

**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 CALIFORNIA WIND ENERGY ASSOCIATION
ON PROPOSED DECISION REQUIRING ELECTRIC SYSTEM RELIABILITY
PROCUREMENT FOR 2021-2023**

Nancy Rader
Executive Director
California Wind Energy Association
1700 Shattuck Ave., #17
Berkeley, CA 94709
Telephone: 510-845-5077 x1
E-mail: nrader@calwea.org

*On behalf of the California Wind
Energy Association*

October 2, 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)

**COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION
ON PROPOSED DECISION REQUIRING ELECTRIC SYSTEM RELIABILITY
PROCUREMENT FOR 2021-2023**

I. INTRODUCTION & SUMMARY

Pursuant to the Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023 (“Proposed Decision” or “PD”) issued by Administrative Law Judge Julie Fitch on September 12, 2019, and Rule 14.3 of the Commission’s Rules of Practice and Procedure, the California Wind Energy Association (“CalWEA”) provides these comments on the Proposed Decision.

In summary, CalWEA appreciates the need to ensure reliable electric service as the availability of import energy becomes more uncertain, once-thru cooling (“OTC”) units are scheduled to retire, and California’s reliance on variable energy resources grows. However, we are concerned that the Proposed Decision side-steps the Commission’s current rigorous and systematic Integrated Resource Planning (“IRP”) process and relies instead on planning methods that are both excessively conservative and improper for long-term decision making. Furthermore, while espousing the benefits of all-source bidding, the PD would disqualify thousands of megawatts of existing renewable and gas-fired capacity that is currently uncontracted for during the period of concern. Finally, the PD would illogically impose a system resource adequacy (“RA”) requirement – which can be satisfied by any CAISO-controlled resource – on a subset of load-serving entities (“LSEs”) located in the Transmission Access Charge (“TAC”) area of Southern California Edison (“SCE”).

To mitigate these concerns, we urge the Commission to modify the PD to include only the recommendation for the State Water Resources Control Board to extend, for one year only, the OTC compliance deadlines for any OTC units requested by the CAISO so that such units are available to the CAISO should they be needed to ensure reliability. Meanwhile, the Commission should complete its 2019-20 IRP process so that system needs for 2022 and beyond can be determined properly through the IRP process, addressing the fact that some 4,000 MW of existing renewable resources as well as existing gas units are at risk of retirement due to the expiration of their power-purchase contracts by removing these resources from the baseline. These units should then be qualified to compete to satisfy RA requirements while LSEs simultaneously meet their Renewables Portfolio Standard (“RPS”) and greenhouse-gas-reduction requirements. This approach will address all of the state’s primary policy goals at once, far more efficiently than the Proposed Decision would do. Moreover, RA requirements can be calibrated according the specific types of resources (local, flexible and/or system) that are needed.

II. THE STACK ANALYSES RELIED UPON IN THE PD ARE UNSUITABLE FOR DETERMINING LONG-TERM RESOURCE NEEDS AND CONTAIN OVERLY CONSERVATIVE ASSUMPTIONS, OVERSTATING THE POTENTIAL RISK OF LOSS OF LOAD

The Proposed Decision notes that several parties pointed out that the stack analysis on which the June 20, 2019, Ruling (“Ruling”) is based is less sophisticated than the resource plan that the Commission developed in its inaugural IRP process. The PD appropriately acknowledges that its adopted Preferred System Plan (“PSP”) indeed utilized both capacity expansion modeling and production cost modeling, using a loss of load expectation (“LOLE”) analysis. (PD at 13.) Nevertheless, the Proposed Decision states that the PSP studied only 2030, not the near-term years of concern, and that there is insufficient time to study 2021 system reliability needs to allow procurement to meet a potential shortfall in the timeframe of Summer 2021. (PD at 14.)

It is worth underscoring just how much less sophisticated and inappropriate a stack analysis is compared to IRP modeling and, moreover, how conservative the stack analyses presented in the Ruling and in party comments were. First, a stack analysis is inappropriate for determining long-term resource needs because it is based on only one or a few peak hours. That deterministic load “snapshot” is then compared to the statistically determined net qualifying capacity (“NQC”) of generators – a mismatch of analytical techniques tantamount to comparing

apples and oranges. While such an analysis may be appropriate for the purpose of determining day-ahead to month-ahead reliability needs (because of the resources required to run production simulation models to determine LOLE and because significantly less uncertainty exists in near-term load and supply), it is wholly inappropriate for determining longer-term needs (which is the purpose of IRP).

Second, by using the NQCs of controllable generators, which are almost always lower than the temperature-adjusted peak generation capacities of these generators,¹ the stack analysis in the Ruling grossly underestimates the amount of generation capacity that is available to the CAISO when it is actually needed (i.e., the peak load hours studied in the stack analysis). Hence, if a stack analysis is used for short-term capacity planning (and especially if used, inappropriately, for long-term planning), it should be based on the available capacity of all controllable resources, adjusted for ambient temperatures, because the CAISO can call upon these resources to provide their actual generation capacity, rather than their NQC, during the peak load hours. The PD's reliance on generators' NQCs substantially overstates the potential resource shortfall.

Third, total resource capacity falling below peak demand plus a 15 percent reserve margin does not equate to an outage condition; the CPUC's analysis shows that, even with overly conservative assumptions (only one of which was discussed above), and assuming that OTC retirement dates are not extended, there is still a healthy resource margin above actual projected peak load. In addition to that margin, the CAISO has the ability to controllably reduce load to avoid outages.

Finally, even if total (properly calculated) resource capacity actually falls below the instantaneous peak load used in the stack analysis, this does not necessarily translate to a violation of reliability standards because the outage, if any, is controllable and should be of a limited size or duration.

The stack analyses submitted by the CAISO and SCE in their July 22, 2019, opening comments and in CAISO's August 12, 2019, reply comments on the Ruling, suffer from all of the same conservative assumptions in the CPUC's analysis described above, and fail to show an urgent need for new RA capacity. For example, the analysis in CAISO's reply comments (and

¹ The NQCs of controllable generators with QF designations are typically significantly lower than their statistical annual generation.

referenced in the PD at 10) shows that – even without relying on uncontracted imports to balance demand – projected energy production is within the reserve margin. (CAISO Reply Comments, August 12, 2019, at 10.) Further, the stack analyses in SCE’s comments and in CAISO’s reply comments abandon the concept of NQC entirely with regard to the capacity contribution from wind and solar resources. CAISO simply uses a capacity contribution figure for wind and solar resources based on historical performance during September of 2015 to 2018. It is not clear what and why a certain level of contribution was selected based on such a limited sample size.

In conclusion, while stack analyses may be used to indicate a potential cause for concern, particularly if import figures are highly uncertain, an LOLE analysis (as utilized in the IRP analysis) is required to properly determine if new resources need to be built and/or contracted.

III. THE PROPOSED DECISION IGNORES EXISTING, AT-RISK RENEWABLE AND GAS RESOURCES WHOSE POTENTIAL RETIREMENTS SHOULD BE ANALYZED AND WHICH SHOULD QUALIFY FOR MEETING ANY IDENTIFIED RELIABILITY NEED

The Proposed Decision purports to “take seriously the comments of many parties concerned about perpetuating the state’s recent emphasis on new resources, while assuming that existing resources also in need of contractual commitments will continue to be around and available to support system reliability and renewable integration.” The PD does not specifically reference any of those comments, however.² And it states that “existing resources should be able to be provided more economically than new resources, since at least some of their capital investment should have already been covered by previous contracts.” (PD at 28.)

Nevertheless, despite ostensibly enabling existing resources to qualify for the reliability requirement, the PD would disqualify nearly all existing renewable and gas resources because they are included in the baseline resources used in the PSP adopted in D.19-04-040. (PD at 30.) Disqualified are some 4,000 MW of existing wind, geothermal and biomass resources that currently provide substantial system-RA value but are without long-term contracts and could potentially retire in the 2021-23 timeframe. In the context of optimally meeting reliability and clean-energy goals, it makes no sense to effectively order the development of new reliability resources while barring these existing, at-risk resources from competing to fulfill multiple needs.

² The opening comments of Green Power Institute (at 5), Calpine Corporation (at 1-2) and CalWEA expressed concerns about the Ruling’s failing to consider existing renewable and gas resources.

Moreover, it would make little sense to build new gas plants when there are existing gas plants at risk of retirement whose lives could be extended by a few years while cleaner renewable integration resources are developed.

If the CPUC is concerned about the availability of imports, it should recommend the extension of some or all OTC units, but hold off on ordering any new system RA resources until the 2019-20 IRP cycle is completed. That cycle should properly evaluate existing resources and remove them from the baseline if they do not have long-term purchase contracts. Then, the Commission should set 2022 RA requirements at the necessary level and enable all available RA resources, including those without contracts past 2021, to qualify for those requirements, much as the RPS can be fulfilled by any existing or new eligible renewable resource.

IV. SYSTEM RA REQUIREMENTS SHOULD APPLY TO ALL LSES

The Proposed Decision does not adequately explain why its procurement requirement for system resources should not apply to all LSEs. The Commission's Ruling proposed that four-fifths of the proposed requirement be procured on a pro-rata basis by all LSEs on the basis of their respective load shares (PD at 30), while the Proposed Decision places the requirement only on LSEs within the TAC area of SCE. The only rationale offered is that some LSEs – namely PG&E – are already long on system capacity. And, yet, the PD does not allocate procurement responsibility on the basis of whether an LSE is long on system RA resources or not. Rather, it infers that there is a local problem – because SCE is the most concerned (PD at 33-34) – and yet imposes a system-RA requirement, not a local-RA requirement. System-RA resources are not constrained by location within CAISO. Moreover, the PD states that “renewable integration” resources are necessary (PD at Finding of Fact 15), yet does not impose a flexible-RA requirement, which would bring in resources specifically capable of addressing renewable-energy integration needs, such as for ramping. Finally, we note that the Proposed Decision highlights concerns regarding imports, a concern that is not limited to Southern California.

Once again, rather than imposing an additional RA requirement at this time, it would make sense to wait for the results of the 2019-20 IRP and recalibrate RA requirements according to the types of resources (local, flexible and/or system) that are needed.

V. CONCLUSION

For the foregoing reasons, the Commission should narrow the PD only to adopt a recommendation for the State Water Resources Control Board to extend the OTC compliance deadlines by one year for any OTC units requested by the CAISO so that they are available to the CAISO should they be needed to ensure reliability, given uncertainty in available imports, and proceed to determine any long-term RA needs based on the results of the 2019-20 IRP process.

Respectfully submitted,

/s/ Nancy Rader

Nancy Rader
Executive Director
California Wind Energy Association
1700 Shattuck Ave., #17
Berkeley, California 94709
Telephone: (510) 845-5077 x1
Email: nrader@calwea.org

On behalf of the California Wind Energy Association

October 2, 2019

VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of “Comments of the California Wind Energy Association on Proposed Decision Requiring Electric System Reliability Procurement for 2021-2023” 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 October 2, 2019, at Berkeley, California.

/s/ Nancy Rader _____
Nancy Rader
Executive Director
California Wind Energy Association