

JUNE FILINGS



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

FILED

06/11/24

09:11 AM

R2310011

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider
Program Reforms and Refinements, and
Establish Forward Resource Adequacy
Procurement Obligations.

R.23-10-011

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
REPLY COMMENTS ON THE PROPOSED DECISION**

Evelyn Kahl,
General Counsel and Director of Policy
Eric Little,
Director of Regulatory Affairs
Lauren Carr
Senior Market Policy Analyst

CALIFORNIA COMMUNITY CHOICE
ASSOCIATION
1121 L Street, Suite 400
Sacramento, CA 95814
Telephone: (510) 980-9459
E-mail: regulatory@cal-cca.org

June 11, 2024

TABLE OF CONTENTS

I.	PARTIES AGREE THAT THE PROPOSED DECISION ERRS BY NEGLECTING TO DISCUSS AND ADOPT HOURLY LOAD OBLIGATION TRADING.....	1
II.	OPENING COMMENTS SUPPORT ACTIONS NEEDED TO INVESTIGATE AND ADDRESS EXTREME RA MARKET CHALLENGES.....	3
III.	SOD IS NOT READY FOR 2025 IMPLEMENTATION WITHOUT MAJOR REVISIONS TO THE PROPOSED DECISION	3
IV.	THE COMMISSION MUST INFORM THE PRM ON ROBUST MODELING THAT REFLECTS THE COMPLIANCE FRAMEWORK	4
V.	CONCLUSION.....	5

SUMMARY OF REPLY COMMENTS

- Parties that filed Opening Comments agree that the Proposed *Decision Adopting Local Capacity Obligations for 2025-2027, Flexible Capacity Obligations for 2025, and Program Refinements* (Proposed Decision) errs by neglecting to discuss and adopt hourly load obligation trading;
- Opening Comments support actions needed to investigate and address extreme Resource Adequacy (RA) market challenges;
- The Slice-of-Day (SOD) framework is not ready for 2025 implementation without major revisions to the Proposed Decision; and
- The California Public Utilities Commission (Commission) must inform the Planning Reserve Margin (PRM) on robust modeling that reflects the compliance framework.

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION’S
REPLY COMMENTS ON THE PROPOSED DECISION**

The California Community Choice Association (CalCCA) submits these reply comments pursuant to Rule 14.3 of the California Public Utilities Commission Rules of Practice and Procedure¹ on the Proposed *Decision Adopting Local Capacity Obligations for 2025-2027, Flexible Capacity Obligations for 2025, and Program Refinements*² (Proposed Decision), mailed May 17, 2024.

I. PARTIES AGREE THAT THE PROPOSED DECISION ERRS BY NEGLECTING TO DISCUSS AND ADOPT HOURLY LOAD OBLIGATION TRADING

CalCCA, AReM/UC, CESA, and Microsoft all provided comments³ in support of moving forward with hourly load obligation trading while no party filed comments stating that the Commission was correct in not including this important compliance tool. The Commission must take action now to enable load-serving entities (LSEs) to meet compliance obligations and provide for system reliability in a cost effective manner given the market pressures noted by the majority of parties in this proceeding.

In its Proposed Decision Opening Comments, AReM/UC state it:

had agreed with past Commission decisions denying implementation of hourly trading because of the additional complexity such a proposal would introduce. Now that AReM members have gained familiarity with the SOD tools through the test year filings, AReM views the matter differently. It is now clear that no matter what the Commission does with CalCCA’s proposal, the SOD framework is a complex framework, in fact by far the most complex RA framework ever implemented anywhere, and tools are needed to help LSEs manage that complexity. Hourly compliance

¹ *State of California Public Utilities Commission, Rules of Practice and Procedure, California Code of Regulations Title 20, Division 1, Chapter 1* (May 2021).

² *Proposed Decision Adopting Local Capacity Obligations for 2025-2027, Flexible Capacity Obligations for 2025, and Program Refinements*, Rulemaking (R.) 23-10-011 (May 17, 2024).

³ All references herein to party comments are to the Opening Comments filed in this proceeding, R.23-10-011, on or about June 6, 2024.

trading provides a much-needed flexibility that will help SOD work more efficiently.⁴ (emphasis added)

As explained by CESA, the SOD framework “creates a new structural barrier that prevents LSEs from meeting compliance obligations... the granularity of the transactable product does not equal the granularity of the requirement.”⁵ CESA points to an issue that CalCCA has discussed throughout this proceeding. Without having flexible instruments that match compliance options with compliance needs, the SOD mechanism risks either producing a very costly compliance outcome, or the potential to penalize individual LSEs for non-compliance while the system as a whole is reliable strictly due to the barriers to transactions the mechanism will contain without hourly load transactability.

Microsoft recognizes that:

What matters to the grid is that overall procurement from all CAISO LSEs can meet the grid’s needs—it matters not who contracted for which resource in which hour. Therefore, being able to “trade” resources for specific hours, rather than being forced to find “perfect” procurement under SOD for each LSE is highly logical. The intrinsic value of obligation trading is evident, particularly given the current market tightness. Allowing LSEs to trade hourly obligations in the SOD framework would be more efficient and reduce ratepayer costs without affecting reliability”⁶

While the Commission has long held the principle that an LSE should not be able to lean on the procurement performed by other LSEs, allowing hourly load obligation trading would not result in leaning. Instead, an entity that procured a resource that made it long in an hour would be given the opportunity to purchase the load obligation of another LSE to use that long position. In purchasing the load obligation, the obligation selling LSE would be expected to compensate the

⁴ The Alliance for Retail Energy Markets and the Regents of the University of California in its role as an Electric Service Provider (AREM/UC) Opening Comments at 8.

⁵ California Energy Storage Alliance (CESA) Opening Comments at 8.

⁶ Microsoft Corporation (Microsoft) Opening Comments at 7.

load obligation purchasing LSE. In doing so, leaning is avoided and all customers can be served at the lowest cost in an environment of increasing capacity costs.

II. OPENING COMMENTS SUPPORT ACTIONS NEEDED TO INVESTIGATE AND ADDRESS EXTREME RA MARKET CHALLENGES

In light of the extreme RA market prices LSEs face “with no end in sight,” PG&E recommends California’s regulatory agencies take “a deeper look into the RA capacity market and the drivers that led California to where it is today.”⁷ CalCCA supports this recommendation and had made a similar recommendation to have the Federal Energy Regulatory Commission investigate as they have jurisdiction over wholesale markets.⁸

However, the Commission should not wait for the results of such investigations to adopt policies that would calm the RA market in the interim. In addition to investigating RA market issues, parties also put forth recommendations that would provide immediate relief from such issues. SCE recommends the Commission adopt a temporary system RA waiver in light of tight RA market conditions.⁹ Continuing to place LSEs in a buy at any price or face significant penalties will only serve to exacerbate the market dynamic that is heavily in favor of sellers.

III. SOD IS NOT READY FOR 2025 IMPLEMENTATION WITHOUT MAJOR REVISIONS TO THE PROPOSED DECISION

Many parties, including CalCCA, SCE, and CESA express concern with implementing SOD without important modifications to the framework.¹⁰

“CESA posits that the Commission’s decision whether to delay the binding compliance year is less about unfair treatment of LSEs that have procured to meet the new rules, but rather

⁷ Pacific Gas and Electric Company (PG&E) (U 39 E) Opening Comments at 7.

⁸ *Public Version California Community Choice Association’s Comments on Assigned Commissioner’s Scoping Memo and Ruling*, R.23-10-011 (Jan. 19, 2024), at 7-8.

⁹ Southern California Edison Company (SCE) (U 338-E) Opening Comments at 7-8.

¹⁰ CalCCA Opening Comments at 11-13; SCE Opening Comments at 2; and CESA Opening Comments at 9-11.

about ensuring the overall program design is fair to all LSEs... There is no reason for an LSE to needlessly suffer non-compliance under new rules that inaccurately value their procurement for the sake of allowing other LSEs to meet their compliance obligations under new rules.”¹¹ Unless and until the Commission has addressed the variety of concerns expressed by market participants, including the readiness of the Commissions own tools used by LSEs for compliance, the Commission should delay implementation.

IV. THE COMMISSION MUST INFORM THE PRM ON ROBUST MODELING THAT REFLECTS THE COMPLIANCE FRAMEWORK

D.23-04-010¹² required the Energy Division to use the SOD calibration tools from the Natural Resources Defense Council (NRDC) and SCE to evaluate and publish a proposed PRM that would account for the changes in resource counting under the SOD methodology. Despite Energy Division having done the required analysis that arrived at a 15.43 percent PRM calibrated to the SOD mechanism, three parties continue to recommend a higher PRM.

Microsoft and the California Independent System Operator Corporation base their support of a 17 percent PRM on the basis that the California Energy Commission (CEC) revised its load forecast downward in its 2023 Integrated Energy Policy Report.¹³ This ignores the history of CEC load forecasts which CalCCA demonstrated are on net up 836 megawatts over the period of 2023 through 2025.¹⁴ It is reasonable for the Commission to work with the CEC to improve load forecasting accuracy and year-over-year predictability. However, a simple observation that the load forecast has gone down over one year is not sufficient to conclude that the PRM should be left at 17 percent since the resource counting rules have dramatically changed.

¹¹ CESA Opening Comments at 10.

¹² Decision (D.) 23-04-010 *Decision on Phase 2 of The Resource Adequacy Reform Track*, R.21-10-002 (issued Apr. 7, 2023).

¹³ California Energy Commission *2023 Integrated Energy Policy Report* (Feb. 2024).

¹⁴ CalCCA Opening Comments at 13-14.

Middle River Power LLC supports a higher than 17 percent PRM on the basis that Western Power Trading Forum claims a 19.7 percent PRM is necessary to maintain a one-in-ten loss of load. This however ignores that D.23-06-029¹⁵ adopted a 17 Percent PRM with an effective PRM of 5 to 7.5 percent. In total, this would procure, if available, capacity to cover a 22.5 to 24.5 percent PRM for 2025. In addition, this calculation is not based upon the SOD modeling where resource capacity is more accurately reflected which should tend to reduce the PRM. The Commission must look at the PRM in totality, including the changes to need based on SOD implementation and the effective PRM it has ordered of the IOUs for 2025.

The Commission should adopt the PRM of 15.43 percent as calculated by the Energy Division to account for the calibration with more accurate resource counting under SOD.

V. CONCLUSION

CalCCA appreciates the opportunity to submit these comments and requests adoption of the recommendations proposed herein.

Respectfully submitted,



Evelyn Kahl,
General Counsel and Director of Policy
CALIFORNIA COMMUNITY CHOICE
ASSOCIATION

June 11, 2024

¹⁵ D.23-06-029, *Decision Adopting Local Capacity Obligations for 2024 - 2026, Flexible Capacity Obligations for 2024, and Program Refinements*, R.21-10-002 (issued July 5, 2023).

JULY FILINGS



July 2, 2024

California Public Utilities Commission – Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

By electronic delivery to EDTariffUnit@cpuc.ca.gov

Re: CalCCA Response to Pacific Gas and Electric Company’s Advice Letter 7295-E

To the Energy Division’s Tariff Unit:

Pursuant to Rule 7.4.1 of the California Public Utilities Commission’s (Commission) General Order 96-B,¹ the California Community Choice Association² (CalCCA) submits this Response to Pacific Gas and Electric Company’s (PG&E) Advice Letter 7295-E³ (Advice Letter or AL) submitted on June 12, 2024.

The AL proposes modifications to Appendix P to PG&E’s Bundled Procurement Plan (BPP) consistent with Decision (D.) 23-12-036, which directs PG&E to allocate Greenhouse Gas-Free (GHG-free) attributes associated with extended operations at Diablo Canyon Nuclear Power Plant (DCPP) to Commission-jurisdictional load serving entities (LSE).⁴ While the AL proposes modifications that would effectuate a GHG-free attribute election/offer process as well as a process for identifying LSEs eligible to receive an allocation, the AL does not *fully* effectuate D.23-12-036 because PG&E has not yet developed a process to calculate “Allocation Ratios.”⁵ “Allocation Ratios” are the proportions of DCPP’s GHG-free attributes each eligible LSE may elect to receive.

¹ General Order No. 96-B, General Rules sec. 7.4.2 (GO 96-B).

² California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Ava Community Energy, Baldwin Park Resident Owned Utility District, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, Energy For Palmdale’s Independent Choice, Lancaster Energy, Marin Clean Energy, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

³ PG&E Advice Letter 7295-E, *Allocation of Greenhouse Gas-Free Attributes to Load Serving Entities Associated with Diablo Canyon Power Plant’s Extended Operations, Update to Pacific Gas and Electric Company’s Bundled Procurement Plan – Appendix P* (June 12, 2024).

⁴ D.23-12-036 at Ordering Paragraph 10.

⁵ AL at 3-4.

According to PG&E, despite consulting with “various stakeholders” and Energy Division staff, the utility was “unable to develop a solution [for developing Allocation Ratios] that fully addressed concerns expressed by stakeholders regarding data confidentiality, transactability, and roles.”⁶ As CalCCA understands the issue, PG&E is able to calculate Allocation Ratios for investor-owned utilities (IOU) and community choice aggregators (CCA) using data from the California Energy Commission’s (CEC) California Energy Demand forecast.⁷ However, PG&E has not determined how to calculate Allocation Ratios for Energy Service Providers (ESP) (in particular, ESPs in Southern California Edison Company’s and San Diego Gas and Electric Company’s service territories) because the California Energy Demand forecast lacks ESP-specific load forecast information.⁸ PG&E therefore proposes to confer with IOU, CCA and ESP representatives as well as Energy Division staff within 45 days of the submission of the AL on a “workable solution” for developing GHG-free attribute allocation ratios, and supplement the AL to address any calculation developed through that stakeholder process.⁹

CalCCA does not oppose the relief PG&E requests but submits this Response for three reasons. First, CalCCA describes a workable solution for developing GHG-free Allocation Ratios for ESPs. PG&E did not confer with CalCCA before submitting the AL and therefore CalCCA did not have the opportunity to bring this solution to PG&E’s attention until after the AL’s submission (CalCCA conferred with both PG&E and ESP representatives before submitting this Response). Second, CalCCA requests PG&E clarify in its Reply to this Response, or in the supplement to the AL, the timeline for its annual GHG-free attribute offer such that eligible LSEs intending to receive an allocation can plan procurement around that timeline. Third, CalCCA requests PG&E revise the language of Appendix P to clarify it will file a supplement to the AL, and not a new Tier 1 advice letter, in order to address the calculation of Allocation Ratios.

I. Discussion

A. PG&E Could Allocate GHG-Free Attributes to ESPs Desiring an Allocation Without Disclosing Confidential Data to Other ESPs

The basics of CalCCA’s GHG-free attribute allocation proposal, adopted by the Commission in D.23-12-036, are as follows. PG&E offers Commission-jurisdictional LSEs an allocation of GHG-free attributes from DCP’s extended operations on an annual basis.¹⁰ That allocation is calculated by multiplying the LSE’s “Allocation Ratio” by the total generation from DCP on a monthly basis.¹¹ The Allocation Ratio in turn is calculated by dividing the LSE’s load

⁶ *Id.* at 4.

⁷ *Id.* at 3-4

⁸ *Id.*

⁹ *Id.* at 4.

¹⁰ Rulemaking (R.) 23-01-007, *Opening Testimony of Brian Dickman on behalf of the California Community Choice Association* at 18 (June 9, 2023); D.23-12-036 at 90.

¹¹ AL at 18-19 (June 9, 2023); D.23-12-036 at 90.

forecast by the total load forecast for customers responsible for the costs of DCP's extended operations.¹² LSEs confirm their acceptance of an allocation by executing a sales agreement with PG&E subject to the conditions in Appendix P.¹³ LSEs may then report their GHG-free allocation amounts on their respective Power Content Labels under the CEC's Power Source Disclosure program.¹⁴

The AL correctly implements most components of CalCCA's proposal as adopted by D.23-12-036, but does not implement the calculation of Allocation Ratios. That is because, according to PG&E, there is a problem with calculating the Allocation Ratios for a fraction of the State's LSEs, specifically, ESPs outside of PG&E's service territory. The CEC's California Energy Demand Forecast—which includes LSE-level load forecast information for CCAs and IOUs—does not include LSE-level load forecast information for ESPs (who, as Commission-jurisdictional LSEs, would be eligible to receive an allocation under CalCCA's proposal and D.23-12-036). While PG&E has the data it needs to calculate the Allocation Ratios for ESPs in PG&E's service territory, on account of ratesetting processes outside of the instant process, it does not have the data it needs for ESPs in Southern California. That issue, however, is not a significant hurdle to developing Allocation Ratios and certainly does not make CalCCA's proposal “unimplementable”, as PG&E claims.

First, PG&E does not require ESP-specific load forecast information to determine the *denominator* of the Allocation Ratio calculation (*i.e.*, the total load forecast for customers responsible for the costs of DCP's extended operations). PG&E can derive the total load forecast of cost-responsible customers from the CEC's California Energy Demand Forecast, which includes aggregated ESP load forecasts.

Second, the *numerator* of ESP-specific Allocation Ratios can be derived based on load forecast information ESPs already provide to the CEC via Form 7.1.¹⁵ While load data included in Form 7.1 is confidential, PG&E could allocate GHG-free attributes to any ESP desiring an allocation without disclosing that ESP's confidential load forecast data to other ESPs. Under that approach, Eligible ESPs desiring an allocation would confidentially provide their CEC Form 7.1 load forecasts to PG&E by a date certain ahead of the Delivery Year. That load forecast would form the numerator of the Allocation Ratio for that ESP. PG&E would then offer that ESP a GHG-free attribute allocation calculated based on the ESP-specific Allocation Ratio, and the ESP would execute a sales agreement with PG&E. While PG&E would not receive load forecasts for *all*

¹² R.23-01-007, *Opening Testimony of Brian Dickman on behalf of the California Community Choice Association* at 18, footnote 34 (June 9, 2023).

¹³ AL at 19; D.23-12-036 at 91.

¹⁴ AL at 19.

¹⁵ Form 7.1, ESP Report of Loads and Resources Under Contract. Through Form 7.1, ESPs report annual metered sales in megawatt-hours, for customers under contract, before any losses, among other data. See California Energy Commission, Forms and Instructions for Submitting Electricity Demand Forecasts, at: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=248968&DocumentContentId=83521>.

eligible LSEs under this Option, it would not require that information, because PG&E would not need to calculate Allocation Ratios for all ESPs (just those ESPs desiring to receive an allocation).

An extra step could be added to this process to the extent that verification is needed for an opt-in LSE's load forecast, *i.e.*, to ensure that the data the LSE is providing to PG&E is accurate. Essentially, the LSE would give notice to Energy Division it wanted to take the allocation by a date certain ahead of the Delivery Year, and then Energy Division would provide a CEC-endorsed load forecast (*i.e.*, data from the ESP's CEC Form 7.1) for that ESP to PG&E.

The Attachment to this Response provides redlines to Appendix P that would effectuate the solution described above. CalCCA looks forward to continue discussing the details of these (or other) solutions with PG&E, ESP representatives, and Energy Division staff, and will work with PG&E to develop further modifications to Appendix P necessary to fully effectuate the GHG-free attribute allocations required by D.23-12-036.

B. PG&E Should Clarify the Exact Timing of its Annual GHG-free Attribute Offer

The AL and attached modifications to Appendix P state PG&E will offer GHG-free attribute allocations from DCPD extended operations to eligible LSEs ahead of the Delivery Year (*i.e.*, ahead of January 1, 2025 for 2025 allocations). However, the AL does not clarify exactly when PG&E will make offers to eligible LSEs. In order for eligible LSEs—including CCAs—to effectively plan around the annual offer and election process, and conduct any necessary procurement, PG&E should clarify the exact timing of its annual GHG-free attribute offers to eligible LSEs. CalCCA requests PG&E make this clarification in its Reply to this Response, or in the supplement to the AL.

C. PG&E Should Clarify it Will File a Supplement to this AL and Not a New Tier 1 Advice Letter to Address the Calculation of Allocation Ratios

In the body of the AL, PG&E states it will supplement the AL to address the calculation of Allocation Ratios.¹⁶ In its revisions to Appendix P, however, PG&E states Allocation Ratios “shall be calculated as proposed in a future Tier 1 advice letter.”¹⁷ CalCCA agrees supplementing the AL to address Allocation Ratios is an appropriately expedient approach, whereas requiring a future Tier 1 advice letter risks compromising the timing of PG&E's GHG-free attribute allocation for the 2025 Delivery Year. CalCCA therefore requests PG&E clarify in its Reply to this Response that it will file a supplement to the AL, and not a new Tier 1 advice letter, to address the calculation of Allocation Ratios.

¹⁶ AL at 4.

¹⁷ *Id.* at Attachment A, Bundled Procurement Plan, Appendix P (Redline), Cal. P.U.C. Sheet No. 252.

II. Conclusion

CalCCA generally supports the relief PG&E requests in the AL. CalCCA will work with PG&E and other stakeholders on a solution to develop Allocation Ratios for ESPs, such that PG&E fully effectuates the GHG-free attribute allocation process directed by D.23-12-036. CalCCA further requests PG&E clarify in its Reply to this Response, or in the supplement to the AL, the timeline for its annual GHG-free attribute offer. CalCCA also requests PG&E clarify in its Reply to this Response that it will file a supplement to this AL, and not a new Tier 1 advice letter, to address the calculation of Allocation Ratios.

Respectfully submitted,



Evelyn Kahl,
General Counsel and Director of Policy
CALIFORNIA COMMUNITY CHOICE
ASSOCIATION

cc: PGETariffs@pge.com
Service Lists: R.23-01-007, 20-05-003, and 17-06-026.

**ATTACHMENT
TO
CALCCA RESPONSE TO PACIFIC GAS AND ELECTRIC COMPANY'S
ADVICE LETTER 7295-E**

Redlines to Appendix P

Cal. P.U.C. Sheet No. 251, Section B.1.b.:

Allocation Ratio is defined as the LSE's monthly percentage share of GHG-Free Energy.

[. . .]

(2) Nuclear Allocations of GHG-Free Energy from Extended Operations of DCPD: An LSE's ~~nuclear energy monthly percentage share of GHG-Free energy shall be calculated as proposed in a future Tier 1 advice letter~~ monthly load forecast, derived either from PG&E's ERRA Forecast Application or from California Energy Commission Form 7.1, divided by the total load forecast for customers responsible for the costs of DCPD's extended operations. An Energy Service Provider (ESP) that is an Eligible LSE and desires to receive nuclear allocations of GHG-Free Energy from Extended Operations of DCPD shall confidentially provide its California Energy Commission Form 7.1 to PG&E by September 1 of the year prior to the Delivery Period.

Cal. P.U.C. Sheet No. 252, Section B.1.e.:

Eligible LSE is defined as ~~an LSE (as defined in the CAISO Tariff) that receives an offer of an Allocation Amount.~~ follows:

[. . .]

(2) Nuclear Allocations of GHG-Free Energy from Extended Operations of DCPD: An Eligible LSE is a California LSE (as defined in the CAISO Tariff) that whose customers (1) pays for eligible DCPD extended operations costs;²; and (2) has been identified by the Commission for a nuclear energy Allocation ratio.
²D.23-12-036