

**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  
REPLY COMMENTS ON RULING SEEKING COMMENTS ON  
STAFF PAPER ON PROCUREMENT PROGRAM AND POTENTIAL  
NEAR-TERM ACTIONS TO ENCOURAGE ADDITIONAL PROCUREMENT**

Nancy Rader  
Executive Director  
California Wind Energy Association  
1700 Shattuck Ave., #17  
Berkeley, CA 94709  
Telephone: 510-845-5077 x1  
E-mail: [nrader@calwea.org](mailto:nrader@calwea.org)

*On behalf of the California Wind  
Energy Association*

January 9, 2023

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**I. INTRODUCTION AND SUMMARY**

Pursuant to Administrative Law Judge (“ALJ”) Julie Fitch’s Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement (“Ruling”) issued on September 8, 2022, as amended in the ALJ Ruling Seeking Comments on Electricity Resource Portfolios for 2023-2024 Transmission Planning Process issued on October 7, 2022, the California Wind Energy Association (“CalWEA”) submits these reply comments to various parties’ opening comments filed on December 12, 2022.<sup>1</sup>

In summary, a review of parties’ proposals for an IRP procurement program shows the advantages of the approach proposed by CalWEA, which avoids many complexities involved in the other proposals – complexities that arise primarily due to the objective of providing greater procurement flexibility to load-serving entities (“LSEs”). CalWEA urges the Commission to carefully consider whether the benefits of providing LSEs with procurement flexibility outweigh the many benefits of an approach, such as CalWEA’s, that is both less complex and achieves the very purpose of the IRP

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<sup>1</sup> CalWEA specifically references the opening comments of American Clean Power – California (“ACP California”), Avangrid Renewables, LLC (“Avangrid”), the California Community Choice Association (“CalCCA”), the California Independent System Operator (“CAISO”), the Center for Energy Efficiency and Renewable Technologies (“CEERT”), Environmental Defense Fund (“EDF”), the Independent Energy Producers Association (“IEP”), the Large-scale Solar Association (“LSA”), the Natural Resources Defense Council and Union of Concerned Scientists (“NRDC and UCS”), New Leaf Energy, Inc. (“New Leaf Energy”), the Solar Energy Industries Association (“SEIA”), the Southern California Edison Company (“SCE”), and the Western Power Trading Forum (“WPTF”). CalWEA’s resource limitations precluded the ability to review and/or comment on all 30-odd sets of comments.

process: to realize the state’s reliability and clean energy goals at the least overall cost to ratepayers. In addition, CalWEA’s holistic approach will require just one methodology to achieve both reliability and greenhouse gas (“GHG”) goals and to ensure that IRP-based planned transmission assets are fully utilized and will avoid challenging issues related to existing vs. new resources in determining resource needs and procurement requirements.

In addition, these comments argue that “large and/or long lead-time resources” and “significant resources occurring outside of a five-year development horizon” is the incorrect frame for determining which resources require strong regulatory support. The correct framing should consider which resources, needed to meet SB 100 goals cost-effectively, require a regulatory commitment based on a variety of factors, including the market failure of individual LSE plans and procurements not summing to planned system-optimal procurements. CalWEA also reiterates why a central procurement mechanism for offshore wind resources is needed and explains that providing one year’s time for individual LSEs to opt-out of central procurement will not be productive.

Lastly, CalWEA supports consolidating the planning and procurement activities of the resource adequacy program into the IRP proceeding and encourages the Commission to engage in CAISO’s upcoming study of needed reforms to its deliverability methodology to curb market power opportunities.

## **II. REPLY COMMENTS**

### **A. A Comprehensive 24-hour Framework that Assigns Procurement Responsibilities to LSEs to Achieve an Optimal Portfolio Has Many Advantages Over Other Approaches**

In its opening comments, CalWEA proposed an approach to IRP based on the Commission’s adopted 24-hourly Resource Adequacy (“RA”) program framework that determines an overall optimal resource portfolio and optimally allocates procurement responsibilities to LSEs to achieve that portfolio. This approach avoids many complexities involved in other proposals – complexities that arise primarily due to the objective of providing greater procurement flexibility to LSEs – and delivers the many benefits discussed in this section.

#### **1. The benefits of a system-optimum portfolio and associated LSE procurement requirements outweigh the benefits of providing LSEs with broad procurement flexibility**

CalWEA can discern no sufficiently worthy public benefit to providing LSEs with wide resource procurement flexibility when we know that this flexibility comes at the cost of failing to plan for and

achieve an optimal clean electrical grid that minimizes total costs.<sup>2</sup> As stated by EDF (at pp. 2 and 8), “[t]he Commission needs to control overall system portfolio costs, and not just presume that each individual cost effective unit will add up to a cost effective portfolio. ... There is a significant risk that LSEs will satisfy their GHG requirements by procuring a non-diverse set of resources.” At a minimum, the Commission should develop an optimal Reference System Plan as a baseline so that it can understand and judge whether the additional costs, greater total resource needs, and reduced diversity of a Preferred System Plan (“PSP”) based (at least in part) on amalgamated individual plans are worth the questionable benefit of enabling individual LSE preferences.

The CAISO recognizes (at p. 6) that a PSP is suboptimal to a Reference System Plan but assumes the need to “respect” LSEs’ individual procurement “preferences.” CAISO nevertheless supports (at p. 19) the Commission’s ability to supplement the PSP to address reliability and other policy concerns, including resource diversity, and advocates that the Commission establish procurement requirements at the outset of each IRP cycle for resources that would otherwise be at risk of not coming online due to the complexities and challenges around such resources. While mandating procurement contained in a suboptimal PSP would be critical to realize at least the suboptimal benefits, should the Commission forego the development of an optimal system plan, the Commission should carefully consider whether the benefits of providing LSEs with broad procurement flexibility outweigh the very purpose of the IRP process: to realize the state’s reliability and clean energy goals at the least overall cost to ratepayers.

The benefits of providing LSEs with flexibility boil down to purportedly enabling more nimble responses to market conditions or misplaced notions of freedom of choice. Under CalWEA’s proposed approach, however, the CPUC can also consider, in each IRP cycle, adjusting the optimal resource portfolio (especially in years beyond five- to seven-year forward procurement requirements) in response to major market changes, while also considering the need to plan for transmission on a stable foundation, and can adjust LSEs’ obligations as loads change while maintaining a system optimal portfolio for ratepayers overall.

In addition to the primary major benefit of achieving an optimal overall portfolio, CalWEA’s proposed 24-hourly approach has several other benefits, as follows.

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<sup>2</sup> As CalWEA indicated in its opening comments at p. 6, for example, there is ample evidence that an optimal plan will require substantially less capacity and cost less than one that sums individual plans with adjustments. EDF provides additional evidence at pp. 7-8 that a portfolio that is diversified away from solar reduces costs and total capacity requirements, though the study is limited to “clean firm” resources.

**2. CalWEA’s proposal requires just one methodology to determine both GHG and reliability requirements**

While other proposals entail one methodology for determining GHG requirements and another for meeting reliability needs, CalWEA’s 24-hour framework achieves both at once, reducing complexity and workloads.

**3. CalWEA’s proposal ensures that procurement is consistent with the plan that will undergird transmission planning**

CAISO (at p. 2) calls for “establish[ing] procurement requirements well ahead of the need” as “critical for transmission expansion, which calls for procurement by load serving entities (LSEs) that is consistent with portfolios vetted through reliability modeling and the CAISO’s transmission planning process” noting the “interactive effects of the resources.” This is consistent with CalWEA’s proposal to assign LSEs with procurement goals that reflect their share of the adopted optimal system resource mix. Otherwise, the CAISO could plan for and build transmission needed for resources that will lower overall costs, while LSEs procure resources that are not dependent on the CAISO-planned transmission but drive up total costs. For example, offshore wind has been identified by the Commission’s IRP modeling in part because, even with its transmission requirements, offshore wind leads to a least-cost plan by cost-effectively reducing the need for battery storage and associated charging resources; if LSEs nevertheless purchase storage while the transmission is being built for offshore wind, some of the planned benefits will be lost. Likewise, as a Commission report documents (see CalWEA’s opening comments at p. 4), LSEs’ solar-heavy procurements are not on track to reflect the Commission’s more-diverse, least-cost mid-term reliability portfolio.

At a minimum, as CAISO advocates, the Commission should require each LSE to procure its share of each resource contained in PSP “without large deviations.” CAISO (at pp. 6, 8 and 16) recommends such a requirement at least as an interim option and perhaps as a “durable” option. Such requirements must be durable, however – i.e., they should be anticipated to persist as a feature of the IRP program. Otherwise, as CAISO notes, an attribute-based option will not provide the level of resource characteristic and locational detail necessary to conduct reliability assessments. For example, battery storage resources may run into charging limitations due to lack of sufficient energy or transmission capacity on certain parts of the grid. As CEERT states (at p. 3), “[o]nly by co-optimizing transmission expansion and generation and storage procurement can the Commission achieve an economically efficient outcome for California’s ratepayers.”<sup>3</sup>

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<sup>3</sup> Avangrid’s comments (e.g., at p. 8) and LSA’s comments (at p. 3) echo this sentiment.

Related, CalWEA agrees with CAISO (at p. 4) that an associated IRP planning objective should be to “achieve economically efficient procurement considering both generation and transmission costs” so that LSEs will not trigger transmission upgrades in less favorable areas. Under CalWEA’s proposed framework, this will naturally occur as resources will be planned, transmission approved, and resources procured in a coordinated fashion in consideration of both generation and transmission costs.

**4. CalWEA’s proposal avoids challenging issues related to existing vs. new resources in determining resource needs and procurement requirements**

CalWEA’s 24-hourly proposal obviates issues related to existing vs. new resources and average vs. marginal/vintaged capacity valuation in both need determination and in procurement because it assesses needs and allocates GHG and reliability requirements using the same framework, with a single compliance mechanism and a single enforcement mechanism that does not involve differentiating between existing and new resources at both the system and individual-LSE levels.<sup>4</sup>

The CAISO (at p. 13) explains the importance of including all resources (existing and new) in the IRP procurement program, agreeing with the staff assessment that such a framework recognizes that existing and new resources of the same type provide the same reliability attributes, ensures that reliability goals will be met, and allows direct competition between existing and new resources to determine market entry and exit. SEIA (at p. 6), LSA (at p. 5), WPTF (at p. 8), and EDF (at p. 4) also support a procurement program that includes both existing and new resources that, as SEIA explains, will ensure that existing but viable clean resources that may be at risk of retirement or of being sold to serve out-of-state loads are re-contracted so that they continue to supply energy to the state. However, CAISO goes on to advocate (p. 16) separate requirements for incremental resources “to ensure that resources needed beyond the existing fleet are contracted.” CalWEA does not believe that separate requirements are necessary; identifying and allocating total resource needs to the LSEs will necessarily require the procurement of new resources to meet both GHG and reliability goals, at least until these goals are achieved.<sup>5</sup>

Moreover, the Staff Paper (at pp. 17-18) discussed numerous challenges associated with administering and implementing a vintaged effective load carrying capability (“ELCC”) accounting framework that would be needed under frameworks that involve specific requirements for new/incremental resources. IEP summarizes well (at pp. 9-11) the various problems involved in attempting to distinguish between different vintages of resources, proposing further study of possible

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<sup>4</sup> The Commission’s 24-hourly modeling would, of course, take existing resources into account, as would each LSE as it determines how to meet its total resource requirements.

<sup>5</sup> Any imbalances in individual IRP portfolios can be addressed in the secondary market.

capacity valuation solutions without showing that any are sufficiently accurate or workable. Similarly, in view of the complexities involved in accounting for the value of incremental resources, CAISO (at pp. 17-18) suggests a two-step approach “that considers the marginal ELCC contribution of new resources to provide feedback and transparency to contracting parties, while using the average ELCC value to assess compliance with the total portfolio needs” but “given the pros and cons of both approaches in the context of an IRP multi-year approach” recommends that the Commission provide an additional opportunity to consider this option in this proceeding – in other words, CAISO likewise does not propose a specific solution to the problems.

SCE (at p. 15) expresses a concern that, if existing resources are included, some LSEs may be able to meet their reliability procurement requirements largely or fully with existing resources, while other LSEs may have to procure a disproportionate amount of the new resources needed by the system that could lead to inequities between LSEs. CalWEA agrees with IEP (at p. 9) that the concern is misplaced for several reasons and that no evidence has been presented indicating that any LSE will hold a long-term advantage in securing existing resources (which may or may not be lower cost) and, in any case, such would be a fair market outcome. Not addressing total need would fail to ensure that enough existing resources persist to efficiently meet reliability needs.

The advantages noted by NRDC and UCS (at p. 12) in proposing that total capacity needs be determined by an LOLP study while incremental capacity values are determined by a marginal ELCC approach, though appropriate under the current RA framework, do not hold up in view of the Commission’s adoption of a 24-hourly framework for the RA program going forward. First, NRDC and UCS ignore the efficiency penalty of placing existing and new resources in different markets and ignore the complexities of how the capacity values of existing resources and each vintage of new resources will be calculated.

Second, NRDC and UCS argue that the marginal ELCC framework is preferable to the 24-hourly (slice of day) approach because it “sends more accurate signals for reliability-focused procurement of new resources.” As SCE states (at p. 14), “it makes no sense to establish long-term system reliability procurement requirements in IRP based on one resource counting method and then use a different resource counting method for short-term RA reliability compliance.”<sup>6</sup> In supporting the RA program’s 24-hourly program as the basis for determining LSE procurement requirements, SEIA (at p. 10) recognizes that “the output of ELCC modeling is a single value for each type of resource that does

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<sup>6</sup> LSA similarly advocates that, if the slice-of-day approach is adopted in the RA proceeding, it should be used in the IRP procurement program “to promote transparency and consistency between the two proceedings.” CEERT (at p. 7) agrees that the “new (reliability need) allocation process will need to take into account the RA program’s 24-hour slice of day approach.”

not provide detailed or transparent information on the temporal factors that drive the result” and notes the lack of consensus around ELCC methods.<sup>7</sup> Indeed, a properly implemented 24-hourly RA program makes the concept of ELCC, and especially marginal ELCC, moot because 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. CalWEA’s IRP proposal, based on the 24-hourly RA framework, harmonizes the overall optimal portfolio and individual LSE procurement obligations.

NRDC and UCS further argue that the ELCC methodology “provides more robust information about reliability contributions” of new resources than the “exceedance methodology” which is a deterministic methodology that is much more simplistic in nature.” CalWEA agrees that the exceedance methodology is inappropriate, but the Commission can and should adopt, in its forthcoming RA decision, a methodology that mimics historical average production during critical time periods, as CalWEA and other parties have proposed.<sup>8</sup>

Lastly, NRDC and UCS argue that “a probabilistic analysis that fully considers the range of possible futures is better suited to planning for mid- and long-term system needs.” However, SCE’s proposed 24-hourly methodology, like the Commission’s previous methodology that was based on ELCC values, includes SERVM modeling to ensure that the optimum portfolio meets the 1-in-10 LOLE standard (flagging any need to raise hourly requirements), which accounts for the probabilistic variation of resources when it comes to meeting LOLE standards – achieving the same result as analyses involving ELCC values.<sup>9</sup> This 24-hourly approach also addresses CAISO’s call (at p. 15) for consolidating near-term and long-term planning in the IRP based on a single LOLP analysis.

**B. “Large and/or Long-Lead-Time Resources” is an Inappropriate Basis for Resource-Specific Procurement Requirements**

Many, if not most, parties agree that resource-specific procurement requirements are necessary

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<sup>7</sup> Although SEIA (at p. 7) states its preference for mass-based GHG accounting, it also advocates (at p. 2) that “procurement should use existing IRP and RA processes to the extent possible, without adding new layers of analysis or novel market requirements.” LSA similarly supports consistency between the two proceedings (*ibid.*) These objectives would be accomplished by using the 24-hourly framework to simultaneously address both reliability and GHG-reduction requirements.

<sup>8</sup> See CalWEA’s December 1, 2022, comments, and IEP’s December 12, 2022, reply comments, in R.21-10-002.

<sup>9</sup> Using ELCC values alone does not guarantee that reliability targets will be met. In the past, the Commission has used ELCC values to develop an optimal resource portfolio but then tested that portfolio with SERVM modeling to ensure it met reliability requirements. In the same way, a 24-hourly analysis, supplemented with SERVM runs, achieves the same goal with the same level of effort.



for some class of resources.<sup>10</sup> For example, CAISO (at p. 19) advocates that the Commission establish resource-specific procurement requirements for “large and/or long lead-time resources that would otherwise be at risk of not coming online in time to meet future reliability needs ... due to the complexities and challenges around such resources.” ACP-California (at p. 11) states that “[t]he State should order resources with a significant amount of capacity expansion that occurs outside of a five-year development horizon.” “Large” and/or “long-lead-time” by itself, however, are not the correct characterizations for resources requiring resource-specific requirements.

As NRDC and UCS recommend (at pp. 2 and 6), special attention is needed for “resources that won’t come online solely through the market because they need regulatory certainty and additional support for development ... that aren’t likely to be developed via attribute-focused market signals alone” and “that are needed to meet SB 100 goals cost-effectively.” Similarly, though it uses the term “long lead time,” EDF advocates (at p. 9) a framework to procure resources that “will bridge the gap between LSEs’ individual incentive to procure resources that are relatively cheap on a per unit cost basis, and the system-wide need to procure ... resources, which are more expensive on a per unit cost basis but will reduce the cost of the State’s entire electric portfolio.” These characterizations are consistent with CalWEA’s opening comments (at pp. 4-5 and 10) that individual LSEs do not fully consider, in their own procurement decisions, a resource’s future system reliability and system integration values, or the overall optimum resource mix that will substantially reduce overall capacity requirements, costs and risks. This disconnect can – and is already – occurring since, as noted on p. 5 above, LSE procurements are not delivering the Commission’s planned mid-term reliability portfolio. Therefore, the Commission must correct this market failure and coordinate individual LSEs’ resource procurements to achieve an optimal overall portfolio (or at least its adopted PSP).

Further, ACP-California’s proposal to provide extra support to resources requiring transmission and those that occur outside of a five-year timeframe is, on its own, insufficient grounds for identifying resources needing additional regulatory support. The CAISO is expected to plan transmission for the

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<sup>10</sup> CalCCA is an outlier and errs in stating (at pp. 24-25) that the Commission should “allow the market to decide the most cost-effective projects to pursue that possess the right attributes to meet reliability and GHG-reduction targets,” and questions whether the Commission’s modeling will “demonstrates that *any* long lead time resources are, in fact, necessary” (emphasis in original) despite the fact that such modeling already has demonstrated a need for offshore wind resources and other resources requiring regulatory support, as discussed above. CalCCA, and, similarly WPTF, fail to recognize the many reasons (discussed in CalWEA’s opening comments) why individual LSE plans and procurements will not produce a portfolio that meets system needs at least cost or provide a basis sufficiently stable to support transmission planning. Further, these organizations fail to provide any assurances that needed resources, such as offshore wind, will be developed. CalCCA’s own proposed “Net Clean Capacity Procurement Framework” is generally too vague to constitute a meaningful proposal.

resources contained in the Commission’s adopted portfolio; once transmission is planned, resources requiring that transmission capacity can seek interconnection and plan development based on its expected timeline. Moreover, barring reforms of the CAISO’s deliverability methodology (see section II.E below), most incremental resources identified in the next adopted portfolio will require new transmission to obtain deliverability status.<sup>11</sup>

**C. Offshore Wind Requires Central Procurement, However, A Separate IRP Procurement Track Would Be Counter-Productive for Offshore Wind and Any Other Resources Requiring Special Regulatory Support**

NRDC and UCS propose (at pp. 2, 6 and 14) a special IRP program component, or track, to ensure that enough resources requiring regulatory support are planned for and developed beyond a “minimum amount” necessary to support infrastructure and economies of scale, but without explaining how the Commission’s adopted portfolio and LSE procurements would accommodate a larger optimal amount of such resources that would be identified later.<sup>12</sup> NRDC and UCS also state that this does not mean that a Central Procurement Entity (“CPE”) is necessarily needed to procure these resources, and that such procurement may lead to more expensive procurement. CalWEA agrees that procurement by a CPE is not necessarily needed or desirable for resources other than offshore wind that require greater regulatory support. However, *optimal* levels of such resources (rather than “minimum” levels) should be built into an optimal system plan (or PSP), not left to a separate IRP track. As SEIA stated (at p. 5), the IRP process should be able to address such resources, noting that “recent IRP plans have included significant future amounts of both offshore wind and out-of-state wind on new transmission, indicating that the existing IRP process is flexible enough to incorporate over time such long-lead-time and emerging resources.” CalWEA agrees also with Avangrid when it states (at p. 6) that “[b]uilding a resource-specific procurement approach into the [resource plan] at its onset need not be complicated; indeed, it enables the right need determination and need allocation for ‘routine’ resources.”<sup>13</sup> As CalWEA discussed in opening comments (at pp. 5-7), the Commission should also consider, as it

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<sup>11</sup> Under CalWEA’s proposal, which allocates resources to LSEs based on their load shape, any LSEs with load shapes conforming to the gross system peak could conceivably meet their needs with energy-only resources.

<sup>12</sup> LSA similarly advocates (at p. 4) separate tracks for “resources that IRP modeling indicates are needed but do not typically succeed in individual LSE solicitations” without explaining how the Commission’s plan and LSEs’ procurements would account for such resources.

<sup>13</sup> CalWEA does not, however, believe that Avangrid’s proposed two-track (but integrated) need determination process is necessary; rather, the CPE can be set on its own path towards procuring needed offshore wind resources upon adoption of the Commission’s plan. Avangrid agrees (at p. 14) that “centralized procurement should be a core, albeit relatively small[,] component of the [procurement program].”

develops the system portfolio, whether additional resource diversity is warranted than that produced from its modeling, which does not evaluate various risks related to over-dependence on a few resources.

A CPE for offshore wind resources is needed, however, as CalWEA explained in its opening comments (at p. 16). This is due to the unique circumstances surrounding offshore wind, including the mismatch between 40-odd independent LSEs (or even several consortium entities) and the concentration of near-term offshore wind project development in just a few firms with different timelines that will limit competition, and developers' need for offtake certainty to support the major investments required for their projects. Thus, CalWEA proposed in opening comments (at p. 16) that the Commission work with interested stakeholders to develop a cost-based, trans-LSE approach to procurement from offshore wind projects. Such a structure and process would address NRDC and UCS's concerns (p. 6) regarding a CPE "leading to more expensive procurement." CalWEA believes that providing one year's time for individual LSEs to opt-out of central procurement, as advocated by ACP-California (at p. 9) and NRDC and UCS (at p. 6) will not be productive for offshore wind resources and will only delay the development of the central procurement mechanism that, in CalWEA's view, will inescapably be needed.

**D. The Commission Should Consolidate the Planning and Procurement Activities of the Resource Adequacy Program into the IRP Proceeding**

In its opening comments, CalWEA (at p. 11) advocated that each LSE be required to procure its share of each resource type in the optimal portfolio approximately five to seven years in advance, showing forward contracting for a certain portion of needs ahead of the target year, with the portion increasing to 100 percent one year prior to the delivery year. CAISO (at p. 2) and others<sup>14</sup> also advocate that the Commission establish the need and procurement requirements at least five years forward to address various challenges, including the need for any backstop procurement.<sup>15</sup>

CalWEA agrees with CAISO (at pp. 2-3) that the Commission should consolidate the planning and procurement activities of the RA program into a holistic IRP proceeding. While we disagree that incremental resources require a separate procurement requirement entailing complicated resource counting, we agree with CAISO that the IRP program is better suited than the RA proceeding to conduct reliability modeling for both proceedings, and to conduct footprint-wide planning, procurement requirements, need allocation, compliance, and enforcement of RA capacity requirements across a

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<sup>14</sup> E.g., IEP at p. 11 and WPTF at p. 9.

<sup>15</sup> CalCCA's proposal to limit forward requirements to three years provides insufficient lead-time to accommodate the challenges described by CAISO, although we agree with CalCCA that requiring procurement 10 years in advance exceeds the timeframe of most developments. LSEs should, however, anticipate resources included in the Commission's adopted longer-term portfolio in their procurements.

rolling 10-year horizon. The Commission should establish *total, resource-specific* requirements starting at least five years ahead of the need established in each IRP cycle to ensure there is clear procurement direction, which will provide predictable and consistent contracting, while minimizing backstop procurement. CalWEA agrees with IEP (at p. 11) that the year-five obligation must (and naturally will for some time) exceed the share of the year-five portfolio that could be met by existing resources; CalWEA would support a schedule along the lines that IEP suggests, with 85% of the five-year-ahead need being satisfied five years in advance, growing to 100% of need satisfied one year in advance.

As CAISO states, the RA proceeding might still oversee some aspects of individual LSE contracting and compliance within the compliance year.

**E. The Commission Should Engage in CAISO’s Study of Needed Reforms to its Deliverability Methodology; Reforms Will Alleviate Market Power Concerns**

New Leaf Energy (at p. 3) questions the Staff Paper’s presumption that the local capacity technical study methods used by the CAISO to set local reliability obligations should continue under the new procurement program, noting that lack of available deliverable capacity on CAISO’s system is a significant obstacle to bringing new RA resources online. CalWEA has advocated, in both the IRP and RA proceedings, that the CAISO’s deliverability assessment methodologies for both local and system resources be reconsidered, particularly in view of the Commission’s reforms to its RA program. CalWEA is pleased that CAISO has announced its intention to begin such reconsideration commencing by the end of Q1 2023. CalWEA encourages the Commission to fully engage in that process and to consider what parallel actions may need to be taken by the Commission.

In line with our arguments for deliverability assessment reform, CalWEA notes that lack of available transmission with full capacity deliverability is likely to impede the development of a substantial number of projects that could otherwise be developed in the mid-decade timeframe and beyond, until such time as additional transmission capacity is planned and developed. Thus, deliverability methodology reforms that enable more resources to obtain deliverability in the years prior to additional transmission lines becoming available could substantially ease such supply-demand constraints that could otherwise raise market power concerns.<sup>16</sup>

**III. CONCLUSION**

For the above reasons, the Commission should adopt CalWEA’s approach to a long-term IRP procurement program based on the Commission’s adopted 24-hourly RA framework to determine an

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<sup>16</sup> See CalWEA’s January 4, 2023, comments on CAISO’s Deliverability Challenges Paper, available at <https://www.calwea.org/public-filing/comments-caiso-deliverability-challenges-paper>.

overall optimal resource portfolio and to allocate procurement responsibilities to LSEs to achieve that portfolio, and should thereafter immediately establish a central, trans-LSE mechanism for procuring offshore wind. At a minimum, the Commission should develop a Reference System Plan as a baseline so that it can understand and judge whether the additional costs, additional total capacity, and reduced resource diversity (i.e., increased risks) of the PSP are worth the benefit of enabling individual LSE preferences. If a suboptimal PSP is adopted, the Commission should ensure that it is realized by allocating LSE procurement obligations accordingly, and should establish a central, trans-LSE procurement mechanism.

Respectfully submitted,

/s/ Nancy Rader  
Nancy Rader  
Executive Director  
California Wind Energy Association  
1700 Shattuck Ave., #17  
Berkeley CA 94709  
Telephone: (510) 845-5077 x1  
Email: nrader@calwea.org

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

January 9, 2023

## 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 Reply Comments on Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional 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 January 9, 2023, at Berkeley, California.

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