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.	R.14-10-010 (Filed October 16, 2014)

COMMENTS OF THE WESTERN POWER TRADING FORUM ON ENERGY DIVISION PROPOSALS ON REFINEMENTS TO RESOURCE ADEQUACY PROGRAM

Daniel W. Douglass
DOUGLASS & LIDDELL
21700 Oxnard Street, Suite 1030
Woodland Hills, California 91367
Telephone: (818) 961-3001
Facsimile: (818) 961-3004
Email: douglass@energyattorney.com

Attorneys for
WESTERN POWER TRADING FORUM

January 30, 2015

WPTF
Western Power Trading Forum

TABLE OF CONTENTS

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.	R.14-10-010 (Filed October 16, 2014)

COMMENTS OF THE WESTERN POWER TRADING FORUM ON ENERGY DIVISION PROPOSALS ON REFINEMENTS TO RESOURCE ADEQUACY PROGRAM

In accordance with the directives and schedule provided in the January 6, 2015 *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge* ("Scoping Memo"), the Western Power Trading Forum ("WPTF")[1] submits these comments on the January 6, 2015, *Energy Division Staff Proposals Regarding Resource Adequacy (RA) Program Refinements* ("Staff Proposals").

I. COMMENTS

A. Summary of Energy Division Proposal Concerning Qualifying Capacity

The Staff Proposals generally focused on two topics: (1) qualifying capacity calculations for intermittent resources; and (2) avoided transmission and distribution line losses for demand response resources in the Resource Adequacy ("RA") proceeding. WPTF focuses its comments herein on the first item, believing it to be of primary importance for Commission consideration moving forward in its discussion and analysis of RA issues. Specifically, as noted in the

[1] WPTF is a California non-profit, mutual benefit corporation dedicated to enhancing competition in Western electric markets in order to reduce the cost of electricity to consumers throughout the region while maintaining the current high level of system reliability. WPTF actions are focused on supporting development of competitive electricity markets throughout the region and developing uniform operating rules to facilitate transactions among market participants.

summary of staff's discussion of this issue, the Commission adopted a methodology manual in Decision (D.) 09-06-028 that codified the calculation of qualifying capacity ("QC") for different types of generating resources as they count towards Commission-imposed RA obligations. The adopted QC Calculation Manual lays out the method to calculate the QC for dispatchable and non-dispatchable generators. Although plans to propose a new, effective load carrying capacity ("ELCC") methodology for wind and solar resources, it expresses concern regarding three aspects of the currently adopted methodologies for these and other non-dispatchable resources. Therefore, Staff recommends that certain revisions be considered now, in parallel to the development of a more permanent ELCC methodology for wind and solar resources, because the current methodologies for non-dispatchable resources could result in outcomes that are potentially inconsistent with the overall purpose of QC calculations. To address these issues, Energy Division staff recommends that the QC values for solar thermal and photovoltaic resources be calculated separately, that test data be excluded from QC calculations, and that the use of proxy data in QC calculations be reduced or eliminated in some instances.

WPTF focuses its comments on the third of the issues identified in the Staff Proposals, specifically:

> Third, the use of proxy data instead of historical data for hours when a facility is impacted by outage, which is intended to avoid double penalties for generators also subject to performance penalties from the California Independent System Operator (CAISO), sometimes results in elimination of a large part of the performance history of facilities. Moreover, these facilities may only be slightly or insignificantly impacted by outage; in such cases, staff must discard extensive usable data.[2]

WPTF agrees that Energy Division has raised a legitimate concern with regard to the use of proxy data. However, the solution to this problem contained in the Staff Proposals has the

[2] Staff Proposals, at p. 3.

potential to exacerbate the problem of double-penalizing a resource by using outage data in the NQC calculations. Therefore, in the following section, WPTF proposes an alternative approach to the issue raised by staff.

B. Proposal for using data from outage periods for the calculation of Net Qualifying Capacity ("NQC") for resources whose NQC is determined from historical production data

Currently, when a resource has submitted an outage card to the California Independent System Operator ("CAISO"), any production data recorded when an outage is in place is not used in the calculation of the resource's NQC. Such production data from outages is not used because it effectively would result in a "double penalty" for the resource. The double penalty results from (1) the resource being subject to CAISO Standard Capacity Product non-availability penalty due to the outage; and (2) the reduced production due to the outage would result in the calculation of a lower NQC value. To avoid the "double penalty," proxy data is used instead of the production data to calculate NQC. In its proposals, Energy Division observes several concerns with this approach:

- Generator owners log outages in different ways, making it difficult to distinguish between outages events or determine the timing of an outage event.[3]
- Many outages do not de-rate a generating unit at all.[4]
- Long duration outages reduce the amount of resource-specific performance history that is used to determine NQC, which can affect the NQC calculation.[5]

Energy Division staff has proposed two options to address their concerns, which are described below:

[3] Id at pp. 6-7.
[4] Id at p. 7.
[5] Ibid.

- Option 1: use all production data without regard for outage status.[6]
- Option 2: use proxy data when outages are in place up to a maximum of six months. If outages are in place for more than six months, then use production data without regard for outage status.[7]

WPTF believes that Energy Division's concerns with the use of proxy data are rational. As noted above, however, the solution to this problem should not re-create the problem of double-penalizing a resource by using outage data in the NQC calculations. Therefore, the following approach is proposed by WPTF for consideration in this proceeding:

1. If an outage does not affect production capability, the actual production data should be used in the NQC calculation.
2. If an outage does affect production capability, instead of using proxy data to replace the outage-affected production data, the affected production data should be scaled to represent what the facility would have reasonably assumed to produce had it been capable of full production.

As an example:

> First, assume a 50 MW solar PV facility has an outage that affects 15 MW of production capability (i.e., the maximum possible output is 35 MW).
>
> Further, assume that for a given hour while the outage is in place the facility produces 20 MW.

It is reasonable to assume that if all 50 MW of production capability had been in service, under the solar irradiance conditions in effect at the time, the facility would have produced (50/35) * 20 MW = 28.6 MW. Said differently, the 20 MW output from the facility in that outage hour

[6] Id at p. 8
[7] Ibid.

represented 20/35th of the plant's production capability at the time. Had the facility been fully in service, the expected production would have been (20/35) * 50 = 28.6 MW.

3. Finally, if an outage reduces a resource's production capability to zero, proxy data must be used.

This approach offers the following benefits:

A. It does not apply a double penalty to the resource. Energy Division's Option 1 would double-penalize the resource in all hours, while Option 2 would penalize the resource when the outage period exceeded six months.

B. It allows for unique resource-specific production data instead of proxy data to be used in the calculation of NQC.

WPTF acknowledges that this approach has the possible disadvantage of being more complex. Currently, actual production data is discarded simply if the resource has an outage card in place, regardless of the nature or effect of the outage. This proposed approach requires knowing to what extent the outage affects production capability and scaling the production data to account for the effects of the outage on production capability. However, we believe that the benefits described above outweigh the possible disadvantages and therefore seek Commission review and analysis of the proposal.

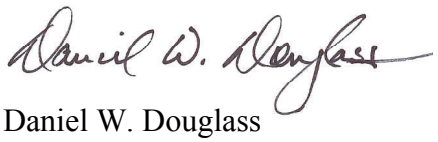
II. CONCLUSION

WPTF urges the Commission to spend the necessary time to examine carefully and thoughtfully the issue of the use of proxy data instead of historical data for hours when a facility is impacted by outage. WPTF has offered herein an alternative proposal for addressing this issue and believe it to be an approach that is the most likely to achieve results that achieve Commission goals while facilitating an efficient RA procurement market.

We note that the Scoping Memo calls for a February 10, 2015, Workshop on Energy Division Proposals and party proposals. This is to be followed by February 27 comments filed on Workshop and party proposals, followed by March 4 reply comments. We request that the workshop agenda should include consideration of WPTF's proposal as described herein and we look forward to hearing the input of other parties on this important topic both at the workshop and in the post-workshop comments.

WPTF thanks the Commission for its consideration of the issues discussed herein.

Respectfully submitted,



Daniel W. Douglass
DOUGLASS & LIDDELL
21700 Oxnard Street, Suite 1030
Woodland Hills, California 91367
Telephone:(818) 961-3001
Facsimile: (818) 961-3004
Email: douglass@energyattorney.com

Attorneys for
WESTERN POWER TRADING FORUM

January 30, 2015