BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Forward Resource Adequacy Procurement Obligations.	Rulemaking 19-11-009 (Filed November 7, 2019)

REPLY COMMENTS OF THE CALIFORNIA WIND ENERGY ASSOCIATION ON TRACK 2 PROPOSALS AND WORKING GROUP REPORTS

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On behalf of the California Wind Energy Association

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I. INTRODUCTION

Pursuant to the Assigned Commissioner's Scoping Memo and Ruling issued on January 22, 2020, the Administrative Law Judge's Ruling Modifying Track 2 Schedule issued on February 28, 2020, and the extension of time to file reply comments granted in the Administrative Law Judge's March 26, 2020, e-mail ruling, the California Wind Energy Association ("CalWEA") respectfully submits these Reply Comments on Track 2 Proposals and Working Group Reports.

In these reply comments, we address parties' arguments made in opposition to adopting marginal Effective Load Carrying Capability ("ELCC") values for new wind and solar resources, including those comments of the American Wind Energy Association of California ("AWEA-CA"), the California Large Energy Consumers Association ("CLECA"), Pacific Gas & Electric Company ("PG&E") and the Public Advocates Office ("PAO").

II. COMMENTS ON MARGINAL ELCC ISSUES

Several parties raise a number of relatively minor (or irrelevant) arguments as if they outweigh the value of adopting, and implementing in the near-term, marginal ELCC values. They do not.

A. Marginal ELCC Values Are Not "Unfair"

PG&E states (at p. 10) that marginal ELCC values are "inherently unfair to future-built resources." AWEA-CA states (at p. 5) that marginal resources "could have a longer-term discriminatory impact on new resources that are similarly situated in terms of their generation

profile" as compared to similarly situated resources that were processed under an average methodology. PAO asserts (at p. 15) that growing behind-the-meter ("BTM") solar resources will unfairly reduce the marginal ELCC value of in-front-of-the-meter solar. There is, however, nothing unfair or discriminatory about assigning values that reflect an accurate assessment of the actual reliability benefit that new resources provide at the time that they begin operations.

To the extent that investment decisions regarding repowered vs. greenfield facilities are affected by the higher values that repowered facilities will retain, as argued by CLECA (at p. 15), this effect will be limited to a very small subset of resources, since less than 1 GW of wind resources remain to be repowered[1] compared with the 30 GW of renewable energy and storage capacity additions projected for 2030.[2]

With regard to the impact of BTM solar on the marginal ELCC of other new solar resources, that impact simply reflects the new environment that additional resources will be operating in and the reliability value that such resources will, in fact, provide. As CalWEA has previously advocated, however, BTM resources should be credited with their own marginal ELCC value, which should be assigned to LSEs in proportion to the BTM resources in their territory.[3] In addition, whatever RA value that additional BTM solar brings should be reflected in the revised net metering rates now under consideration in R.14-07-002.

B. Future Changes in the Overall System Mix Do Not Undercut the Value of Adopting Marginal ELCC Values Now

PG&E argues against marginal ELCC values (at p. 10) because "the contribution to reliability for all resources, including wind and solar resources, changes based on the portfolio mix and overall needs of the system." Similarly, CLECA states (at p. 14) that "If a significant chunk of resources, including fossil resources, retires at the same time … it is theoretically possible that the ELCC of new renewable resources will be higher than the ELCC of resources that went online at the very inception of the RA program, raising issues of equity and fairness."

While CalWEA is not opposed to re-evaluating average ELCC values at some point in the future when very substantial changes to the portfolio mix occur – primarily the retirement of

[1] Some portion of these existing projects are unable to repower with new turbines given impacts on neighboring or "overstory" wind projects and military-related zoning height restrictions.

[2] R.16-02-007, Final Decision on Electric Resource Portfolios to Inform Integrated Resource Plans and Transmission Planning, adopted 3-26-20 (at Table 8). (A decision number has not yet been assigned.)

[3] See, in R.17-09-020, CalWEA's March 22, 2019, Comments on Track 3 Workshop and Proposals (at p. 7).

fossil fuel plants: (a) that is unlikely to happen for at least a decade;[4] and (b) those changes will not be as consequential to ELCC values as, for example, adding 20 GW of behind-the-meter and utility-scale solar to the system over the coming decade, as is anticipated in the Commission's recently adopted Reference System Portfolio as part of the Integrated Resource Planning ("IRP") process.[5] That portfolio was developed using marginal ELCC values; to award average, rather than marginal, ELCC values to new solar projects would encourage LSEs to collectively exceed the solar targets in that plan and to underinvest in other resources with complementary generation profiles.

C. Marginal ELCC Values Should Be Applied in the 2021 RA Year

CalCCA (at p. 13) supports marginal ELCC vintaging for wind and solar resources because it would "protect investment value and safeguard resource valuation consistent with resource contributions." However, CalCCA calls for setting the transition date "with a long enough lead time that ongoing negotiations would not be adversely affected," suggesting that marginal ELCCs apply to wind and solar resources with commercial online dates ("CODs") after August 2023. In addition, because marginal ELCC values may change between when project valuation occurs and the COD, CalCCA requests that the marginal ELCC value be assigned earlier, such as the date of the interconnection agreement, to provide more certainty during contract negotiations and financing. Similarly, CLECA (at p. 13) quotes PG&E asking the question: "what is so important about today?"

The Commission should reject proposals to delay implementation and, instead, apply marginal ELCC values at the earliest opportunity, i.e., for the 2021 RA-year. The adoption of marginal ELCC values is long overdue. Had ELCC values been adopted soon after the legislative direction was established in 2011,[6] we would not be faced with the system supply crunch that "suddenly" presented itself when these values (much reduced for solar) took effect in 2018. Similarly, the sooner that marginal values are adopted, the sooner that correct market signals will be sent regarding actual capacity values. Delaying application will simply foster inefficient investment decisions.

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[4] *See* Note 2 *supra* at p. 49. The Commission's 2030 plan retains all but 30 MW of the thermal generation fleet through 2030.

[5] *Ibid.*

[6] The legislature directed the Commission to adopt ELCC values for wind and solar in 2011, as part of SB 2 1x; *see* P.U. Code Section 399.26(d). The Commission first adopted the ELCC methodology in 2016 for phased-in application beginning in the 2018 RA-year (*see* D.16-06-045, June 23, 2016).

At the same time, CalWEA supports awarding ELCC value based on the COD year of the planned resource as specified in the interconnection agreement. The Commission should direct Energy Division to provide marginal ELCC guidance values to LSEs (if not all parties), drawing from the values that are embedded in the Commission's IRP analysis for the final Preferred System Plan. The RESOLVE model analysis was performed for 2021, 2023 and 2024. LSEs can use these values, along with the CODs of their planned interconnecting resources, to obtain a reasonably accurate estimate of the RA values that can be expected to be awarded for resources that come on line in upcoming years.

D. Marginal and Average ELCC Values Will Not Immediately or Eventually Converge, Depending on the Technology

CLECA (at p. 13) suggested that marginal and average ELCCs are converging, and therefore "it makes little sense to spend valuable resources developing marginal ELCCs." While average ELCC values for solar photovoltaic resources have declined rapidly as system penetration has increased and will continue to do so, potentially converging with marginal values in several years, those several years matter. Wind ELCC values, and the RA values of baseload resources, are not expected to converge any time soon. Failing to immediately shift to marginal ELCC values will continue to send incorrect capacity valuation signals to the market, over-incentivizing solar and under-incentivizing wind, baseload renewables, and storage resources. As noted above, these incorrect signals will not foster the portfolio identified in the plan just adopted in the IRP process.

E. "Logistical" Difficulties Are Overblown

CLECA and others argue that the logistical difficulties of marginal ELCC values render their implementation unviable. CLECA raises, without explanation, the specter of "gam[ing] the system" and suggests that the Commission "might be faced with determining ELCC values on a plant-by-plant basis." AWEA (at pp. 5-6) claims that switching to a marginal methodology will require "considerable staff resources."

Implementing marginal ELCC values for wind and solar resources should be relatively straightforward and, in any case, the value of doing so is significant, as discussed above and in the associated Working Group report. If project ELCCs are pegged to the COD in their interconnection agreements as discussed above, what little possibility there may be of gaming the year in which RA capacity value is awarded will be eliminated. ELCC values for new resources

should be established by technology type once per year for the resources coming on line in the following RA year. To accomplish this, the Commission can require each LSE to report the capacity of solar and wind resources that they have contracted to begin operations in the following RA year. Energy Division staff can then calculate the ELCCs for that vintage of each technology. Maintaining a database of these resources should be significantly less difficult than the RPS Executed Projects Database that staff has developed and maintained for IOU projects.[7] The majority of existing wind and solar projects are already included in that database, which can be tagged with the average ELCC value, and, to the extent that the Commission does not already possess the information from RPS and IRP reports, it can require non-IOUs to report their wind and solar facilities that have become operational by 2020 for that purpose.

Respectfully submitted,

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[7] Available at: https://www.cpuc.ca.gov/RPS_Reports_Data/.

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 "Reply Comments of the California Wind Energy Association on Track 2 Proposals and Working Group Reports" 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 April 2, 2020, at Berkeley, California.

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