

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



**FILED**  
04/15/20  
04:59 PM

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)

**COMMENTS OF THE AMERICAN WIND ENERGY ASSOCIATION OF CALIFORNIA ON THE PROPOSED DECISION ON CENTRAL PROCUREMENT OF THE RESOURCE ADEQUACY PROGRAM**

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April 15, 2020

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## SUMMARY OF RECOMMENDATION

AWEA-California recommends the Commission not adopt the Proposed Decision and to instead retain the existing bilateral RA structure.

If the Commission nevertheless adopts a full Central Procurement Entity (“CPE”) structure for local RA, the Commission should ensure that load serving entities (“LSEs”) are able to more directly benefit from their investments in local reliability solutions without being faced with the choice of completely selling the resource and dispatch rights to the CPE.

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In accordance with Article 14, Rule 14.3 of the California Public Utility Commission’s (“Commission”) Rules of Practice and Procedure, the American Wind Energy Association of California (“AWEA-California”) respectfully offer these comments on the March 26, 2020 *Decision On Central Procurement of the Resource Adequacy Program* (“Proposed Decision”). As explained below, AWEA-California is concerned that by unbundling local RA from system and flex RA showings, the Proposed Decision would create an inefficient market structure and deter load serving entities from investing in local reliability solutions. At a minimum, AWEA-California recommends that the Commission revise the Proposed Decision to ensure that load serving entities (“LSEs”) are able to more directly benefit from their investments in local reliability solutions without being faced with the choice of completely selling the resource and dispatch rights to the Central Procurement Entities (“CPEs”).

**DISCUSSION**

**1. The Proposed Decision Should not Reject the Fundamental Structure of the Settlement Agreement.**

AWEA-California was among the parties that filed comments supporting some of the components of the settlement agreement. AWEA-California supported the settlement agreement

because it that would have created more certainty for the market through a multi-year RA procurement structure. By aligning the procurement timeframe for all three products, the settlement would have enabled LSEs to develop the most optimal capacity solutions for their needs, while at the same time ensuring that a central procurement entity was able to procure additional local, system or flexible capacity that is needed for system reliability on a sufficiently long time horizon. The timeframe in the settlement would have enabled the State to minimize backstop procurement by the CAISO.

**2. Bifurcation of RA Attributes by LSE Type Would Disrupt Existing Contracts.**

AWEA-CA is concerned that by removing the obligation to procure local RA by all but two LSEs, the Proposed Decision would create a fragmented and inefficient RA market. The Proposed Decision would fracture the existing bilateral procurement structure for bundled RA products because under the Proposed Decision, LSEs will be faced with either conveying the entirety of their contracts to the CPE (thus creating an outstanding need for these LSEs to buy system, flex and other attributes), or “show” the resource to the CPE and forego the local RA capacity value that they have negotiated and paid for under existing contracts.<sup>1</sup> AWEA-California is concerned that by breaking up the bundle of RA attributes conveyed in existing contracts, the Proposed Decision would interfere with existing RA contracts by devaluing one of the three RA products conveyed to LSEs (i.e., in contracts other than those with PG&E and SCE). The Proposed Decision’s CPE procurement structure would provide no guarantees that LSEs would be able to recoup the value of their contracts in auctions where they are competing with IOUs’ own resource options.

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<sup>1</sup> See Proposed Decision at p. 24.

The Proposed Decision would also create inefficiencies in future procurement. In light of the procurement underway pursuant to D.19-11-005, generation developers are actively developing a mix of clean energy products and services to best meet the needs of a diverse pool of LSEs. Many of these clean capacity products are intended to provide local RA. If the Proposed Decision is adopted, LSEs in the PG&E and SCE transmission access charge (“TAC”) areas would only be in a position of buying system and flexible RA attributes. Local RA and any bundled system and flexible RA attributes would be purchased solely by PG&E and SCE. Consequently, any procurement by LSEs other than PG&E and SCE would not be optimized to provide the best value to the LSEs’ ratepayers, i.e., accounting for all RA attributes. Through the creation of a residual market structure, the Settlement Agreement would have avoided the inefficiencies inherent in bifurcating local RA from other product attributes.

**3. The Proposed Decision Should Be Modified to Enable LSEs to Retain Their RA Contracts and Directly and Predictably Benefit from Any Local RA Capacity Conveyed to the CPE.**

The Proposed Decision would provide that an LSE with a contract for all three RA attributes can either retain the system and flex attributes of their contract and “show” the contract to the CPE or sell the contract in its entirety to the CPE. If the LSE chooses to “show” the contract as opposed to completely selling all contract rights to the CPE, then the LSE will essentially lose the value of the local RA attributes.<sup>2</sup> This is because the LSE would only receive a reduction in its overall local RA cost responsibility commensurate with its coincident peak load share. This loss of value can and should be avoided.

As set forth in Appendix 1, the Commission should amend the Proposed Decision to require that LSEs who decide to “show” local RA attributes from preferred resources will receive

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<sup>2</sup> *Id.*

compensation from the CPE in the form of a direct reduction in that LSE's cost responsibility. This change would ensure that the Proposed Decision meets the Commission's previous direction in D.19-02-022 to provide an "opportunity for and investment in procurement of local preferred resources." AWEA-CA appreciates that local RA capacity cannot always be procured on a 1:1 peak load share basis and accounting for costs across local and sub-local areas when CCA territories may not coincide with the LRA boundaries may be a complex exercise. However, the additional work required to perfect a cost-allocation scheme is necessary to ensure that LSEs receive the benefit of the property rights they've contracted for in various RA contracts. The Commission should develop a cost allocation mechanism that reduces each LSE's obligation who "shows" local RA capacity, while not enabling LSEs to entirely reduce their cost responsibilities to account for their share of local RA that may still be outstanding due to the need to procure the right kind of capacity in various LRA and sub LRAs.

**4. The CPE Should Not Disclose All Contract Data in an Annual Compliance Filing.**

The Proposed Decision would require PG&E and SCE to make an annual compliance filing that includes "all contract terms."<sup>3</sup> Some of these contract terms (e.g., price) constitute trade secrets that should not be disclosed on an annual basis because such information is protected under the California Public Records Act. Instead, the Commission should adhere to the existing confidentiality matrix that only discloses price information three years after the Commercial Online Date. As set forth in Appendix 1, AWEA-California proposes revisions to the Proposed Decision that would ensure that confidential trade secrets are not disclosed in the annual compliance filing.

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<sup>3</sup> See Proposed Decision, Conclusion of Law 20.

**CONCLUSION**

For the reasons set forth above, AWEA-California encourages the Commission to not adopt the Proposed Decision and to instead retain the existing bilateral RA structure. In the event that the Commission decides to designate PG&E and SCE as the full CPE for their TAC areas, the Commission should at least modify the Proposed Decision to enable LSEs to receive predictable reductions in their cost responsibility for any local RA capacity shown to the CPE.

DATED: April 15, 2020

Respectfully submitted

/s/

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## APPENDIX A

### **AWEA-CALIFORNIA RECOMMENDED CHANGES TO THE PROPOSED DECISION**

#### **Revisions to Findings of Fact**

19. The cost recovery mechanism for the central procurement framework should facilitate the CPE's efficient procurement of local resources, ~~and~~ provide necessary recovery of costs incurred by the CPE, and ensure that LSEs that show local RA attributes from preferred resources receive a direct reduction in their cost responsibility for CPE procurement.
20. The CAM methodology is a cost recovery mechanism that allows the CPE to efficiently procure local resources and recover costs incurred, with the exception that any resources "shown" by LSEs shall not be subject to the CAM methodology.

#### **Revisions to Conclusions of Law**

15. The CAM methodology should be adopted as the cost recovery mechanism to cover procurement costs associated with serving the central procurement function, with the exception that any resources "shown" by LSEs shall not be subject to the CAM methodology.
20. The CPE should submit an annual compliance filing that includes all contract terms that can be disclosed pursuant to the Commission's previously adopted confidentiality matrix, as well as the criteria and methodology used to select local RA resources.