

**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.

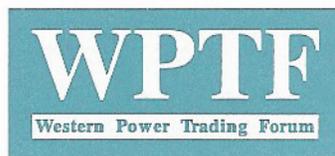
R.14-10-010  
(Filed October 16, 2014)

**OPENING COMMENTS OF THE WESTERN POWER TRADING FORUM  
ON THE PROPOSED DECISION ADOPTING LOCAL PROCUREMENT  
AND FLEXIBLE CAPACITY OBLIGATIONS FOR 2016, AND FURTHER  
REFINING THE RESOURCE ADEQUACY PROGRAM**

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In accordance with Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Western Power Trading Forum<sup>1</sup> (“WPTF”) respectfully provides these opening comments on the May 26, 2015, proposed decision (“PD”) of Administrative Law Judge (“ALJ”) David M. Gamson regarding local procurement and flexible capacity obligations for 2016 and the adoption of further refinements to the Commission’s resource adequacy (“RA”) program. WPTF takes no position in these opening comments on the sections of the PD addressing the adoption of local procurement and flexible capacity requirements. WPTF’s discussion herein is limited to certain of the refinements to the RA program that the PD proposes to adopt. WPTF reserves the right to reply to the opening comments of other parties on all elements of the PD as we find necessary and advisable.

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<sup>1</sup> WPTF is a California non-profit, mutual benefit corporation. It is a broadly based membership organization 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.

## **I. OPENING COMMENTS**

### **A. The Energy Division's third proposal to reassess the use of proxy data in QC calculations should be deferred until such time as FERC has acted on the CAISO Reliability Service Initiative and it has been implemented.**

Section 4.2 of the PD addresses the topic of qualifying capacity ("QC) calculations for intermittent resources. It notes that Energy Division's January 6, 2015 proposal highlights three areas where the existing QC manual leads to incorrect or unintended outcomes, and proposes remedies for these areas of concern. WPTF's comments focus on the third area, Energy Division's proposal for an alternative treatment for facilities whose historical production may be impacted by forced or scheduled outages. As noted in the PD:

Currently, proxy data, rather than historical data, are used in QC calculations for hours when a facility is impacted by forced, planned, or ambient not related to temperature outages. This calculation methodology was intended to avoid double penalties for generators also subject to performance penalties from the CAISO. However, it 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 amounts of usable data.<sup>2</sup>

Energy Division offered two options for dealing with outages. The first was to eliminate the entire section of the QC Calculation Manual that details downloading and processing of generator outage data and to instead calculate the QC for intermittent facilities using the entire dataset regardless of the generator's outage history. Alternatively, Energy Division proposed to set a six month threshold at which staff would no longer generate proxy data to replace performance data potentially impacted by outage. If a facility was impacted by outage for more than six months during the three years of performance in the dataset, Energy Division would use the entire dataset without consideration of outage history. However, if the facility was impacted

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<sup>2</sup> PD, at p. 16.

by outage for six months or less, then Energy Division would follow the direction of the current QC Calculation Manual and generate proxy data from the other performance data in the dataset.

The PD observes that these proposals generated a good deal of attention, that parties' responses were "mixed,"<sup>3</sup> and that they attracted alternative proposals, including one from WPTF. In our January 30, 2015 comments on this topic,<sup>4</sup> WPTF agreed that Energy Division had raised a legitimate concern with regard to the use of proxy data, but that the Staff Proposals had the potential to exacerbate the problem of double-penalizing a resource by using outage data in the net qualifying capacity ("NQC") calculations. Therefore, WPTF proposed that if an outage does not affect production capability, the actual production data should be used in the NQC calculation. Further, if an outage does affect production capability, the affected production data should be scaled to represent what the facility would have reasonably been assumed to produce had it been capable of full production, rather than using proxy data to replace the outage-affected production data. Finally, WPTF proposed that if an outage reduces a resource's production capability to zero, proxy data must be used.

WPTF continues to believe that this approach is superior to that offered by Energy Division and adopted in the PD because the WPTF approach does not apply a double penalty to the resource. As noted in our January 30 comments, 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. Furthermore, the WPTF proposal allows for unique resource-specific production data instead of proxy data to be used in the calculation of NQC.

In support of the Energy Division proposal, the PD states that, "It is clear that the double penalty' issue is no longer pertinent, due to the future exemption encompassed in CAISO's

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<sup>3</sup> PD, at p. 18.

<sup>4</sup> January 30, 2015 Comments of the Western Power Trading Forum on Energy Division Proposals on Refinements to Resource Adequacy Program.

RAAIM mechanism....”<sup>5</sup> WTPF agrees that the CAISO’s RAAIM mechanism will resolve the double penalty issue, and notes that the CAISO has, in fact, filed its Reliability Services Initiative (“RSI”) proposal at the Federal Energy Regulatory Commission (“FERC”) on May 29.<sup>6</sup> However, it will be several months before the RSI and RAAIM will go into effect, because the CAISO requests that FERC “issue an order by September 21, 2015 accepting the tariff revisions contained in this filing effective as of March 1, 2016...”<sup>7</sup> This is of course well after the date that this Commission will act on the PD.

WTPF believes that rather than adopting the Energy Division proposal at this time, the PD should instead be modified to preserve the status quo until such time as FERC has approved the RSI/RAAIM and it has been implemented, whether by the date proposed by CAISO or such other date as FERC may direct. Adopting the Energy Division proposal at this time would not be productive because the use of data from all periods, including outage periods, will again raise the specter of double penalties being assessed. Approval of CAISO’s RAAIM proposal should presumably deal with the availability penalty but the second NQC penalty will remain in effect.

In order to maintain an equitable situation in this regard, either both the Energy Division proposal and the RAAIM need to be in effect or neither should be. With just the Energy Division proposal in effect, however, parties will continue to be subject to both the availability penalty and the NQC penalty. Therefore, implementation of the Energy Division third proposal should be deferred until such time as RSI/RAAIM has been approved by FERC and implemented.

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<sup>5</sup> PD, at p. 24.

<sup>6</sup> CAISO’s tariff filing can be found at: [http://www.aiso.com/Documents/May29\\_2015\\_TariffAmendment\\_Implement\\_Phase1A\\_ReliabilityServicesInitiative\\_ER15-1825.pdf](http://www.aiso.com/Documents/May29_2015_TariffAmendment_Implement_Phase1A_ReliabilityServicesInitiative_ER15-1825.pdf)

<sup>7</sup> CAISO Tariff Filing, at p. 1.

## **B. Comments on third party RA refinement proposals**

With regard to third party RA refinement proposals, the PD lists sixteen separate proposals offered by parties to this proceeding. WPTF offers comments on two of the issues that are discussed.

### **1. The CAISO's proposal to cap local RA requirement at monthly system RA requirements.**

In Section 5.8, the PD discusses the CAISO proposal that an LSE's local capacity requirement should be capped at that LSE's system requirement in the monthly resource adequacy process. It describes the purpose of the proposal as being, "to address the situation where, during some months of the year, an LSE may be required to demonstrate local capacity in excess of its total system monthly peak demand and reserve margin."<sup>8</sup> This is said not to impact the current local capacity technical study methodology used to determine the LSE local capacity requirements each year.

The adoption of this proposal is surprising to WPTF given the breadth of opposition it engendered. Although SDG&E and TURN supported the CAISO's proposal, Pacific Gas and Electric ("PG&E"), Southern California Edison ("SCE"), the Office of Ratepayer Advocates ("ORA"), Independent Energy Producers Association ("IEP"), Calpine Corporation ("Calpine"), and NRG Energy ("NRG") all opposed it. WPTF can be added to the list of opponents, for several reasons.

Although the CAISO has said it is not relaxing local requirements as these will still have to be met on a 12-month basis in advance, WPTF can see no purpose for relaxing the month-ahead procurement requirement for local reliability. Put simply, the implications of the CAISO's proposal with regards to the year-ahead local capacity procurement or showings are not clear.

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<sup>8</sup> PD, at p. 50.

WPTF concurs with Calpine that adoption of CAISO's proposal will undermine local reliability. As noted by Calpine, "Moreover, the adverse impact on local reliability could be particularly acute if there are no limits on how reductions in local RA requirements are allocated across multiple Local Capacity Areas ("LCAs") within one Transmission Access Charge ("TAC") area."<sup>9</sup> This is because CAISO's proposal seems to allow an LSE to reduce its local RA requirement in any LCA to the extent that the sum of its local RA requirement exceeds its system RA requirement. Calpine points out that if the CAISO proposal were implemented and local RA requirements were reduced disproportionately in a particular LCA, RA capacity could be reduced and reliability degraded significantly. WPTF further agrees with Calpine that if the CAISO proposal is adopted and implemented, it should include safeguards to ensure that reliability is not degraded in any specific LCA due to disproportionate reductions in the local RA shown for the LCA.

Furthermore, current local RA requirements are based on summer peak load conditions. While CAISO justifies its proposal by suggesting that local RA requirements could be lower in non-summer months when local RA requirements potentially exceed system RA requirements, Calpine further notes that:

The CAISO, however, previously opposed a proposal by San Diego & Electric Company ("SDG&E") to vary local RA requirements seasonally or monthly. In rejecting the SDG&E proposal, the CAISO argued that transmission and generation outages might actually increase local capacity requirements outside of summer months. The CAISO has not explained: (1) how its current proposal is consistent with the view of local reliability it articulated in opposing the SDG&E proposal; or (2) how its view of local reliability might have changed since its opposition to the SDG&E proposal.<sup>10</sup>

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<sup>9</sup> February 27, 2015 Comments of Calpine Corporation on Resource Adequacy Proposals, at p. 1.

<sup>10</sup> Id, at p. 2.

This raises an excellent question that neither CAISO nor the PD address. WPTF further concurs with the comments of SCE who stated in its February 27 comments that it, “fails to see why the current framework should be abandoned. Rather than create additional complications to an already complicated RA structure, the current rules should remain in force without making one-off exceptions that apply to only one party, and for only two months.”<sup>11</sup> WPTF also endorses the comments of IEP in this regard, who stated, “Finally, and most fundamentally, the CAISO has failed to make the case that local reliability requirements can be relaxed without creating adverse effects or increased risks for the grid.”<sup>12</sup>

## **2. The Storage Parties Proposals/Clarifications Should Not be Deferred.**

The PD discusses in Section 5.13 proposals by the California Energy Storage Alliance (“CESA”) that listed several areas where it believes additional RA guidance or revisions are needed in order to better incorporate behind-the-meter distributed energy storage resources. The PD states that “it is important to begin to better define the role of aggregated behind-the-meter storage and storage resources that are integrated with renewable generation. To this end, we encourage parties to submit specific proposals regarding treatment of storage resource in Phase 2 of this proceeding.”<sup>13</sup> While WPTF agrees that these issues raised by CESA need to be resolved, it does not concur with the PD’s conclusion that it is appropriate to defer these issues until Phase 2. While it is important to make sure that this analysis is not duplicative of what is happening in the storage docket (R.15-03-011), it appears that these issues belong in this proceeding and that the Commission should move ahead with their consideration.

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<sup>11</sup> February 27, 2015, *Southern California Edison Company’s (U 338-E) Comments on Party Proposals Presented in the February 9, 2015 Workshop on the Resource Adequacy Program*, at p. 6.

<sup>12</sup> February 27, 2015, *Comments of the Independent Energy Producers Association on the Workshop and Party Proposals*, at p. 3.

<sup>13</sup> PD, at p. 68.

**II. CONCLUSION**

WPTF thanks the Commission for its attention to the issues discussed herein and asks that it revise the PD to adopt the recommendations discussed above.

Respectfully submitted,



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