

**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 PROPOSED DECISION ORDERING SUPPLEMENTAL  
MID-TERM RELIABILITY PROCUREMENT**

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*On behalf of the California Wind  
Energy Association*

February 7, 2023

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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 reply comments responding to February 2, 2023, opening comments of various parties.

In summary, CalWEA recaps broad-based concerns regarding the proposed supplemental procurement order that bolster CalWEA’s recommendation to address any additional capacity needs as part of the Commission’s new programmatic approach to planning and procurement taking place this year. Should the Commission nevertheless move forward, it should adopt the recommendations of Environmental Defense Fund (“EDF”), CalWEA, and Southern California Edison Co. (“SCE”) that would help to conform the PD to the Commission’s anticipated programmatic reforms. Finally, the Commission should limit “bridge” capacity from firm imports as recommended by The Utility Reform Network (“TURN”), several environmental advocacy organizations, and Pacific Gas & Electric Co. (“PG&E”).

**II. REPLY COMMENTS**

**A. Parties Share CalWEA’s Concerns Regarding a Supplemental Procurement Order**

CalWEA advised, in opening comments, that any supplemental procurement order be planned under partial or full implementation of the Commission’s new programmatic approach to planning and

procurement, which should be aligned with the Commission’s reformed Resource Adequacy (“RA”) Program and be driven by cost-causation principles, thereby promoting achievement of the Commission’s reliable and diverse resource mix in the lowest-cost and most equitable fashion in the adopted Preferred System Plan.<sup>1</sup>

The load-serving entities (“LSEs”) that would have to comply with the Proposed Decision, while not outright opposing it, uniformly expressed considerable concerns about the PD very similar to those expressed by CalWEA. The sentiment was perhaps best summed up by SCE, which stated, “Reliability procurement cannot continue to be ordered on an ad-hoc basis with limited stakeholder engagement, no defined planning standard, and little to no analysis on the identified need or how the proposed procurement quantifiably impacts reliability.”<sup>2</sup> The California Community Choice Association (“CalCCA”) also expressed such concerns, stating that it “is not possible to achieve the affordability objective with unsystematic and unpredictable procurement orders that require LSEs to rush to procure resources to meet a need not justified by robust, probabilistic analysis.”<sup>3</sup> CalCCA noted that procurement ordered through Decision (“D.”)19-11-016, D.21-06-035, and this Proposed Decision total 18,800 megawatts (“MW”) of net qualifying capacity (“NQC”) – “roughly 35 percent of the existing NQC on the system.”<sup>4</sup> The Alliance for Retail Energy Markets and the Regents of the University of California (“AReM/UC”) stated, “It is frustrating for the Commission to order LSEs to spend time and resources preparing IRP plans and then see rigorous IRP modeling and Loss of Load Expectation (“LOLE”) analysis disregarded for purposes of determining what should be procured and replaced with orders supported by little analytical rigor, as it has now done three times (in D.19-11-016, D.21-06-035, and now in this PD).”<sup>5</sup>

AReM/UC argued that the Commission’s own analytical findings do not justify the proposed supplemental procurement order, noting that the Commission’s latest LOLE study, supporting the current Proposed System Plan (“PSP”), has an LOLE of 0.0023 in 2026, far below the 0.1 target, without the proposed additional 4,000 MW procurement.<sup>6</sup> Further, the Western Power Trading Forum (“WPTF”) expressed concern that, by depressing compensation for existing thermal resources, the supplemental 4,000 MW procurement requirement “could increase the risk of early retirements of existing units, which would be at cross purposes with the PD’s stated goal of ensuring mid-term

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<sup>1</sup> CalWEA at p. 4.

<sup>2</sup> SCE at p. 4.

<sup>3</sup> CalCCA at p. 3.

<sup>4</sup> *Ibid.*

<sup>5</sup> AReM/UC at p. 3.

<sup>6</sup> *Id.* at p. 4.

reliability,” whereas the Commission’s planned Reliable and Clean Power Procurement program, now under development, includes the objective of preserving existing generation resources that are needed for reliability in the mid- to long-term.<sup>7</sup>

LSEs also focus on the “unprecedented scarcity”<sup>8</sup> of eligible resources in the energy market, and therefore called for relaxing penalties.<sup>9</sup> Clearly, LSEs are anticipating an inability to comply with any supplemental procurement order, despite good-faith efforts. As CalWEA explained in opening comments, this situation is likely due in significant part to resource developers’ inability to obtain deliverability status for their projects.<sup>10</sup> Addressing any need for supplemental procurement in this year’s IRP cycle could ease this situation, as it would enable CAISO to adopt deliverability reforms in its stakeholder process that will unfold this year.<sup>11</sup>

Parties also express various concerns over allocating resources in the same way as done in the Mid-Term Reliability decision. CalCCA stated, “Allocating requirements by load ratio share fails to follow cost causation principles by not allocating the procurement responsibility to LSEs that have moved slowly to build new clean resources.”<sup>12</sup> A more appropriate allocation -- one that complies with state law -- could and should be developed under the Commission’s planned Reliable and Clean Power Procurement as CalWEA proposed.<sup>13</sup>

Most LSEs strongly recommend that the Commission move to immediately develop the Commission’s planned long-term programmatic approach with stakeholder engagement.<sup>14</sup> Given such broad-based concerns, CalWEA continues to recommend that any supplemental procurement follow from partial or full implementation of the Commission’s new programmatic approach to planning and procurement.

**B. If the Commission Proceeds with the Proposed Decision, It Should Adopt Recommendations to Better Conform the PD to Its Programmatic Reforms**

Many parties expressed a view similar to that expressed in CalWEA’s opening comments that, “if any supplemental procurement order is issued prior to a full IRP evaluation of need or

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<sup>7</sup> WPTF at pp. 1-2.

<sup>8</sup> PG&E at p. 2. As CalWEA noted in footnote 12 of its opening comments, CalCCA has similarly referenced “razor thin supply margins.”

<sup>9</sup> See, e.g., CalCCA at pp. 6-7; SCE at p. 9; AReM/UC at p. 10.

<sup>10</sup> CalWEA at pp. 7-8.

<sup>11</sup> *Ibid.*

<sup>12</sup> CalCCA at p. 6.

<sup>13</sup> CalWEA at p. 6.

<sup>14</sup> See PG&E at p. 6; SCE at p. 5; CalCCA at pp. 5-6.

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.”<sup>15</sup> If the Commission proceeds with the Proposed Decision, it should adopt EDF and SCE’s recommendations to better conform the PD to the programmatic reforms that the Commission is pursuing.

EDF stated that “more must be done to ensure the resources procured by LSEs are sufficiently diverse”; that “the proposed order contains no mechanism to incentivize LSEs to procure additional long-lead time resources”; and that “[w]ithout such a mechanism, LSEs are likely to fulfill their procurement obligations by relying mostly, if not solely, on solar and battery storage.”<sup>16</sup> CalWEA proposed such a mechanism, which the Commission should adopt. Namely, requiring 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 much-needed clean energy charging resources, such as wind and geothermal generation.<sup>17</sup>

SCE recommended that the PD be amended to curb its reliance on single monthly effective load carrying capability (“ELCC”) values to be produced by staff, which “may not lead to the optimal mix of resources because: (1) it does not identify reliability needs that exist outside of the single point, and (2) its resource selection criteria is flawed as the annual ELCC values do not reflect the resources’ hourly contribution to reliability, and it does not ensure the energy sufficiency for storage devices.”<sup>18</sup> Specifically, SCE recommended that the Commission “use the ‘indicative’ annual ELCC values from E3 and Astrape Consulting’s October 22, 2021 Incremental ELCC Study for Midterm Reliability Procurement (Updated) (‘2021 Study’) to count resources toward the procurement requirements in the PD and D.21-06-035’s procurement requirements for 2025 and beyond.”<sup>19</sup> SCE states that Energy Division’s monthly ELCC values, based “on a flawed methodology that does not account for market changes,” are rapidly declining and will “result in the selection of resources in the Commission’s capacity expansion modeling that may not economically contribute to reliability compared to other available resources and over-builds storage devices.”<sup>20</sup>

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<sup>15</sup> CalWEA at p. 2.

<sup>16</sup> EDF at p. 5. Similarly, Hydrostor Inc., at p. 3, “worr[ies] that this incremental procurement will result in a lack of resource diversity (e.g., only focusing on short duration storage or solar plus storage resources) and would recommend that the Commission strongly encourage load-serving entities to procure a diverse set of resources as part of this PD.”

<sup>17</sup> CalWEA at pp. 6-7.

<sup>18</sup> SCE at p. 5, footnote 8, quoting SCE’s 2022 Integrated Resource Plan, November 1, 2022, at p. 13.

<sup>19</sup> SCE at p. 6. (Staff previously adopted the 2021 Study values for 2023 and 2024 LSE compliance dates.)

<sup>20</sup> Note 13 *supra*. (In its comments on Energy Division’s March 3, 2022, review of its 2024 LOLE, ELCC, and Planning Reserve Margin analysis, SCE notes that the E3-Astrape study established a 90.7% incremental

CalWEA’s opening comments are consistent with these concerns. CalWEA agrees with SCE that using the indicative annual ELCC values from the 2021 Study for 2025-2028 procurements are likely to be more reflective of the values that will be produced under the Commission’s new 24-hourly RA framework. Further, as SCE stated, this two-phased approach will accomplish the PD’s goal of developing a significant amount of additional capacity, while performing a full needs assessment before additional procurement is ordered, and will allow Commission staff to focus on performing detailed and robust reliability analysis during its development of the 2023 Preferred System Plan “instead of performing another time-intensive ELCC study that will have limited application outside this procurement order.”

Adopting SCE’s proposed approach would also address the concern expressed by AReM/UC that the PD’s proposal to update ELCC values by the end of 2023 would “remove[] valuable time during which the LSEs should be completing procurement.” AReM/UC also recommend use of the 2021 Study values.<sup>21</sup>

### **C. The Commission Should Limit “Bridge” Capacity from Firm Imports**

CalWEA shares the concerns expressed by TURN and many environmental advocates that allowing LSEs to enter into 10-year “bridge” contracts for firm imports, for the purpose of allowing additional development time for new resources to come online, could “effectively prop up gas and coal-fired generation throughout the West.”<sup>22</sup> The PD would allow LSEs to rely on firm import contracts that include a mix of natural gas-fueled and/or unspecified resources and permit such agreements to be executed with any market participant (rather than limited to the counterparty associated with the delayed new resource addition). To prevent this provision from undermining California’s clean energy goals, CalWEA agrees that this provision should be limited to bona fide contract delays and to individual contracts of no more than one year. In addition, as suggested by PG&E, the definition of “firm energy” should be modified to “import energy that otherwise meets the requirements under the current Resource Adequacy Program rules.”<sup>23</sup>

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ELCC value for 2024 battery storage, while Energy Division’s ELCC Study attributes an 80% average ELCC to battery storage. See SCE’s March 14, 2022, comments filed in R. 21-10-002.)

<sup>21</sup> AReM/UC at p. 7.

<sup>22</sup> TURN at p. 1. Also see: Sierra Club/California Environmental Justice Alliance, at p. 7; and Natural Resources Defense Council and the Union of Concerned Scientists at pp. 5-7.

<sup>23</sup> PG&E at p. 6.

### III. CONCLUSION

For the reasons expressed above, CalWEA respectfully requests that the Commission adopt CalWEA's recommendations.

Respectfully submitted,

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

February 7, 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 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 7, 2023, at Berkeley, California.

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