the near- and medium-term absent prompt and timely action by the Commission.

The Ruling posits “backstop” procurement to address concerns over scarcity and the exercise of market power in the near- and medium-term. Specifically, the Ruling proposes to direct each LSE to procure, on an all-source basis, its proportional share of a total 2,000 MWs of new, peak capacity statewide to be online by August 1, 2021. In addition, the Ruling proposes to require Southern California Edison Company (SCE) to solicit 500 MWs of capacity from existing resources that are without a contract past 2021 on a medium-term contract basis (i.e., 2-5 years).<sup>2</sup>

IEP finds the “procurement plan” presented in the Ruling as reasonable and worthy of pursuit now, given the factors, particularly those identified by the DMM, that individually and collectively cast a shadow over the reliability of California electricity delivery today.

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<sup>1</sup> “System market power trends and issues,” Presentation of the Department of Market Monitoring, California Independent System Operator, CAISO Stakeholder Working Group, July 15, 2019.

<sup>2</sup> Ruling, pp. 14-16.

IEP, however, suggests some valuable modifications to the procurement plan presented in the Ruling to help ensure that the proposed procurements have a high probability of achieving the stated goals of ensuring grid reliability in the near- and medium-term. Specifically, IEP recommends that the Ruling be modified to clarify the following:

- The proposed “all-source” solicitation is open to *all resources* (new and existing) in order to maximize the probability that the resources needed to ensure near- to medium-term reliability are available when and where needed.
- An interim, backstop procurement mechanism will be explicitly authorized in the decision as a *transition* to one that may eventually emerge in other contexts (e.g., the on-going RA proceeding and/or the Legislature). The Commission’s authorization will specify (a) what, if any, backstop procurement will occur if one or more LSEs is deficient in meeting its procurement obligations, and (b) when the backstop procurement will occur.

We look forward to working with the Commission on this critical matter.

## **II. Answers to Specific Questions Posed in the Ruling**

The Ruling presented a series of questions for parties’ comment. IEP responds to the questions in the order in which they were presented in the Ruling.

- 1. Do you believe that there could be reliability challenges as soon as 2021? Why or why not? Include comments on any concerns you have about the staff analysis presented in Section 2.1 of this ruling and cite to publicly available data to support your analysis.**

IEP has previously expressed concerns about grid reliability in the near- and medium-term and our views have not changed.<sup>3</sup> Demand is not forecast to lower over time.<sup>4</sup> Moreover, RA 2020 coincident peaks are generally forecast to be higher in non-summer months and comparable or lower in summer months than occurred in RA 2019.<sup>5</sup>

The California Independent System Operator (CAISO) recently raised concerns about the potential for RA imports to represent speculative supply or be double-counted for reliability.<sup>6</sup>

Issues of increasing concern to the CAISO include the following:

- RA counting rules that do not adequately reflect resource availability to provide resource adequacy;
- Flexible RA capacity rules that do not align with operational needs;
- Import calculation and allocation rules that may result in inefficient outcomes and the withholding of import capabilities;
- Eligibility rules and must-offer obligations for import resources that may result in economic withholding and/or non-delivery of energy;
- System and Flexible RA “showings” that do not consider the overall effectiveness of the RA portfolio to meet operational needs; and

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<sup>3</sup> See *Comments of the Independent Energy Producers Association on the Assigned Commissioner and Administrative Law Judge Ruling Seeking Comments on Policy Issues and Options related to Reliability*, R.16-02-007, December 20, 2018; see also *Comments of the Independent Energy Producers Association on the Administrative Law Judge’s Ruling Seeking Comment on Proposed Preferred System Portfolio and Transmission Planning Process Recommendations*, R.16-02-006, January 31, 2019.

<sup>4</sup> See *CEDU 2018*, Demand Analysis Working Group, November 14, 2018. Staff Presentation of the Demand Forecasting Unit, California Energy Commission, at the Demand Analysis Working Group (DAWG) Meeting, November 14, 2018.

<sup>5</sup> See Presentation by the Energy Assessments Division, California Energy Commission, *LSE Forecast Adjustments: 2020 Resource Adequacy*, June 19, 2019, Demand Analysis Working Group.

<sup>6</sup> See CAISO, *Resource Adequacy Enhancements: Straw Proposal – Part 1*, p. 3 (December 20, 2018).

- The growing reliance on availability-limited resources to serve local capacity needs when such resources may not have sufficient run hours or dispatches to serve the needs in local capacity areas and sub-areas.<sup>7</sup>

Meanwhile, while the Commission recently modified the RA Framework to impose a multi-year Local RA obligation (i.e., 3 years forward), the Commission declined to impose a multi-year forward obligation for System and Flexible RA. In effect, a “gap” in mandatory forward procurement of RA system and flexible resources persists. Notably, the Commission implicitly has recognized this gap when, in the context of Integrated Resource Plan (IRP) planning, the Commission noted that the RA proceeding does not yet provide a comprehensive look at all the operational resource needs across all time periods addressed in the IRP process.<sup>8</sup>

In addition, overall reliability of the electric grid is further jeopardized by the uncertainties associated with load migration. Who has the responsibility for ensuring the reliability of the electric grid in the forward markets, given the risk of load migration? Recently, reports circulated that cities across Ventura County are moving some energy accounts from CCAs back to SCE in order to avoid paying higher energy rates.<sup>9</sup> Is this an anomaly or a trend? In spite of, or perhaps due to, the uncertainty regarding load migration, the investor-owned utilities (IOUs) generally plan their resource mix to meet declining portion of their current load over time reflecting an expectation of load departure.<sup>10</sup>

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<sup>7</sup> Ibid, pp. 4-5.

<sup>8</sup> Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle (D.19-04-040), April 25, 2019, p. 132.

<sup>9</sup> Arlene Martinez, “Ventura County cities plan return to Southern California Edison for some energy accounts,” Ventura County Star, published 2:29 p.m., PDT, June 23, 2019.

<sup>10</sup> Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle (D.19-04-040), April 25, 2019, p. 89.

On the other hand, LSE waiver requests (for Local RA) are on the rise.<sup>11</sup> Moreover, the data reveal that a large proportion of the responsibility for the operational needs of the electric grid continues to rest with the IOUs. As noted by the Commission when adopting the 2017-2018 IRP Preferred System Portfolio, the current market trends appear to show that a significant portion of the responsibility for operational needs rests with the IOUs.<sup>12</sup>

Moreover, while the expectation is that the majority of procurement of new resources over the next decade will be conducted by CCAs (and Electric Service Providers (ESPs)), currently the evidence indicates that CCA procurement is focused primarily on renewables and storage resources, in which case the amount of new resource procurement will need to be much higher than that revealed to date.<sup>13</sup> The Commission has noted in the context of resource planning that the amount of new resource procurement to meet public policy and reliability needs in 2020 will need to be roughly twice what the CCAs have procured to date; while the amount of new resource procurement to meet public policy and reliability needs in 2030 will need to be approximately six times the amount procured to date by CCAs.<sup>14</sup>

While the CCAs and the ESPs have indicated in their most recent 2019 RPS Procurement Plans an intent to procure approximately 2,500 MWs of new renewables by the 2023 timeframe, they appear to be assuming a 100% percent development “success rate” which seems optimistic given the history of development in California. For example, SCE, perhaps the most experienced procurer of renewables in California, assumes a 70% success rate for renewable

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<sup>11</sup> The number of entities that have requested year-ahead local, system, and flexible waivers has increased steadily over the past four years: 3 (2016), 6 (2017), 8 (2018), and 11 (2019). See Waivers and Penalties, RA, at the CPUC Website: [//Home/Energy/ElectricPowerProcurement/RA/WaiversandPenalties](#).

<sup>12</sup> Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle (D.19-04-040), April 25, 2019, p. 135.

<sup>13</sup> Ibid, p. 134.

<sup>14</sup> Ibid, p. 134.

resources other than those procured via a Feed-in Tariff.<sup>15</sup> If the plans are adjusted to reflect historical success rates, the Commission might expect only 1,750 MWs (nameplate capacity) to develop based on the most recent Renewables Portfolio Standard (RPS) Procurement Plans. As these resources are primarily intermittent renewables (wind, solar), the effective capacity of this procurement may be in the 750 MW range for purposes of planning. Thus, the Commission is correct in noting that a “serious challenge” confronts the Commission given the near- and medium-term reliability needs, as well as the longer-term RPS obligations and IRP planning goals.<sup>16</sup>

Regarding the staff’s general recommendations as to how best to assess the supply/demand mix at this time (as presented in the Ruling), we generally concur with the staff’s recommendations while noting some specific caveats:

- **Exclude from the resource supply-stack resources that have retired, while retaining in the supply-stack resources that are mothballed as these units theoretically have the ability to re-energize if procured by an LSE.** IEP concurs with this recommendation. We note that the time required for a unit to re-energize is not a constant that applies equally to all units. Some units may take more time than others. An actual procurement is the best means by which to determine the extent to which mothballed units are capable of re-energizing to meet near- and intermediate term reliability needs.
- **Utilize the Effective Load Carrying Capability (ELCC) factors adopted in Decision 19-06-026.** IEP concurs with this recommendation. The revised ELCC factors adopted in Decision 19-06-026 represent the “state of the art” in ELCC development at this time. Accordingly, the revised ELCC factors in D.19-06-026

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<sup>15</sup> See *Southern California Edison Company’s 2019 Draft Renewables Portfolio Standard Procurement Plan, Volume 1*, June 21, 2019, p. 11.

<sup>16</sup> Decision Adopting Preferred System Portfolio and Plan for 2017-2018 Integrated Resource Plan Cycle (D.19-04-040), April 25, 2019, p. 134.

should be used for purposes of assessing resource adequacy needs in the near- and medium-term.

- **Adjust the supply-stack to reflect the new resources recently procured as a result of recent Commission Decisions.** We concurs with this recommendation with the following caveat: if the newly procured resources have not begun construction by December 31, 2019, they should not be added to the supply stack for purposes of establishing procurement targets in this Procurement Track, as one could not reasonably anticipate that these resources will become operational to meet the near-intermediate needs covering the 2019-2024 timeframe and the online target date of August 1, 2019 irrespective of when they were originally procured.

**2. Are you concerned about increasing reliance on imported capacity for meeting resource adequacy requirements? Why or why not?**

Yes. IEP is concerned about the assumptions of availability of imported capacity, given the unique conditions in the Pacific Northwest (PNW) that govern the availability of capacity/energy to be exported to California to meet resource adequacy needs. Recently, the Northwest Power and Conservation Council (Council) determined that the PNW region faces a potential shortfall in resources needed to meet electricity demand after 2020 when the Boardman and Centralia 1 coal plants are scheduled to retire. In addition, the Council noted the retirement of 3,700 MWs of regional coal resources within the next 15 years and a number of significant retirements prior to 2022.<sup>17</sup> Finally, the Council expressed concerns that, because the Council's

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<sup>17</sup> *Seventh Power Plan Midterm Assessment, Northwest Power and Conservation Council*, February 2019 [Document 2019-03], p. 6-2. See also p. 6-9 where the Council lists major coal retirement announcements since 2017 some of which are expected in the near- to medium-term (i.e., prior to 2022), including Boardman, Centralia, North Valmy coal facilities; Hardin Generating Station (MT) operating on a short-term contract through 2019; Colstrip Units 1-2 planned to close by 2022; and, the pending closure of Jim Bridger Units 1-2 in 2020, 2032 respectively.

efficiency goals grow year to year, the forecast program savings are flat to declining (which presumably affect future participation rates).<sup>18</sup>

In addition, at least in the short term, imports may be constrained by discontinuities between the how the electric grid is operated in the PNW and how the electric grid is operated by the CAISO, including scheduling misalignments. Recently, the CAISO ceased work on 15-minute scheduling granularity and announced a new Day-Ahead Market Enhancement Initiative expected to continue through the Fall of 2021 for implementation in 2022 or later.<sup>19</sup> Moreover, the CAISO recently initiated a stakeholder process modify its Import RA rules to mitigate the risk of double-counting capacity associated with imports and to ensure imported RA is firm supply with operating reserves comparable to internal generation.<sup>20</sup> This stakeholder initiative will also take time to be implemented and IEP does not anticipate that the “fixes” from these stakeholder initiatives will be timely to address near- and medium-term reliability concerns noted above.

Finally, the Energy Division (ED) staff analysis of PNW hydropower availability appears to have assessed the extent to which the import capability (MWs) of the PNW interconnection was sufficient to import PNW hydro-energy (MWhs) on an annual basis. IEP remains concerned, however, that the focus on annual averages may mask the availability of imports from

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<sup>18</sup> Ibid, pp. 1-1 through 1-2.

<sup>19</sup> See *Day-Ahead Market Enhancements: Stakeholder Technical Workshop*, June 20, 2019, CAISO Presentation.

<sup>20</sup> See *Resource Adequacy Enhancements: First Revised Straw Proposal Stakeholder Meeting Agenda*, CAISO Stakeholder Initiative, Meeting July 8-9, 2019, pp. 73-90.

the PNW on a seasonal, monthly, weekly, and/or hourly basis when needed to serve California as an RA resource.<sup>21</sup>

**3. Should the Commission be concerned about specific local and/or flexible resource adequacy needs, or only the system needs identified herein? Explain.**

The integrated electric grid is only as reliable as its weakest link: accordingly, the Commission would be remiss if it did not consider the System, Local and Flexible resource adequacy needs in a consistent, integrated manner. As noted above, market uncertainties derive from an array of factors, including the increasing penetration of intermittent resources, scheduled supply retirements (notably gas resources but also nuclear), shifting load-shapes, growing disaggregation of load, concerns regarding the risk of double-counting of RA imports, etc. Individually and collectively, these factors raise concerns as to whether capacity resources will be available when and where needed to ensure system, local, and flexible resource adequacy in the near- and medium-term.

The Commission also should assess the extent to which recent procurements to address local-area resource adequacy have helped resolve the deficiencies in local resource adequacy (including flexible capacity). Recent procurements to address local and/or flexible capacity needs in the Moorpark area, south of Orange County (related to the SONGS replacement procurement), and the San Francisco-Bay Area should be evaluated to determine the effectiveness of those procurements in delivering the necessary resources online in a timely manner.

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<sup>21</sup> See *Comments of the Independent Energy Producers Association on the Administrative Law Judge's Ruling Seeking Comment on Proposed Preferred System Portfolio and Transmission Planning Process Recommendations*, January 31, 2019 (R.16-02-007).

4. **If a need for system reliability resources in the near-term is identified within this proceeding, will there be sufficient time to bring new resources online to meet the need? If not, should the Commission pursue delays to the OTC retirement schedules to bridge this short-term gap? Why or why not? If the Commission pursues OTC retirement date delays, or which plants and for how long should we request the delays?**

First, while Question 4 refers to “near-term” need, IEP found no definition of “near-term” in the Ruling. We presume, based on our reading of the Ruling, that the near-term covers the period 2019-2021.<sup>22</sup>

Second, as a matter of principle and practicality, the proposed “all-source” solicitation should be open to *all resources* (new and existing) in order to maximize the probability that the resources needed to ensure near- to medium-term reliability are available when and where needed. At this point, the Commission has no certainty as to what types of resources nor what amount of resources (MWs) may participate in an all-source solicitation to meet near- and medium-term reliability needs, particularly if the all-source solicitation is limited to a subset of new, preferred resources, as initially proposed in the Ruling. Certainly, given the deadline to bring new resources online by August 1, 2021, the Commission would be ill-advised to limit the “all-source” solicitation (2,000 MWs) to new resources which may undermine meeting the identified near- and medium-term reliability needs.<sup>23</sup>

Third, regarding whether there is sufficient time to bring new resources online to meet the near- and medium-term needs, IEP envisions that the procurement process may unfold over the following timeframe as revealed in Table 1 below:

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<sup>22</sup> The Ruling references the supply stack in the near- to medium term as covering the period 2019-2024 (p. 6); the Ruling expresses concern about the ability of the bilateral markets to transact and meet 2021 resource adequacy requirements given limited in-state supply (p. 13); the Ruling seeks resources that are online by August 1, 2021 regarding the proposed 2,000 MW all-source procurement (pp. 14-15); and the Ruling defines a “medium-term” contract as covering 2-5 years (p. 16).

<sup>23</sup> Ruling, p. 14: “First, we propose requiring that each LSE procure, on an all-source basis, its proportional share of a total 2,000 MW *new peak capacity* statewide, to come online by August 1, 2021” (emphasis added).

**Table 1:  
Timeline for Proposed Procurement (Estimated)**

|  |  |
|--|--|
| <b>Late Fall 2019.</b> <sup>24</sup>   | Proposed Decision (PD) Issued for Comment  |
| <b>First Quarter 2020<br/>(Jan–March)</b>  | Final Decision – “No-Longer Appealable” (generally, a pre-condition for procurement activities to begin under the auspices of the Commission)                                      |
| <b>2<sup>nd</sup> Quarter 2020 through 3<sup>rd</sup> Quarter 2020<br/>(April-August)</b>    | LSE procurements:<br><ul style="list-style-type: none"> <li>- Conduct of RFO;</li> <li>- Bid evaluation/Resource Selection;</li> <li>- Final contract terms negotiated.</li> </ul> |
| <b>3<sup>rd</sup>/ Quarter 2020 through 4<sup>th</sup> Quarter 2020<br/>(Sept -December)</b> | Approval of selected projects by the appropriate governing entities (e.g., the Commission, Local Governing Boards, etc.).  |
| <b>1<sup>st</sup> Quarter 2021</b>   | Construction of new resources commences; resources to meet online date of August 1, 2021 as established by the Commission.   |
|  |  |

Procrastination is not a friend, given the practical realities of conducting procurement and bringing new resources online. Many inherent complexities often impede timely development of new resources including permitting and necessary approvals; litigation and/or the threat of litigation; and necessary testing prior to interconnection and energization of resources. As a practical matter, a procurement limited solely to new resources, particularly a procurement with an online date of August 1, 2021, may be infeasible or, alternatively, may limit the potential supply of resources to only those that have little permitting requirements or litigation risk, i.e., resources that may well be the most expensive in the supply-stack.

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<sup>24</sup> Ruling, p. 5.

Fourth, regarding whether the Commission should pursue delays to the Once-Through-Cooling (OTC) retirement schedules to bridge the short-term gap, IEP does not oppose pursuing delays to the OTC retirement schedules in order to ensure that near- and medium-term grid reliability needs are met. IEP notes that the OTC policy was initially prescribed in statute and now resides as a regulatory requirement. Not only are changes in policy and regulation time-consuming, but the Commission should presume that OTC units are well on their way to complying with their state OTC requirements, and it may be difficult for resource owners to change course at this late date. Several important decisions by several parties (owners, financial institutions, employees, local governments, etc.) are critical to a decision to retire as well as a decision to postpone a planned retirement. Moreover, to the extent that the Water Board was inclined to modify its rules and regulations, one might expect litigation to ensue regarding that decision. At this late date, it remains unclear whether the decision-making schedule outlined in the Ruling would afford parties the opportunity to make timely and informed decisions as to appropriate next steps.

**5. Comment on the proposed requirements in Section 2.2 of this ruling for 2,000 MW of new resource adequacy capacity procured and online by August 1, 2021, procured on a proportional and all-source basis by all jurisdictional LSEs. Parties may also propose an alternative requirement.**

As a general matter, IEP supports the proposal to procure 2,000 MWs of capacity to be online by August 21, 2021 and procured on a proportional basis by all LSEs. However, as noted above in IEP's response to Question 4, the proposal to limit procurement solely to new resources will undermine achievement of the goals. Whether new resources can meet the August 1, 2021 online date under the proposed schedule is unknown. As an alternative, the Commission simply should direct LSEs to conduct a true "all-source" solicitation open to any resource (new and existing) capable of meeting the RA needs as identified in the Procurement Track Final Decision;

set standards of review that take into account project viability and planned online dates; and assess the results.

On the other hand, given the uncertainties that characterize the California energy markets currently (see IEP response to Questions 1-2, above), the general objective of procuring 2,000 MW shared pro rata among LSEs seems reasonable, if implemented no later than December 2019. A procurement of 2,000 MWs will provide a critical bridging mechanism until such time as the on-going RA proceeding completes its design of a multi-year RA Framework. Moreover, to the extent that RPS-eligible resources are selected and can help meet RA and RPS obligations, then the proposed procurement merely represents a timely “down-payment” on future procurements. For example, an estimated 11,000 MWs of new renewables (online) are forecast to be needed to meet 2030 GHG goals,<sup>25</sup> and many of these resources will have to be procured well before 2030 to ensure their timely delivery of energy to meet the 2030 GHG goals. In prior comments, IEP has urged the Commission to procure 2,000-3,000 MWs sooner rather than later as a step toward meeting long-term policy objectives.<sup>26</sup>

**6. Is the requirement for commercial online date of August 1, 2021 sufficiently clear or are other requirements needed? Explain.**

Setting an online date of August 21, 2021 is sufficiently clear. While setting a clear deadline for commercial operation such as August 1, 2021 is helpful to send signals to the market, a resource that is unable to meet this deadline should not be precluded from participating in the

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<sup>25</sup> Recent IRP modeling indicates that between 9,861 MW and 18,323 MWs of new, incremental renewable capacity will be needed to meet the state’s 2030 GHG goals. See *Energy Division Staff Presentation on IRP and TPP Portfolios*, January 7, 2019 (R.16-02-007). In addition, IRP modeling indicates that a significant number of new renewables (approximately 11,000 MWs) needs to be procured by to help meet 2030 GHG goals. See *Proposed Reference System Plan (Executive Summary)*, CPUC Energy Division Presentation, September 18, 2018, p. 9.

<sup>26</sup> See Comments of the Independent Energy Producers Association on the Administrative Law Judge’s Ruling Seeking Comment on Proposed Preferred System Portfolio and Transmission Planning Process, January 31, 2019, p. 8.

procurement solicitation. Rather, the bid solicitations protocols should specify how bidders' scores will be affected by online dates later than the preferred date of August 1, 2021. This approach will provide the Commission with the greatest flexibility to use the Procurement Track to assess what is possible given various timelines, policy goals, and cost constraints.

**7. Comment on how demand-side resources included in this new resource procurement should be counted (e.g., as part of a reduction in the system resource adequacy requirement as part of the IEPR, etc.).**

Demand-side resources should be allowed to participate in an all-source solicitation; however, demand-side resources should not be counted twice. They should not be treated as a demand-reduction resource in planning, for example, and then counted as a supply-resource to meet RA needs. To the extent that demand-side resources participate as a supply-resource to meet RA needs, then the demand-side resource must be subject to the obligations imposed on RA resources within the adopted RA Framework, including must-offer obligation, replacement obligations, etc.

**8. Comment on the proposed requirement in Section 2.2 of this ruling that SCE contract for 500 MW of existing resource adequacy capacity from a resource or resources that do not have contracts extending past 2021, for 2-5 years, with cost allocation addressed through a modified CAM mechanism. Parties may also propose an alternative approach.**

IEP supports an entity procuring 500 MWs of RA capacity to meet near- and medium-term needs.

The Commission's ongoing RA proceeding is not likely to resolve the question about what, if any, central procurement entity might procure RA resources in time to address the near- and medium-term needs which forms the basis for this Ruling. Effectively, the Ruling proposes that SCE serve as the "transitional backstop procurement entity" in its service territory to procure 500 MWs of RA pending resolution of these issues issue in other forums (e.g., the ongoing Commission RA Proceeding and/or the legislature).

While SCE may not be the sole entity able to fill this role, SCE can fill this role. Moreover, as far as IEP is aware, no suitable alternatives exist at the present time. To the extent that a viable, creditworthy alternative exists to SCE, then these alternative procurement entities ought to be considered as part of the final decision implementing this Ruling with the caveat that any such alternative procurement agent must be capable and willing to conduct the procurement on a schedule similar to that outlined above (see Table 1) to enable resources to be available and energized by the August 1, 2021 online date. Notably, irrespective of which creditworthy entity is selected to serve the role of “transitional backstop procurement entity” in the SCE service territory, the Commission must require that entity to conduct a truly “all-source” procurement (open to new and existing); selection should be based on least-cost and best-fit (LCBF) criteria; resources should be evaluated on the extent to which they can be commercially online by August 1, 2021; and the awarded contract should provide a 2-5 year contract for RA performance.

If SCE is selected/directed to fulfil this role, then the CAM mechanism is an appropriate tool for allocating the costs and benefits to all beneficiaries since the procurement is directed toward meeting resource adequacy needs.

**9. Should any procurement from existing resources be focused on resources that have formally notified the CAISO and the Commission of an intention to retire? Why or why not?**

No, the Commission should not focus on resources that have formally notified the CAISO and the Commission of an intention to retire; rather, the procurement should be “all source” open to all resources (existing and new) eligible and capable of providing the products and services sought under the parameters of the solicitation.

The Commission should not assume that resources that have indicated, consistent with the operating rules, an intent to retire are positioned to change this declaration even though all resources should be eligible to participate in an all-source solicitation. For example, consistent

with the CAISO's *Business Practice Manual for Generator Management: PRR-Retirement*, a retiring generation unit that will not repower and has no need to reserve the Generating Unit's deliverability status (i.e., "Scenario 3") likely will have had its interconnection and deliverability terminated. Moreover, in the case of a Scenario 3 unit, any future restart or repower on the same site or interconnection point will require a new resource interconnection request.<sup>27</sup>

**10. If individual LSEs are unable to procure their responsible share of the authorized procurement, should an interim backup mechanism and role be established to ensure the procurement needs are met and that all LSEs pay their fair share? Could this interim backup mechanism be developed and implemented in time to get resources procured and online by August 1, 2021? If yes, describe implementable solutions.**

Yes, the Commission should authorize in any decision implementing the procurement envisioned in the Ruling an interim backup mechanism to ensure the procurement needs are met and that all LSEs pay their fair share. The backstop procurement entity must be credit-worthy; independent; experienced in energy procurement matters, including scheduling coordinator services if needed; and capable of allocating costs and benefits to LSEs for whom the backstop procurement is taking place.

IEP reaches this conclusion for two practical reasons. First, the Ruling appears to not propose an interim backstop procurement mechanism due to on-going discussions about a central procurement entity in the resource adequacy proceeding.<sup>28</sup> Yet, the RA proceeding is not likely to resolve what, if any, central procurement entity (CPE) will be adopted until late 2019/early 2020, and new legislation may be needed to implement any CPE. Thus, absent a decision now in this Procurement Track of the IRP proceeding, the capacity procurement contemplated in the Ruling is unlikely to occur in a timely manner.

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<sup>27</sup> *CAISO Business Practice Manual: PRR – Retirement*, p. 5.

<sup>28</sup> Ruling, p. 4.

Second, clearly establishing the role of an interim backstop procurement mechanism in any Procurement Track decision will help (a) create incentives for LSEs to engage in timely procurement and (b) ensure that the resources needed to be procured to ensure near- and medium-term reliability will be available when and where needed in the instance that the LSEs fail to procure the required resources in a timely manner.

**11. If the Commission is unable to develop and implement an interim backup mechanism in time to meet peak system resource adequacy needs in 2021, what type of compliance mechanism will be needed to ensure that LSEs comply with their share of the procurement responsibility? Provide implementable solutions.**

Assuming the Commission is not able to implement an interim backup mechanism in time to meet peak system resource adequacy needs in 2021, the Commission continues to have the authority through multiple venues to achieve comparable outcomes albeit not in as timely a manner. For example, the Commission has the authority to direct procurement to meet IRP and resource adequacy requirements generally.<sup>29</sup> The Commission has clear and broad jurisdiction over all jurisdictional LSEs in the context of RA, which includes the authority to modify the RA Framework to ensure that peak system resource adequacy needs in 2021 will be addressed earlier than under the current one-year System RA framework.<sup>30</sup> Moreover, the Commission has

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<sup>29</sup> See *Comments of the Independent Energy Producers Association on the Assigned Commissioner and Administrative Law Judge Ruling Seeking Comment on Policy Issues and Options Related to Reliability*, December 20, 2018.

<sup>30</sup> The Commission adopted a RA policy framework (PU Code section 380) in 2004 to ensure the reliability of electric service in California. PU Code Section 380 states: (a) The commission, in consultation with the Independent System Operator, *shall establish resource adequacy requirements for all load-serving entities*. (b) In establishing resource adequacy requirements, the commission shall achieve all the following objectives: (1) *Facilitate development of new generating capacity and retention of existing generating capacity that is economic and needed*. (2) *Establish new or maintain existing demand response products and tariffs that facilitate the economic dispatch and use of demand response that can either meet or reduce an electrical corporation's resource adequacy requirements, as determined by the commission*. (3) *Equitably allocate the cost of generating capacity and demand response in a manner that prevents the shifting of costs between customer classes*. (4) *Minimize enforcement requirements and costs*.

adopted a capacity allocation mechanism (CAM) to enable the proper allocation of costs incurred to maintain reliability to all beneficiaries. The CAM mechanism, while controversial, has been a fixture of the Commission’s Long-Term Procurement Plan and is based on the principle that the costs and benefits of new generation should be shared by all benefitting customers in an investor-owned utility’s service territory.<sup>31</sup>

The Commission also has broad authority over all retail sellers subject to the Commission’s jurisdiction (e.g., IOUs, CCAs, and ESPs) regarding the timely, minimum procurement of renewable resources to meet long-term public policy RPS and greenhouse gas emission-reduction goals.<sup>32</sup> Furthermore, the Commission has the means to allocate the cost/benefits of renewable procurement to all beneficiaries through the non-bypassable Procurement Cost Indifference Adjustment (PCIA) mechanism. The Commission has adopted and employed procurement mechanisms to help ensure that, whatever resources are procured by the regulated utilities, those resources match reasonably well with forecast needs while being procured in a competitive, least-cost framework.<sup>33</sup>

**12. Is a Tier 3 advice letter the appropriate mechanism to secure Commission approval for contracts associated with the proposals in this ruling, for LSEs who require such approval? Why or why not? Provide an alternative proposal, if desired.**

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<sup>31</sup> *Cost Allocation Mechanism*, California Public Utilities Commission Policy and Planning Division, September 24, 2014, p. 3.

<sup>32</sup> PU Code Section 399.15(a): “In order to fulfil unmet long-term resource needs, the commission shall establish a renewables portfolio standard *requiring all retail sellers to procure a minimum quantity* of electricity products from eligible renewable energy resources ...” [emphasis added.]

<sup>33</sup> The RPS statute, for example, requires utilities to select renewable resources that are least-cost and best-fit. Costs include the cost of the renewable energy generation as well as any indirect costs due integration of the resource and needed transmission investment. In addition, IOUs consider the benefits of the energy and capacity value. “Best fit” criteria address their system needs and RPS portfolio needs. (See D.04-07-029, D.08-12-058, D.11-04-030, D.12-11-016, and D.14-11-042 for more information.)

Tier 3 Advice Letters provide the best opportunity for public review and comment; while enabling the Commission to render as needed final contract approvals in a timely manner. As a practical matter, the Commission may have limited time to act to ensure that sufficient resources, particularly new resources, are available to meet resource adequacy needs in the near- and medium-term. For example, assuming a no-longer appealable Commission decision in the first quarter of 2020, 3 months for LSEs to procure/contract, and an online preference of August 1, 2021, the Commission must anticipate that final contract approvals are in place by the fourth quarter of 2020 in order to increase the probabilities that new resources are online by August 1, 2021.

**13. Provide any other comments you think the Commission would find relevant to its consideration of system resource adequacy issues and potential procurement by 2021.**

The market is inherently uncertain currently due to the reasons outlined by the DMM, the CAISO, and many others. In spite of the need to bridge procurement pending more stable times, the Commission undoubtedly will receive comments from some parties asserting the Commission does not have the authority to direct procurement to meet IRP and resource adequacy requirements as contemplated in the Ruling. Yet, as noted in response to Question 11 above, the Commission has ample authority and, indeed, a duty to direct procurement as needed to help ensure overall grid reliability<sup>34</sup> The Commission's authorities apply broadly across jurisdictional load-serving entities (e.g. utilities, ESPs, and CCAs) with regards to resource adequacy and the procurement of renewables to the standards and obligations prescribed in the state's RPS. Moreover, the Commission has the means and authority to allocate the costs and benefits borne by the customers of its regulated utilities to ensure grid reliability and/or

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<sup>34</sup> See *Comments of the Independent Energy Producers Association on the Assigned Commissioner and Administrative Law Judge Ruling Seeking Comment on Policy Issues and Options Related to Reliability*, December 20, 2018.

attainment of the RPS. Specifically, the Commission has adopted the CAM to ensure that resource adequacy costs (and benefits) borne by utilities are shared to all beneficiaries; and the Commission has the means to allocate the cost/benefits of renewable procurement to all beneficiaries through the non-bypassable PCIA mechanism. Importantly, any costs allocated through either the CAM or PCIA mechanism on a non-bypassable basis will have been procured consistent with the Commission's adopted Least-Cost and Best-Fit procurement framework.

Respectfully submitted July 22, 2019 at San Francisco, California.

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

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