

**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 2019 and 2020 Compliance Years.

Rulemaking 17-09-020  
(Filed September 28, 2017)

**TRACK 1 PROPOSAL OF THE  
CALIFORNIA WIND ENERGY ASSOCIATION**

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***On behalf of the California Wind  
Energy Association***

February 16, 2018

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In accordance with the January 18, 2018, Scoping Memo and Ruling of Assigned Commissioner Randolph and Administrative Law Judge Allen, the California Wind Energy Association (“CalWEA”) submits this Track 1 proposal for a resource adequacy (“RA”) program change to be considered for the 2019 compliance year.

**1. Proposal**

CalWEA’s proposal is simple and straightforward: the Commission should extend the causation-based allocation methodology used by the California Independent System Operator (“CAISO”) for flexible RA requirements (including month-ahead, year-ahead and multi-year requirements) to its jurisdictional load-serving entities (“LSEs”). Currently, the Commission re-allocates these requirements for its jurisdictional LSEs on a load-share basis. As discussed below, this RA program modification is necessary to provide accurate cost signals that will encourage LSEs to minimize the indirect system costs associated with their resource portfolios.

**2. Discussion**

It is important to allocate flexible RA requirements to each LSE based on its individual contribution to net load ramp and other flexible capacity requirements in order to reduce total system costs consistent with statute. The Commission has so far neglected to adopt causation-

based allocation,<sup>1</sup> despite the fact that the causation data is available from the CAISO. This misalignment should be remedied in Track 1 of this RA proceeding.

If the Commission were directing the procurement for all LSEs in order to reduce overall costs, it would be less important to charge each LSE for the indirect costs associated with their procurement choices. However, the Commission’s February 8, 2018, decision on Integrated Resource Planning (“IRP”) states that, while “statutory language gives the Commission considerable authority over some aspects of [Community Choice Aggregation] procurement, not just planning”, the Commission will “leave for a later date the question of what, if any, differential means the Commission may use to ensure CCA compliance with the IRP requirements in the event of deficiencies.”<sup>2</sup> Not knowing, therefore, whether or how the Commission will ensure compliance with IRP requirements and to ensure that total costs are minimized by all LSEs consistent with the Renewables Portfolio Standard (“RPS”) statute,<sup>3</sup> it is imperative that the Commission provide LSEs with strong incentives to align their portfolios with IRP and RPS cost-minimization objectives. Otherwise, an LSE could end up shifting the indirect costs associated with its planning and procurement decisions onto other LSEs.

Based on its well-considered allocation methodology, the CAISO allocates the Flexible RA Capacity Requirement to LSEs based on principles of causation. This allocation is made by associating Flexible RA Capacity with the types of resources and loads that give rise to the need for this capacity, and allocates the requirement to specific LSEs accordingly. Unfortunately, the Commission has, to date, chosen not to pass these requirements along to its jurisdictional LSEs in the same fashion; rather, it has re-allocated the total Flexible RA Capacity requirement to its

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<sup>1</sup> See Decision 16-06-045 in R.14-10-010 (June 23, 2016).

<sup>2</sup> R.16-02-007, Decision Setting Requirements for Load Serving Entities Filing Integrated Resource Plans (adopted 2/8/18), at pp. 27-28. (Decision number not yet available.)

<sup>3</sup> P.U. Code Section 454.51(a) requires the Commission to “[i]dentify a diverse and balanced portfolio of resources needed to ensure a reliable electricity supply that provides optimal integration of renewable energy in a cost-effective manner.” (Emphasis added.) P.U. Code Section 399.13(4)(A) requires the commission to adopt a process that provides criteria for the rank ordering and selection of least-cost and best-fit eligible renewable energy resources to comply with the RPS Program obligations on a total cost and best-fit basis that takes into account, among other things, “Estimates of electrical corporation expenses resulting from integrating and operating eligible renewable energy resources, including, but not limited to, any additional wholesale energy and capacity costs associated with integrating each eligible renewable resource.” (Emphasis added.)

LSEs according to their load share,<sup>4</sup> which has a very low correlation with the need for Flexible RA Capacity. This practice substantially undermines the incentive for an LSE to procure resources with low flexible capacity needs, because these flexible capacity costs will be spread equally among all LSEs rather than charged to the LSE that causes the need for flexible capacity. To send real price signals to LSEs, which will encourage them to purchase the lowest total cost resources (including flexible capacity costs), the Commission should allocate the system-wide flexible capacity requirements among LSEs based on causation principles.

The Commission presently maintains the CAISO's causation-based allocation for local capacity as well as system RA requirements,<sup>5</sup> and it should carry that practice over to flexible RA requirements as well.

### **3. Conclusion**

For the above reasons, the Commission should consider, in Track 1 of this proceeding, changing its current cost allocation procedures so that all flexible ramping costs are passed through to LSEs in the same manner as the CAISO allocates them. As this issue is very straightforward and because causation-based allocation data is already available, it should require very little discussion and therefore can be expeditiously handled in Track 1.

Respectfully submitted,

/s/ Nancy Rader

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<sup>4</sup> CPUC D. 14-06-050 (June 26, 2014).

<sup>5</sup> In the case of system RA requirements, causation is correlated directly to load, and so allocation is load-share-based.

## 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 “Track 1 Proposal of the California Wind Energy Association” 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 February 16, 2018, at Berkeley, California.

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