

**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 2016 and 2017
Compliance Years.

Rulemaking 14-10-010
(Filed October 16, 2014)

**COMMENTS OF THE
CALIFORNIA WIND ENERGY ASSOCIATION
ON FINAL PHASE 3 PROPOSALS**

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*On behalf of the California Wind
Energy Association*

March 10, 2017

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I. INTRODUCTION

Pursuant to the Phase 3 Scoping Memo and Ruling issued by the Assigned Commissioner and Administrative Law Judge Dudney (“Ruling”) on September 13, 2016, the California Wind Energy Association (“CalWEA”) submits its comments on the Final Phase 3 Resource Adequacy (“RA”) proposals, focusing on the two proposals that have been submitted for generating Effective Load Carrying Capability (“ELCC”) values for the 2018 RA Compliance Year. The two proposals are the Calpine and Energy + Environmental Economics proposal, as amended March 7, 2017 (“Calpine/E3 Proposal”), and the CPUC Energy Division’s February 24, 2017, proposal (“Energy Division Proposal”).

II. COMMENTS

CalWEA is pleased that substantial progress has been made in recent months towards establishing an ELCC methodology and resource-class-specific ELCC values. Moreover, a significant degree of consensus appears to have been achieved, judging from the stakeholder discussion at the February 14, 2017, workshop, in which CalWEA was actively engaged. These

productive discussions have led to modifications to the two proposed methodologies, such that they nearly converge, and are producing very similar results. As a result, the list of remaining open issues has been narrowed considerably. We address below those that we believe to be most significant.

1. CalWEA Recommends that the Commission Adopt the Calpine/E3 Proposal

Although the remaining differences between the two proposals are relatively small, and Energy Division's work has been excellent, the differences are nevertheless important. For the following reasons, CalWEA recommends that the Calpine/E3 Proposal be adopted.

a. Vintaging resources is important

As we explained in our January 13, 2017, comments, it is essential to treat all resources that are existing and planned as of 2018 as a single vintage, and to treat resources that come on line in each subsequent year as distinct vintages, as the Calpine/E3 Proposal accomplishes. Only in this way will incremental resources be ascribed appropriate net qualifying capacity ("NQC") values. In addition to other important reasons supporting this approach that are articulated in the Calpine/E3 Proposal, vintaging is important to ensure reliability, since constantly changing ELCC values for existing resources could lead to an unmanageable process that would make it difficult, if not impossible, to properly account for the impact of a proposed resource on system reliability. Using average values would also mask the declining value of similar resources, crediting too much reliability value to new resources and resulting in falling short of meeting the system reliability standard in reality, and thus threaten system reliability.

b. The RECAP model is being used in other CPUC proceedings

As Calpine/E3 noted in its February 14, 2017, presentation on its proposal (at slide 12), the RECAP model, which it uses to perform ELCC calculations, has been used in a number of other CPUC proceedings and for a variety of purposes. It was formally adopted for calculating the capacity value of demand-side resources, and was used in the RPS Calculator and the Long-Term Procurement Planning process. It will likely also inform the reliability component of the RESOLVE modeling for Integrated Resources Planning. Therefore, it would seem to be efficient and consistent to use the RECAP model to generate ELCC values for the RA program

as well. In addition, RECAP is transparent and publicly available. However, if Energy Division staff wishes to calculate ELCC values using the SERVM model, the Calpine/E3 methodology could be implemented using that model.

2. Behind-the-Meter Resources Should Not Be Excluded from ELCC Calculations

While both proposals calculate ELCC values for all solar resources, Energy Division provides a second option that backs out the effect of behind-the-meter (“BTM”) solar resources before calculating ELCC and attributes the entire RA capacity of all solar generation to supply-side solar resources alone. Energy Division’s justification (at p. 16) that this will “ease the transition” to ELCC values is insufficient for two reasons.

First, had the Commission taken less than five years to implement the ELCC methodology, which was adopted by the Legislature in 2011 in SBX1-2, the transition would not be as stark. The fact that it is late in doing so should not be used as an excuse to inflate the resulting supply-side solar ELCC values at the expense of BTM solar resources. As Calpine/E3 note (at p. 11), it is important to include BTM solar in the ELCC modeling because it accurately reflects the level of solar saturation on the system and thus will influence the ELCC values of other resources. The purpose of the RA capacity values is to ensure system reliability; continuing to use values known to be too high for supply-side solar does not serve that purpose.

Second, the Calpine/E3 Proposal provides appropriate RA capacity credit to each LSE for the total amount of solar in its portfolio, both BTM and supply-side. Energy Division’s optional proposal will not correctly allocate RA capacity credit to LSEs for their BTM and supply-side solar resources because it removes BTM solar ELCC contributions altogether. This will disadvantage those LSEs with a greater-than-average amount of BTM solar and advantage any LSEs with a greater-than-average amount of supply-side solar, because only the latter will benefit from the higher solar ELCCs that result from Energy Division’s method, as no RA credit is given for BTM solar under Energy Division’s methodology.¹

¹ Even attempting to account for the RA capacity contribution of BTM resources based on their impact on the LSE’s load could produce inaccurate results. Traditionally, the RA capacity needs of an LSE have been estimated as the sum of the LSE’s maximum monthly “gross” demand plus a Planning Reserve Margin (PRM) of roughly 15%. This simple equation (rule of thumb) for calculating the RA capacity need of an LSE is reflective of complex production simulation studies that produced the industry standard target of 1 day in 10 years’ LOLE, which is achieved with a PRM of 15% of the peak monthly gross

3. Resource-Specific Values Should Be Addressed in a Later RA Cycle

While Calpine/E3 has proposed (at p. 10) a sound methodology for calculating resource-specific ELCCs, CalWEA agrees with Calpine/E3 that, while this would be desirable, this differentiation adds complexity and is not necessary to accomplish at this time. It is far more important to update ELCC values for resource classes as soon as possible.

4. The Commission Should Re-Evaluate Monthly RA Needs

Lastly, we note that CalWEA previously argued² that the Calpine/E3 Proposal be modified to include Energy Division's Minimized LOLE approach for calculating acceptable monthly LOLE and consequent ELCC values because it would result in the lowest level of monthly PRM values and, hence, lower costs for ratepayers who pay for PRM costs. Modifications to the two proposals have since caused the results to be relatively insensitive to monthly LOLE values, however. That reduces the justification for using them.

CalWEA does, however, continue to recommend that the Commission address the fact that, as demonstrated by Energy Division's excellent work, the actual monthly planning reserve margin (as a percentage of the monthly peak load demand) changes significantly from month to month. Proper accounting of monthly PRM values, particularly during the off-peak months, will be critical to comply with the reliability standards without significantly impacting RA capacity procurement costs for these off-peak months.

demand. There is no analytical proof that modifying this simple equation to replace the gross demand with net demand (gross demand minus BTM generation) will yield compliance with industry standard LOLE values.

² See CalWEA's January 13, 2017, comments in this proceeding, at p. 3.

Respectfully submitted,

/s/ Nancy Rader

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***On behalf of the California Wind Energy
Association***

March 10, 2017

VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association and am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing *Comments of the California Wind Energy Association on Final Phase 3 Proposals* are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 10, 2017, at Berkeley, California.

/s/ Nancy Rader

Nancy Rader
California Wind Energy Association