BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop an Electricity Integrated Resource Planning Framework and to Coordinate and Refine Long-Term Procurement Planning Requirements.	Rulemaking 16-02-007 (Filed February 11, 2016)

COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION ON ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S RULING INITIATING PROCUREMENT TRACK AND SEEKING COMMENT ON POTENTIAL RELIABILITY ISSUES

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I. INTRODUCTION AND SUMMARY

Pursuant to the June 20, 2019, Assigned Commissioner and Administrative Law Judge's Ruling Initiating Procurement Track and Seeking Comment on Potential Reliability Issues ("Ruling") and Judge Fitch's July 11, 2019, ruling extending the comment deadline, the California Wind Energy Association ("CalWEA") submits these responses to the questions posed in the Ruling.

In summary:

- Given the essential nature of system reliability, CalWEA urges the Commission to continue to ensure that any necessary programs and mechanisms are in place to ensure the sufficiency of resource adequacy resources.

- With regard, however, to meeting RPS requirements and the optimal-resource-mix objectives of the IRP (which are closely tied to meeting reliability objectives), CalWEA believes that the Commission should seek, wherever possible, to rely on clear cost signals that foster the LSE selection of resource portfolios that most cost-effectively achieve the state's various goals, including reliability and affordability.

- The Commission should resort to IRP-directed procurement only when it becomes clear that resources that prove to be necessary to achieve the state's goals cannot reasonably be procured by individual LSEs on their own.

- The proposed 2,000-MW procurement requirement has not taken into account the potential retirements of some 4,000 MW of existing renewable resources that currently provide substantial system-RA value. This oversight should be factored into the

procurement need and reflected in procurement requirements, either by raising the all-source procurement requirement or by ordering the procurement of additional renewables, which the Ruling notes as a possibility.

- New renewable resources should also be eligible to meet any new RA requirements to align with other state public policy goals and to foster procurement of these resources, many of which can meet the August 2021 deadline while capturing declining and expiring tax credits.

- In establishing the volume of RA-reliability need, the Commission should make adjustments for important factors that will affect the identified need: (A) the potential retirement of existing renewable resources, which, if taken into account, would significantly raise the proposed 2,000-MW figure; (B) improving the accuracy of RA values for utility-scale wind and solar resources, which would be higher if the behind-the-meter solar photovoltaic resources category is appropriately evaluated, in turn decreasing the 2,000-MW figure; and (C) the need to establish RA values for wind and solar by vintage so that the RA value of an LSE's existing portfolio does not constantly diminish as other LSEs procure incremental wind and solar resources.

II. GENERAL COMMENTS ADDRESSING SCOPE AND PRIORITIES FOR THE PROCUREMENT TRACK

The Ruling (at p. 2) sets forth two main purposes: (1) developing a "backstop" or "backup" procurement mechanism for resource adequacy ("RA") requirements, renewables portfolio standard ("RPS") requirements, or both, in the event that LSEs intend but fail to procure necessary resources; and (2) addressing those resources "that may require collective action to bring to fruition – resources that are unlikely to be procured by individual LSEs on their own – such as large facilities, or entirely new resource types." The Ruling identifies "Increased RPS requirements" and "Specific IRP-directed renewables procurement" as potential mechanisms to address potential collective-action resources.

With regard to reliability, CalWEA views "keeping the lights on" as essential to public safety and welfare and also essential to maintaining public support for the state's clean energy goals. Therefore, the Commission should continue to ensure that any necessary programs and mechanisms are in place to ensure that sufficient RA resources are available to meet systemwide, local and flexible supply adequacy needs.

With regard to meeting RPS requirements and the optimal-resource-mix objectives of the IRP – which are closely tied to meeting reliability objectives, however, CalWEA believes that the Commission should seek, wherever possible, to rely on clear cost signals that foster the LSE

selection of resource portfolios that most cost-effectively achieve the state's various goals, including reliability and affordability. The Commission should resort to IRP-directed procurement only when it becomes clear that resources that are necessary to achieve the state's goals cannot reasonably be procured by individual LSEs on their own. We briefly discuss these issues next.

A. The Commission Should Create Cost-Signals to Foster RPS and IRP Objectives

Before directing LSEs, particularly energy service providers ("ESPs") and community choice aggregators ("CCAs"), to make procurements of specific resource types, the Commission should create cost signals to foster the desired outcomes. For example, the Commission should assign the obligation to procure and/or pay for system integration resources based on an LSE's use of those resources, as CalWEA and others have repeatedly advocated in the RA proceeding with regard to flexible-RA capacity obligations. If an LSE has to pay for flex-RA capacity – which is largely gas-fired – it will have a greater incentive to shape its resource portfolio (including storage resources) to match its loads, which will encourage resource diversity and reduce flex-RA capacity needs. Similarly, any additional system integration resources that the IRP process identifies as needed should be assigned on a causation basis, which will also send LSEs a cost signal that should reduce the need for such resources.

Enforcing RPS requirements is another way to send a cost signal that says "comply or it will cost you." A proposed decision before the Commission in the RPS proceeding would impose noncompliance penalties on two LSEs for the first time, with regard to the 2011-13 compliance period. If adopted, this will set an important precedent that will encourage all LSEs to take RPS program requirements seriously and to take whatever actions that are necessary to ensure full compliance. In the future, however, a timelier compliance-review process would be desirable, given that this decision is occurring six years after the end of the compliance period at issue.

B. The Commission Should Direct Procurement Only When Necessary Resources Cannot Reasonably Be Procured by Individual LSEs

Creating cost-signals about indirect system costs should reduce the need for the Commission to direct specific resource procurements. However, it may become clear that resources that are necessary to achieve the state's RPS and greenhouse-gas goals (including

affordability and reliability) cannot reasonably be procured by individual LSEs on their own, even working together as a consortium. Based on the initial IRP, the need for such action does not appear to be warranted at the present time, but the products of the current IRP cycle may begin to reveal such needs.

III. RESPONSES TO SPECIFIC QUESTIONS RELATED TO NEAR-TERM RELIABILITY

CalWEA responds only to questions 4, 5 and 9 that were posed in the Ruling.

Question 4. If a need for system reliability resources in the near-term is identified within this proceeding, will there be sufficient time to bring new resources online to meet the need? …

In response to Question 5, below, CalWEA points out that the proposed procurement requirement has not taken into account the potential retirements of existing renewable resources that currently provide substantial system RA value. If this oversight is factored into the procurement need, either by raising the all-source procurement requirement or by ordering the procurement of additional renewables as the Ruling notes as a possibility (p. 14), then, in response to this question, there would be sufficient time to ensure that these existing resources would remain online until and after August 1, 2021, as any needed investments required to maintain operations could be made before then. This also may be true for repowered existing wind resources, since (if total capacity remains unchanged) they typically do not require new interconnection facilities or network upgrades, which is the most time-consuming element of resource development.

New renewable resources should also be eligible to meet any new RA requirements. Power purchase agreements for several new wind projects currently under development in California may be considered by load-serving entities over the coming months. These projects can take advantage of the full wind production tax credit if they are placed in service by the end of 2020, or 60% of the PTC if placed in service by the end of 2021. Counting the RA value from new wind projects towards the potential procurement requirements that the Commission is considering will foster procurements that can meet the August 2021 deadline. The Commission's decision in any reliability procurement requirement should seek to foster the

acquisition of renewables (and other non-carbon resources) in meeting that requirement in order to align with other state public policy goals.

Question 5. Comment on the proposed requirements in Section 2.2 of this ruling for 2,000 MW of new resource adequacy capacity procured and online by August 1, 2021, procured on a proportional and all-source basis by all jurisdictional LSEs. Parties may also propose an alternative requirement.

CalWEA does not opine specifically on the identified need, but we do opine on three important factors that should be (but apparently have not yet been) taken into account in establishing the 2,000-MW RA-deficiency figure (with an additional 500 MW for Southern California Edison): (A) the potential retirement of existing renewable resources, which, if taken into account, would significantly raise the 2,000-MW figure; (B) improving the accuracy of RA values for utility-scale wind and solar resources, which would be higher if the category of behind-the-meter solar photovoltaics ("BTM-PV") is appropriately evaluated, in turn decreasing the 2,000-MW figure; and (C) the need to establish RA values for wind and solar by vintage so that the RA value of an LSE's existing portfolio does not constantly diminish, to the detriment of the LSEs that have already procured them. We address these issues in turn.

(A) The Commission Should Take into Account the Potential Retirement of Existing Renewable Resources in Establishing the Need for System RA Capacity, and Should Make All Renewables Eligible to Satisfy RA Requirements

The Ruling proposes that each LSE be required to procure, "on an all-source basis, its proportional share of a total 2,000 MW new peak capacity statewide, to come online by August 1, 2021," which "could be renewables." (Ruling at pp. 14-15; emphases added.) As CalWEA has explained in earlier comments in this proceeding, the Commission continues to assume the indefinite continued operation of on the order of 4,000 megawatts of existing wind, biomass and geothermal resources, whether or not they are under long-term contracts, when, in fact, many of these resources are at risk of retirement for lack of sufficient revenues. Many, if not most, 1980s-vintage wind, biomass and geothermal projects are either in the last few years of their 1980s-era "QF" contracts, are operating under short-term contracts, or are selling directly into the CAISO market. These contracts or prices are insufficient to support the repowering of – or

even capital repairs for – these aging facilities. As a result, these projects are at risk of deterioration and shutdown, which could significantly reduce system reliability.[1]

This oversight has two implications for the Ruling's proposed RA procurement requirement: (1) potential retirements of existing renewable resources should be taken into account when establishing procurement requirements; and (2) existing, as well as new, renewable resources should be eligible to fulfill those procurement requirements. Both existing and new renewables provide RA value and are likely to need both RA and RPS revenue streams (or value recognition in LSEs' procurement evaluations) to succeed. Awarding credit from renewables for any near-term RA procurement obligation will encourage RPS contracts to be signed sooner than might otherwise occur and provide additional benefits to ratepayers through simultaneous satisfaction of both program goals. If existing, at-risk renewables are not factored into new RA requirements, or if existing and new renewables do not count towards those requirements, it will foster, if not force, RA resources to come from gas.

(B) The RA (ELCC) Value of Wind and Solar Resources Should Be Higher, Which Would Lower the Need for System RA Capacity

CalWEA and other parties in the RA proceeding have argued that BTM-PV resources should be treated the same as in-front-of-the-meter solar resources for the purpose of determining the RA capacity contribution of those resources, rather than treating them as a load modifier (negative load). BTM-PV resources have the same impact on system reliability as supply-side solar resources, which is much different than the impact from lower loads.[2] In addition, treating BTM-PV as a load modifier rather than as supply will almost certainly lower the ELCC values of both utility-scale wind and solar resources. This is because the ELCC methodology used by the Commission discounts the value of a wind or solar resource if it increases supply adequacy beyond what is needed to meet Commission's monthly Loss of Load Expectation (LOLE) target. Therefore, by removing the several thousand megawatts of load that is being served by BTM-PV, fewer supply resources will appear to be needed to serve that load reliably, reducing the

[1] For further detail, see CalWEA's January 4, 2019, Comments on Inputs and Assumptions for Development of the 2019-2020 Reference System Plan at pp. 3-5.

[2] See, e.g., in R.17-09-020, CalWEA's March 22, 2019, Comments on Track 3 Workshop and Proposals and CalWEA's August 8, 2018, Comments Response to Track 2 Testimony and Recommendations for Process, Scope and Scheduling for Track 2.

reliability value of wind and solar. (Moreover, in effect, BTM-PV resources are treated as 100% reliable.) While the Commission's ELCC methodology is correct, treating BTM-PV as a load modifier acts to improperly discount the ELCC value of utility-scale wind and solar resources and inflates the RA-deficiency figure.

Even if correcting the erroneous BTM-PV assumption were to increase utility-scale wind and solar ELCC values by just few percentage points, which CalWEA believes is likely, it would reduce the need for RA capacity by on the order of 20% of the proposed 2,000 MW to 2,500 MW requirement.[3] This potential reduction is well worth staff investigation, and potential correction, of the problem.

(C) The RA (ELCC) Values for Wind and Solar Should Be Established by Vintage to Provide Stability to the RA Value of LSEs' Existing Portfolios

The Ruling (at pp. 7-8) notes that the net qualifying capacity values for wind and solar will be declining as a result of the revised ELCC methodology in a recent decision in the RA proceeding; this trend will continue. Constantly changing the ELCC values of resources already in an LSE's portfolio will likely be detrimental to LSEs. This can and should be addressed by establishing ELCC values by vintage, as has been proposed (but ignored) in the RA proceeding by SCE, CalWEA and other parties.[4] Specifically, all resources that are existing and planned before 2020 should be treated as a single vintage, with each resource in that group carrying with it the average ELCC value assigned to that group. New resources would be assigned incremental ELCC values.

If newly contracted resources are assigned average values, they essentially receive more RA credit than the resource actually contributes to the system, with the gift of excess RA credit made possible by taking away ELCC value from existing resources, to the detriment of the resource owners and the LSEs who own or have contracted with those existing resources. Using incremental ELCC values for new resources creates a far more accurate signal for the actual RA value created by those resources.

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[3] A 2- or 3-percentage point increase in the ELCC values of 17,000 MW of existing wind and solar capacity on the system would translate to an additional 340 to 510 MW of capacity value.

[4] *Id.* at footnote 2 (CalWEA's August 8, 2018 at p. 2-3).

Question 9. Should any procurement from existing resources be focused on resources that have formally notified the CAISO and the Commission of an intention to retire? Why or why not?

Any procurement from renewable resources should not be required to have formally notified the CAISO and the Commission of an intention to retire because they may be struggling to remain on line without any clear intention to retire.

Respectfully submitted,

/s/ Nancy Rader

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On behalf of the California Wind Energy Association

July 22, 2019

VERIFICATION

I, Nancy Rader, am the Executive Director of the California Wind Energy Association. I am authorized to make this Verification on its behalf. I declare under penalty of perjury that the statements in the foregoing copy of "Comments of the California Wind Energy Association on Assigned Commissioner and Administrative Law Judge's Ruling Initiating Procurement Track and Seeking Comment on Potential Reliability Issues" are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on July 22, 2019, at Berkeley, California.

/s/ *Nancy Rader*
Nancy Rader
Executive Director
California Wind Energy Association