

**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)

**REPLY 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**

INDEPENDENT ENERGY PRODUCERS
ASSOCIATION
Steven Kelly, Policy Director
PO Box 1287
Sloughhouse, CA 95683
Telephone: (916) 448-9499
Facsimile: (916) 448-0182
Email: steven@iepa.com

Dated: January 14, 2019

**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)

**REPLY 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**

By Ruling dated November 16, 2018 (Ruling), the Assigned Commissioner and Administrative Law Judge sought parties' comments on what the Commission or others such as the California Independent System Operator (CAISO) should be doing that is not currently being done to address the emerging electricity market issues related to ensuring near-to-medium term electric system reliability. In response to parties' opening comments on the Ruling, the Independent Energy Producers Association (IEP) is pleased to provide these Reply Comments.

I. The RA Proceeding Is the Appropriate Venue for Addressing Near- and Medium-term Reliability Issues

In response to the question posed in the Ruling, "Does the California electric system face a near-or medium-term reliability challenge," many parties perceive an immediate problem or a looming problem in the medium term.¹ Thus, the critical question is no longer whether

¹ Opening Comments of Pacific Gas and Electric Company, p. 3; Comments of Southern California Edison Company, p. 16; Comments of San Diego Gas & Electric Company, p. 3 ("California faces a medium-term (within the next decade) reliability issue ..."); Opening Comments of the Public Advocates Office, p. 1 ("California electricity system faces near-term

reliability concerns loom in the near- and medium-term; rather, the critical question is how best to address these concerns in a timely manner.

Some parties appear to indicate that the Integrated Resource Planning (IRP) proceeding is the best venue for addressing the identified reliability issues. For example, Pacific Gas and Electric Company (PG&E) suggests that the IRP proceeding is an appropriate venue for conducting reliability needs assessments for the near-, mid-, and long-term, while noting the importance of the Resource Adequacy (RA) proceeding in ensuring compliance with reliability obligations in the three- to five-year forward timeframe.² Similarly, San Diego Gas & Electric Company (SDG&E) suggests that the IRP is the appropriate home for addressing the state’s comprehensive plan for ensuring medium-term (i.e., within the next decade) reliability, while noting the symbiotic relationship between the RA and IRP proceedings.³ While recognizing the symbiotic relationship between the RA and IRP proceedings, IEP does not agree that the IRP proceeding should be the considered the primary procedural vehicle to address the near- and medium-term reliability concerns identified in the Ruling and discussed in parties’ opening comments.

and medium-term reliability challenges in meeting resource adequacy (RA) requirement”); Opening Comments of the Union of Concerned Scientists, p. 2 (“The California electricity system faces a reliability challenge in the form of natural gas power plant retirements that lead to capacity shortfalls, particularly in local areas”); Comments of the California Independent System Operator, p. 1 (“The most significant near- to medium-term reliability challenge facing California and the Commission is to develop a plan to transition ...”); Comments of the California Energy Storage Alliance, p. 4; Comments of LS Power, p. 3; Comments of Wellhead Power Solutions, LLC, p. 1; Opening Comments of the San Diego County Water Authority and City of San Diego, p. 1; Comments on National Grid, p. 2; Comments of the California Large Energy Consumers Association, p. 5 (“unless the above concerns are resolved, California is likely to face reliability challenges in the medium term ...”).

² Opening Comments of Pacific Gas and Electric Company, p. 10.

³ Comments of San Diego Gas & Electric Company, p. 7.

Currently and in the immediate future, the IRP is inadequate to effectively address near- and medium-term reliability issues. For example, PG&E notes that the current IRP process has not resulted in a full set of Load-Serving Entity (LSE) IRPs that address reliability needs, and the IRP process lacks an established enforcement mechanism to ensure that all LSEs act on their submitted plans.⁴ While not disagreeing with PG&E regarding its IRP conclusions, IEP notes that it is impractical at this point in time to shift from a RA-planning context to an IRP-planning context to address near- and medium-term reliability issues, due primarily to the immense commitment of time and resources that would be required to properly meld the current long-term IRP planning/modeling process into a process replicating the near- and medium-term planning in the context of an effective multi-year RA framework.

As a practical matter, the RA proceeding provides the best venue for the Commission to timely address the near- and medium-term reliability issues. Indeed, many parties view the Commission's RA proceeding as the venue best suited to resolve the near- and medium-term reliability concern. For example, the Union of Concerned Scientists (UCS) determines that the RA proceeding is the appropriate place to address looming reliability issues such as natural gas retirements, because the RA proceeding sets the requirements for RA contracting. On the other hand, with regards to assessing which non-fossil alternatives will be useful in displacing existing capacity needed to maintain grid reliability, UCS suggests this matter is best addressed in the IRP proceeding.⁵ IEP concurs with this general assessment, although we note that the Renewable Portfolio Standard (RPS) proceeding provides an additional venue to address non-fossil renewable development to meet long-term state policy goals (e.g., RPS, GHG emissions).

⁴ Opening Comments of Pacific Gas and Electric Company, p. 4.

⁵ Opening Comments of the Union of Concerned Scientists, p. 3.

II. Action Needs to Be Timely to Address Near- and Medium-term Reliability Concerns

While generally agreeing to a common set of issues and problems, a few parties propose solutions that are untimely or are, alternatively, not likely to provide effective outcomes. For example, PG&E recommends that the Commission undertake the following steps to address the reliability problems it identifies in its opening comments: (a) utilize the *2019-2020* IRP to solidify IRP's foundational elements, (b) utilize the *2019-2020* IRP for a comprehensive reliability assessment, including a study of economic gas plant retirement and retention; (c) require LSE IRPs to demonstrate existing and planned resources to meet LSE reliability needs; and (d) implement appropriate enforcement.⁶ While not necessarily disagreeing with PG&E's proposed steps, IEP is concerned that relying on the *2019-2020* IRP will not result in solutions until the 2021-2022 timeframe at best. Delaying needed action until the 2021-2022 timeframe will simply not provide adequate time to address the near- and medium-term reliability issues.

Similarly, parties propose solutions to near- and medium-term reliability issues that rely on external forces (e.g., legislative action) that are not likely to be timely. For example, SDG&E supports adoption of legislation regarding a state-level central procurement entity (CPE) based on input from a state-level task force.⁷ While not taking a position on the specifics of the SDG&E proposal at this time, IEP notes that the time to complete this process will exceed the near- and medium-term timeframes in which the reliability concerns raised in the context of the Ruling are expected to occur. Rather than rely solely on solutions that will require lengthy deliberation, without any confidence of viable outcomes, the Commission needs to act now to address the near- and medium-term reliability issues recognized by many parties.

⁶ Opening Comments of Pacific Gas and Electric Company, p.13.

⁷ Comments of San Diego Gas & Electric Company, p. 11.

It is in this context that IEP reiterates its recommendation that the Commission utilize its existing authorities to take steps in 2019 to address the emerging issues and related reliability concerns highlighted in the Ruling. Specifically, we recommended that the Commission do the following in 2019:

- Adopt a Multi-year RA Framework of minimum 3 years duration beginning in 2020 and set the Year 3 obligation at no less than 90% of the forecast need based on CAISO studies. The multi-year RA framework applies to all jurisdictional LSEs.

[A RA Track 2 Decision is expected to be on the agenda of the January 31, 2019 Business Meeting]

- Increase the RPS Minimum Procurement Requirement to begin the process of procuring the thousands of MWs of incremental, new renewables needed to meet public policy goals (RPS, SB 350).⁸ The RPS minimum procurement quantity will apply to all jurisdictional retail sellers and assist in consuming “banked” renewable energy credits (RECs) that serve as a barrier to the timely procurement of incremental, new renewables to meet state long-term policy objectives.

[A Decision adopting the LSEs’ 2018 RPS Plans is expected in the first quarter of 2019]

- Address remaining issues in the 2018-2019 IRP proceeding by, among other options, directing the investor-owned utilities to fill remaining capacity and/or public policy needs through an all-source, least-cost, best-fit competitive procurement and allocate costs to all beneficiaries through the CAM or PCIA cost-allocation mechanism as appropriate.

⁸ Preliminary results from RESOLVE modeling indicate that, under the 42 MMT GHG target and a 50% RPS by 2030, incremental new renewables total approximately 10,000 to 11,000 MWs. See *Preliminary RESOLVE Modeling Results for Integrated Resource Planning at the CPUC*, CPUC Energy Division Staff Presentation, July 19, 2017. While preliminary, these results provide an illustration of the scale of procurement needed to meet the 2030 goals.

[A Decision adopting the 2018-2019 IRP Reference Plan is expected in the first quarter of 2019.]

III. Key Issues to Address In RA/IRP Planning

Many parties commented on activities that the Commission should pursue to enhance planning activities in the context of RA and/or IRP. For example, SDG&E notes that the IRP process can and should study the entire system, and the planning should include input from the CAISO's gas-plant retirement study.⁹ SDG&E also notes the importance of determining the minimum requirements for availability of energy from use-limited resources and integrating the findings into IRP planning.¹⁰ Similarly, PG&E notes the importance of considering economic gas plant retirement and retention and the sufficiency of gas supply.¹¹ IEP concurs with these recommendations. We also urge the Commission to prioritize efforts to resolve as soon as possible remaining issues related to the methodology for determining the Effective Load Carrying Capability (ELCC) of intermittent resources while ensuring consistency between RA and IRP planning with regards to the ELCC calculations.

Respectfully submitted January 14, 2019 at San Francisco, California.



INDEPENDENT ENERGY PRODUCERS ASSOCIATION
Steven Kelly, Policy Director
PO Box 1287
Sloughhouse, CA 95683
Telephone: (916) 448-9499
Facsimile: (916) 448-0182

⁹ Comments of San Diego Gas & Electric Company, p. 7.

¹⁰ Comments of San Diego Gas & Electric Company, p. 9.

¹¹ Opening Comments of Pacific Gas and Electric Company, p. 11.