

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue
Electric Integrated Resource Planning and
Related Procurement Processes.

Rulemaking 20-05-003

**CALIFORNIA WIND ENERGY ASSOCIATION
COMMENTS ON PROPOSED DECISION ORDERING SUPPLEMENTAL
MID-TERM RELIABILITY PROCUREMENT**

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*On behalf of the California Wind
Energy Association*

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I. INTRODUCTION AND SUMMARY

Pursuant to Administrative Law Judge (“ALJ”) Julie Fitch’s Proposed Decision Ordering Supplemental Mid-Term Reliability Procurement (2026-2027) and Transmitting Electric Resource Portfolios to California Independent System Operator For 2023-2024 Transmission Planning Process (“Proposed Decision” or “PD”) issued on January 13, 2023, the California Wind Energy Association (“CalWEA”) submits these opening comments.

The Proposed Decision would require supplemental mid-term reliability procurement of 4,000 megawatts (“MW”) of net qualifying capacity (“NQC”) in addition to the 11,500 MW ordered in June 2021 in Decision 21-06-035. The PD would also allow LSEs to postpone their required procurement of 2,000 MW of long lead-time resources (baseload and long-duration storage) to 2028.

In summary, CalWEA recommends that the Commission, instead, assess the need for supplemental procurement in the current Integrated Resource Planning (“IRP”) process, which would ideally take shape under the new long-term programmatic procurement framework that the Commission is now developing. Alternatively, if any supplemental procurement order is issued prior to a full IRP evaluation of need or implementation of the new programmatic approach, it should be shaped to address the concerns that drove the Commission to reform its Resource Adequacy (“RA”) and IRP programs. Namely, if the PD moves forward, it should be amended to require load-serving entities (“LSEs”) to fulfill a portion of their NQC obligations with non-fossil, non-storage generation resources that deliver energy in the evening net peak period, which would better address reliability concerns while ensuring the procurement of charging resources. Perpetuating generic NQC orders in a framework that does not recognize the need for charging capability (capacity and energy) or

evening peak deliveries would virtually guarantee that the amount of wind energy in the Preferred System Plan (“PSP”) will not be achieved. However, holding off on the PD to enable the need for supplemental capacity to be determined as part of a potentially reformed IRP process would provide the important additional benefit of allowing time to study and implement reform of the California Independent System Operator’s (“CAISO”) deliverability assessment methodology, which may be essential to ease the RA capacity shortage that LSEs are already experiencing, and would still provide two years’ lead time to procure any needed resources for the 2026-27 timeframe.

On the issue of transmitting portfolios to the CAISO for its 2023-24 Transmission Planning Process (“TPP”), CalWEA urges the Commission to convey to the CAISO that it should get a head start in the current, 2022-2023, TPP cycle based on the 30 MMT High Electrification sensitivity portfolio that the Commission previously conveyed, as an earlier Commission ruling indicated.

II. COMMENTS ON THE PROPOSED DECISION

A. Comments on Supplemental Mid-Term Reliability Procurement for 2026-2027

1. Overview

The Proposed Decision would require supplemental mid-term reliability procurement of 4,000 MW of NQC in addition to the 11,500 MW ordered in June 2021 in Decision 21-06-035. The PD states that this additional procurement is required due to updated, higher load forecasts; the accelerating impacts of climate change; the likelihood of some additional fossil-fueled generation resource retirements that were not anticipated when D.21-06-035 was issued; and the likelihood that some delays beyond 2026 in the procurement of long lead-time resources required by D.21-06-035 will be necessary.¹ In view of those delays, the PD would also allow LSEs to postpone their required procurement of 2,000 MW of long lead-time resources (baseload renewables and long-duration storage) to 2028.

CalWEA recommends that the Commission, instead, assess the need for supplemental procurement in the current IRP planning process, which would ideally take shape under the new long-term programmatic procurement framework that the Commission is now developing. Such an approach would bring several very important benefits.

First, it would be based on a more detailed analysis of how much additional procurement is truly needed to meet reliability needs in the 2026-2028 timeframe. The proposed 4,000 MW is potentially too much capacity, or not enough, depending on how the results of appropriate reliability modeling and consideration of LSE procurements to date compared to the course assessment that the PD is based upon.

¹ PD at p. 2.

Further, it would inform the attributes of any needed capacity beyond generic NQC.

Second, any additional procurement order would benefit from partial or full implementation of the Commission’s new programmatic approach to planning and procurement, which should be aligned with the Commission’s reformed RA program and be driven by cost-causation principles and thereby promote achievement of the Commission’s reliable and diverse resource mix in the lowest cost and most equitable fashion in the adopted PSP. At a minimum, if the PD moves forward, it should be amended to require load-serving entities (“LSEs”) to fulfill a portion of their NQC obligations with non-fossil, non-storage generation resources that deliver energy in the evening net peak period and which provide charging capability (capacity and energy).

Finally, LSEs are already encountering obstacles to timely procurement of RA resources, and developers – many with power purchase agreements – that were expecting to receive allocations of transmission deliverability capacity (“TPD”) from the CAISO are finding that such capacity is unavailable or will be significantly delayed due to transmission development delays. This underscores the need to study and implement reform of CAISO’s deliverability assessment methodology, which the CAISO is initiating early this year. Directing supplemental procurement without easing the supply of RA resources is a recipe for market power, high prices and noncompliance. Addressing the need for supplemental procurement as part of the current IRP cycle will allow these reforms to be accomplished in parallel, still providing two years’ lead time to procure resources for the 2026-27 timeframe.

We elaborate on each of these points below.

2. A more detailed analysis could determine how much additional procurement is truly needed

In proposing to order 4,000 MW of supplemental procurement in the 2026-27 timeframe, the PD points to various factors supporting the need for supplemental capacity, but the 4,000-MW figure is something of a guesstimate. It does not factor in the procurements that LSEs have made to date towards their mid-term reliability (“MTR”) requirements, including procurements of “long lead-time” resources.² And it does not evaluate whether 4,000 MW of mostly batteries (the most likely RA capacity to be procured) is too much or too little capacity to satisfy the remaining reliability needs in a loss-of-load-expectation analysis. Conducting such analysis, as several parties previously advocated,³ ideally under the Commission’s new programmatic approach to IRP procurement, would ensure that sufficient – but

² A November 11, 2022, news release issued by the California Community Choice Association (“CalCCA”) states that CCAs had recently procured a total of 119 MW of long-duration energy storage and 287 MW of new geothermal energy.

³ See the October 6, 2022, reply comments in this proceeding of Southern California Edison Company at p. 6; Pacific Gas & Electric Co. (“PG&E”) at p. 4; the Alliance for Retail Energy Markets at p. 6; and the California Environmental Justice Alliance and Sierra Club (at p. 3).

not excessive – capacity is being ordered. Given the very tight market discussed below, it is important not to order procurement before it is truly needed.

3. Addressing supplemental procurement in view of the Commission’s concerns with the current RA program, if not under the new IRP programmatic framework, would promote achievement of a more diverse and reliable resource mix

Moving ahead with a 4,000-MW requirement based on generic effective load carrying capability (“ELCC”) values, as the PD would do, is likely to fail to deliver needed charging capability or to deliver an overall reliable resource mix, which is why the Commission is reforming its ELCC-based RA program.⁴ The proposed supplemental procurement will certainly be incongruous with the new 24-hourly RA framework.⁵ And it would virtually guarantee that the amount of wind energy in the PSP will not be achieved for lack of any market signals supporting the procurement of diverse resources or the delivery of non-storage energy in evening peak hours.

Batteries dominate the CAISO queue and command the attention of developers in large part due to the ease of siting these resources. Identifying and obtaining site control for wind energy and other renewable energy projects is a far more costly and risky process. Simple NQC requirements do not sufficiently incentivize renewable resource development. The recognition that batteries need sufficient capacity and energy to charge them is a major part of why the Commission is revamping its RA program. The Commission’s planned 24-hourly RA program is intended to address the need for charging capability, but this intent must also be reflected in the IRP program and procurement requirements. Absent the market signals that will come from that, the electric system is likely to become overly dependent on batteries. Certainly, higher-cost renewable energy sources like wind will not be developed to the extent assumed in the current or subsequent PSP.

Ordering 4,000 MW of generic NQC now would fail to evaluate whether that order, if fulfilled largely or entirely with battery storage (as is likely), would add reliability equivalent to that provided by a more diverse resource mix. In its comments on the Staff Options Paper on the Reliable and Clean

⁴ In adopting the new 24-hour RA framework, the Commission found that the proposed ELCC-based, two-slice framework failed to address the Commission’s concerns regarding the current RA program, including “fail[ing] to include an explicit requirement for ensuring sufficient energy is available for charging storage and uncertainty in RA values that may arise as the portfolio of resources evolves from one study to the next” and “continued reliance on single-value [ELCC] estimates for variable energy resources, which undervalue contributions during the current peak and overvalue contributions during the net peak.” D.22-06-050 at pp. 73-74.

⁵ Indeed, a properly implemented 24-hourly RA program would make the concept of ELCC moot because, under the new program, LSEs must show that their load will be met in every hour, thus a single ELCC value has no meaning: the capacity contribution of a resource to an individual LSE’s portfolio will depend on whether the LSE’s hourly load needs can be met by that resource.

Power Procurement Program,⁶ CalWEA provided evidence that more-diverse portfolios reduce the overall need for capacity,⁷ meaning that batteries are not likely to provide a 1-for-1 substitute for a more diverse mix of NQC resources (such as that contained in the adopted PSP), let alone the 8-hour storage or baseload generation that is being deferred. Moreover, the PD would fail to provide signals to LSEs to encourage the procurement of a more diverse resource mix and to ensure that there is sufficient charging capacity for procured storage.

The objectives of the Commission's initiative to develop a Reliable and Clean Power Procurement Program are numerous and include complementing the IRP planning track and RA program, ensuring that all LSEs make economically efficient procurement decisions, and that market failures of the wholesale power market are addressed. In its comments on the Staff Options Paper, CalWEA argued that, without a much firmer link between the Commission's system planning efforts and LSEs' individual plans and procurements, the IRP process will not serve its intended purpose, which is to produce an overall portfolio of diverse resources that best achieves multiple long-term objectives, including delivering a portfolio of resources that maintains grid reliability, achieves California's decarbonization goals, and minimizes costs. CalWEA noted the Commission's documentation that LSEs are procuring a much more solar-heavy MTR portfolio than is reflected in the Commission's adopted PSP in the mid-term timeframe⁸ – a consequence of the lack of regulatory support to encourage procurement towards the PSP. To provide such support and to align IRP with the Commission's adopted RA framework, CalWEA proposed that the Commission develop and adopt, in the present IRP cycle, a system-optimal plan based on the adopted 24-hour RA framework. The resulting optimal resource mix would serve as the basis for allocating shares of the adopted portfolio mix to LSEs on a causation basis, as required by statute.⁹ Alternatively, CalWEA proposed that each LSE be required to deliver its respective share of a non-storage, evening-peak energy delivery requirement (also causation-based as compared to peak-load share), as well as participate in collective procurement of offshore wind.¹⁰

The PD would add a 4,000-MW generic RA requirement before putting in place such a programmatic approach, or any other incentives or requirements that would foster the LSEs' collective procurement of the Commission's adopted portfolio. At a minimum, any supplemental procurement order issued prior to a full IRP evaluation of need, or implementation of the new programmatic

⁶ See *Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement* (September 8, 2022) at Attachment.

⁷ See CalWEA Comments on Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement (December 12, 2022) at p. 6.

⁸ *Id.* at p. 4.

⁹ *Id.* at p. 11.

¹⁰ *Id.* at pp. 2-3.

approach, should be shaped to address some of the concerns that drove the Commission to reform its RA and IRP programs. Specifically, the Commission should require LSEs to fulfill a portion of their NQC obligations with non-fossil, non-storage generation resources that deliver energy in the evening net peak period, which would better address reliability concerns while also ensuring the procurement of charging resources.¹¹

4. Postponing consideration of supplemental procurement to the current IRP cycle will allow reforms of CAISO’s deliverability methodology to take place, improving market conditions for supplemental procurement

LSEs have made clear that they are encountering obstacles to timely procurement of RA resources in the mid-term timeframe.^{12,13} The PD also acknowledges that “tight market conditions led to high capacity prices” and some LSE deficiencies.¹⁴ This situation is likely due in significant part to resource developers’ inability to obtain deliverability status for their projects. Many developers that were expecting to receive allocations of transmission deliverability capacity (“TPD”) from the CAISO are finding that such capacity is unavailable or not assured for their projects with commercial on-line dates in the mid-term timeframe.^{15,16} This capacity shortfall situation underscores the need to study and

¹¹ We note that the new Memorandum of Understanding between the Commission, the California Energy Commission (“CEC”) and the CAISO regarding Transmission and Resource Planning and Implementation, released last month,¹¹ commits the Commission to “provide direction, to the extent appropriate, to pursue resources with the operational and geographic locations consistent with the resource planning conducted by the CEC and CPUC.” (See point 10 of the MOU, available at:

¹² See, e.g., CalCCA’s January 25, 2023, *ex parte* filing in R.21-10-002. CalCCA provided a presentation on 2023 RA market dynamics and compliance, “indicating razor thin supply margins” and advocating for relaxed non-compliance penalties regarding the Commission’s MTR capacity requirements. In its Reply Comments on the Ruling Seeking Comments on Potential Near-Term Actions to Encourage Procurement (October 6, 2022) at p. 9, CalCCA asks for non-compliance waivers for the existing 11.5-GW MTR requirement, noting that “LSEs fac[e] severe market constraints.”

¹³ PG&E noted that bringing additional resources online by 2025 “is extremely optimistic and likely unrealistic. Timelines for any incremental procurements ordered must consider the extreme challenges faced by LSEs in procuring incremental resources, limited capacity available, and the likelihood that resources can be delivered over such a timeline to accurately measure their contribution toward system reliability.”

¹⁴ PD at p. 24.

¹⁵ See, e.g., the separate comments of CalWEA and the California Energy Storage Alliance in response to CAISO’s “Generation Deliverability Challenges” paper. Available at: <https://stakeholdercenter.aiso.com/StakeholderInitiatives/Generator-deliverability-challenges>.

¹⁶ CalWEA notes that the PD (at p. 21) recounts a suggestion made by CAISO, which suggested that “LSEs make every effort to procure in locations where few, if any, transmission upgrades are needed or where transmission is already under development.” Developers, however, can (and do) already acquire technical assessments of which substations have available TPD capacity and seek to obtain site control around such substations. Of course, this is much easier to do for battery projects than for wind projects and, to a lesser extent, solar projects. Moreover, projects in such areas may not yet have completed Phase 1 or 2 studies that LSEs generally require. While there may be deliverable capacity at a particular substation, any individual developer cannot know how many other developers are competing for that capacity and whether they will be

implement reforms of CAISO’s deliverability assessment methodology, a process that CAISO is initiating this year.¹⁷ CalWEA has documented that CAISO’s deliverability assessment methodology is much more conservative than the methodologies used by other independent grid operators and believes that reform could substantially increase the amount of available TPD capacity in the mid-term timeframe.

Directing supplemental procurement without easing the supply of resources is a recipe for high prices and LSE noncompliance. Addressing the need for supplemental procurement as part of the current IRP cycle will allow a year for CAISO deliverability reforms to be considered and accomplished in parallel, still allowing two years’ lead time to procure resources for the 2026-27 timeframe.¹⁸

B. Comments on Transmittal of Resource Portfolios to CAISO for 2023-24 Transmission Planning Process

CalWEA strongly supports the aggressive 30 MMT base case portfolio as the basis for the CAISO’s 2023-24 TPP, as this will drive major “least regrets” transmission upgrades in the next planning cycle that are badly needed to achieve the state’s SB 100 goals.¹⁹ Given how far behind the state is in approving new transmission, however, and as the PD would decline to adopt CalWEA’s recommendation that the base case amounts of offshore wind be raised to 5 GW in the Morro Bay Wind Energy Area (“WEA”) and 3 GW in the Humboldt WEA, CalWEA encourages the Commission to include, in its final decision, the language from the October 7, 2022, ALJ Ruling that encouraged the CAISO to “get a head start on identifying any associated transmission needs by considering the results of the 30 MMT High Electrification sensitivity in making transmission investment recommendations to its board in the 2022-2023 TPP cycle.”²⁰ Clear direction from the Commission in the transmittal of the TPP portfolios will foster this very important goal of planning needed transmission as soon as possible.

III. CONCLUSION

For the above reasons, the Commission should more fully consider supplemental NQC needs in this cycle of the IRP process or, in the alternative, require LSEs to fulfill a portion of their NQC

allocated such capacity.

¹⁷ See <https://stakeholdercenter.caiso.com/StakeholderInitiatives/Generator-deliverability-challenges>.

¹⁸ In its comments to CAISO, CalWEA explained that deliverability assessment reform may reduce CAISO’s workload by reducing study requirements. *Id.* at response 5.b.

¹⁹ CalWEA also appreciates that, as we encouraged, the Commission has now fulfilled its requirement under SB 887 to request that the CAISO “identify the highest priority transmission facilities that are needed to allow for increased transmission capacity into local capacity areas,” and that the Commission has indicated its support, in its comments to the CAISO, of the CAISO’s planned initiative to investigate reforms to its deliverability methodology (see note 17, *supra*).

²⁰ October 7, 2022, ALJ Ruling at pp. 8-9.

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 “California Wind Energy Association Comments on Proposed Decision Ordering Supplemental Mid-Term Reliability Procurement” 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 2, 2023, at Berkeley, California.

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