

**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)

**REPLY COMMENTS OF THE BAY AREA MUNICIPAL TRANSMISSION GROUP ON
RESOURCE ADEQUACY TRACK 1 PROPOSALS**

DEBRA LLOYD
For the
BAY AREA MUNICIPAL TRANSMISSION
GROUP
Utilities Compliance Manager
City of Palo Alto Utilities
1007 Elwell Ct.
Palo Alto, CA 94303
650.329.2369
E-Mail: debra.lloyd@cityofpaloalto.org

March 16, 2018

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The Bay Area Municipal Transmission Group (“BAMx”)¹ respectfully submits these reply comments in response to the January 18th Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (Scoping Memo) on select Track 1 proposals by the Energy Division (ED) and various parties, as provided in Rule 14.3 of the Commission’s Rules of Practice and Procedure. Several parties submitted resource adequacy related proposals on February 16, 2018, and the Commission held a workshop on the proposals on February 22 and 23, 2018 (February Workshop).

1. CPUC’s Integrated Resource Planning (IRP) Process is An Appropriate Forum to Determine Economic Tradeoffs Between Retaining Existing Generation and Reducing Local Need Via New Transmission or New Local Resources

BAMx appreciates the clarifications provided by the CAISO in their comments on how the CAISO’s availability-limited (or use-limited) resource proposal enables continued preferred resource integration while maintaining local reliability. BAMx supports the CAISO’s proposed concept (but not their overall proposal that limits the use-limited Local Capacity Requirements

¹ The members of BAMx are City of Palo Alto Utilities and City of Santa Clara, *dba* Silicon Valley Power.

or “LCRs”) to rely on and refine its transmission planning process (TPP) analysis to provide the Commission and parties an early indication of these evolving availability requirements.² Like NRG, BAMx agrees with the Center for Energy Efficiency and Renewable Technologies (“CEERT”) and the CAISO that more work needs to be done to determine how availability-limited resources can be used to meet LCRs and maintain local reliability.³ The CPUC should encourage the CAISO to investigate additional mechanisms and opportunities to aggregate different types of seemingly unrelated resources to meet minimum availability requirements.⁴

The CAISO asserts that the transmission solutions to reduce LCRs “can and should be considered in the CAISO’s TPP.”⁵ However, BAMx believes that the resources that are required to meet the reliability needs of a transmission constrained area is essentially a resource acquisition decision and is appropriately within the jurisdiction of the California Public Utilities Commission (CPUC). Furthermore, the meeting of policy driven needs is squarely within the jurisdiction of the CPUC. Therefore, BAMx believes that CPUC’s Integrated Resource Planning (IRP) process is a more appropriate forum to determine economic tradeoffs between retaining existing generation and reducing that need via new transmission or adding new local resources. The capacity expansion models such as RESOLVE utilized in the CPUC IRP proceeding are more suitable for performing any economic comparison of alternatives for meeting LCR than the tools utilized by the CAISO to determine the reliability needs of the local areas or other aspects of the TPP. In particular, RESOLVE includes a constraint that requires that sufficient new generation capacity must be added to meet the local needs in specific LCR areas. To determine the extent of resources needed in these local capacity needs, RESOLVE relies predominantly on the CAISO’s LCR studies.⁶ In other words, a flow of information from the CAISO’s TPP to the CPUC IRP on the local capacity needs exists today. Similarly, the determination of the least-cost best-fit alternatives to meet LCR needs is best determined as part of the CPUC IRP process, as it is better equipped in evaluating competing resource alternatives such as natural gas generation,

² CAISO Comments, p.2.

³ NRG Comments, p.15.

⁴ See CAISO Comments, pp.5-6.

⁵ CAISO Comments, p.7.

⁶ RESOLVE minimizes the NPV of total costs including the fixed and operating costs of new resources across a 20+ year time horizon. See the RESOLVE Documentation: CPUC 2017 IRP Inputs & Assumptions, September 2017.

renewables, energy storage, and demand response.⁷ The CAISO routinely conducts the needs for local areas one year (current) ahead every year and four years (long-term) ahead every two years.⁸ But, if timing of the CPUC IRP cycle is a hardship to the evaluation of a particular area, then the CPUC needs to direct its relevant jurisdictional LSE to conduct a Request For Offers (RFO) specifically targeted to procuring local resources, including the preferred resource options. Such a solution was suggested by the CAISO to determine the true costs of the preferred resource alternatives to the Puente Power Plant in the California Energy Commission's siting proceeding.⁹

2. BAMx Opposes Proposals for Adoption of a Mandatory Centralized Capacity Market for RA Resources

BAMx agrees with the concerns raised by ORA on the proposals for adoption of a centralized capacity market (CCM) including the potential conflict between California's environmental goals and Federal Energy Regulatory Commission (FERC) requirements, potential increased ratepayer costs, and limitations of LSE discretion in procurement.¹⁰ Like the Six Cities, BAMx is concerned that establishment of a mandatory CCM could strip California's Local Regulatory Authorities (LRAs) of their ability to direct resource procurement policies for the entities subject to their jurisdiction.¹¹ BAMx also notes that with the exception of the Alliance for Retail Energy Markets (AReM)¹², Western Power Trading Forum (WPTF)¹³, and NRG Energy (NRG)¹⁴, majority of the parties have not called for a full CCM.¹⁵ Given our concerns associated with the CCM and the lack of support for it, BAMx believes that consideration of CCM should not factor into any consideration of a multi-year RA Framework in Track 1 or, for that matter, in the

⁷ *Ibid*, p.29.

⁸ The CAISO 2018-2019 TPP will also include the long-time LCR study for the year 2028. See CAISO Draft 2018-19 Study Plan, February 22, 2014. P.51.

⁹ California Energy Commission, Docket 15-AFC-01, Testimony of Neil Millar of CAISO, Transcript of 9/14/2017 Evidentiary Hearing, (TN# 221283), p. 13. Also, see the CAISO Comments, p.2.

¹⁰ ORA Comments, pp.5-8.

¹¹ Six Cities Comments, p.5.

¹² AReM Comments, pp.4-7.

¹³ WPTF Comments, p. 5,9,13.

¹⁴ NRG Comments, p.7.

¹⁵ PG&E Comments, pp. 4-5, ORA Comments 5-8, California Large Energy Consumers Association (CLECA) Comments, pp.7-8, Six Cities Comments, pp.1-6, SDG&E Comments p.2,4.

subsequent tracks of the current proceeding.

CONCLUSION

BAMx appreciates the opportunity to provide responses to the opening comments on the CPUC’s RA program reforms and to emphasize the continued importance of reducing costs for California electricity consumers while meeting the system and local reliability needs.

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Respectfully submitted,

/s/ Debra Lloyd
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Palo Alto, CA 94303
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