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California Municipal Utilities Association Comments on the Joint Agency Workshop on the Increasing Need for Flexibility in the Electricity System

Additional submitted attachment is included below.

BEFORE THE CALIFORNIA ENERGY COMMISSION

In the Matter of: ***2017 Integrated Energy Policy Report (2017 IEPR)***	**Docket No. 17-IEPR-07** **RE: Need For Flexibility in Electricity System**

CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION COMMENTS ON JOINT AGENCY WORKSHOP ON THE INCREASING NEED FOR FLEXIBILITY IN THE ELECTRICITY SYSTEM

The California Municipal Utilities Association ("CMUA") appreciates the opportunity to provide these comments to the California Energy Commission ("Commission") on the *Joint Agency Workshop on the Increasing Need for Flexibility in the Electricity System* ("Workshop"), held on May 12, 2017.

California energy policy has created tremendous opportunity to realize consumer value as we move to a low or carbon-free electric sector. That opportunity will not be captured, however, unless we are willing to examine and confront the commensurate challenges that result from our energy choices. These challenges include both the cost and reliability impacts of greater and greater penetration of intermittent resources.

1. The Operational Challenges Created by Both Existing and Anticipated Renewable Penetration are Real and Demonstrated.

The California ISO's presentation makes abundantly clear that the challenges to integrate intermittent renewable resources are upon us. This is not a hypothetical issue or an issue that relies upon assumptions about future conditions. As Mr. Rothleder's presentation shows, by 2020, approximately 24,000 MW of installed capacity will be one non-dispatchable resource type, solar

photovoltaics.[1] The afternoon ramp of the system predicted by the original Duck Curve has reached in 2016 what was predicted for 2020.[2] Negative pricing in 2017 well exceeds historical levels and is creating real commercial consequences for both suppliers and load serving entities with whom they contract.[3] It is also affecting wholesale market participants both inside and outside of California. As energy market revenues decline their ability to make units available to meet California flexible capacity requirements is reduced. This is not only an issue for in-state thermal generators, but out-of-state carbon free resources like hydroelectric resources that must plan forward to be make capacity available for California requirements.

The California ISO's presentation indicates that compliance with Control Performance Standards has degraded.[4] Unanticipated loss of solar PV has resulted from transmission faults that tripped and cleared pursuant to prescribed procedures, rather than the ability to ride through the event and help maintain system stability.[5] The ISO knows it cannot wait for an event that results in the loss of firm load to remedy these issues; California policy needs to reinforce that need for action.

These are real reliability challenges that exist today and in the very near future based upon easily anticipated conditions, not some future case. Reliability cannot be taken for granted and is not just the California ISO's problem; it is a challenge that must be met by all California market participants and supported by all policymakers. It is clear that California must work harder these integration challenges in order to maintain and improve the level of reliability we are duty bound to provide to consumers, while reaching our environmental goals. As discussed below, procurement

[1] Rothleder, *Renewable Integration*, CEC IEPR Workshop (May 12, 2017) at 5-6. An examination of the utility scale and behind the meter solar PV build out supports this number.
[2] *Id. at 7.*
[3] *Id. at 12.*
[4] *Id. at 13.*
[5] *Id. at 15.*

policy is at the heart of that discussion. Operational challenges result from procurement choices, and sound policy cannot simply react to those choices but must confront how the renewable fleet characteristics are factored into procurement decisions.

2. Balanced Procurement is the First Tool to Successfully Reach Higher Renewable Levels

It was notable that the Workshop included several presentations on tools to mitigate the impacts of adopted procurement policies, but only one presentation on procurement policy itself. Presentations ranged from technology solutions that improved optimization of resources, groundwater recharge as energy storage, battery-based solutions, grid services provided by PVs, and other tools. However, only one presentation dealt primarily with procurement. The CPUC's presentation focused on the upcoming Integrated Resource Planning process. As the CPUC recognizes, this process will take years to bear fruit.[6] CMUA also commends the CPUC for its forthright statement that while we wait for the IRP to create a comprehensive procurement plan, we should not be creating new siloed obligations that exacerbate existing operational challenges.[7]

In the immediate term, we need to be taking steps that enable full utilization of existing resources (like Pacific Northwest Hydro) to meet integration needs, and better use of demand response. This will require modifications to the existing market rules that restrict counting these types of resources toward Resource Adequacy requirements. We also need to confront head on the need for a predictable revenue stream for the thermal fleet. This does not mean paying existing generation to remain operational until we plot a long-term strategy. It should include a robust discussion of a longer procurement horizon, including a forward RA requirement of some type that insures that needed resources can be maintained for system reliability.

[6] Randolph, *Integrated Resource Planning; Addressing Grid Operational* Issues, CEC IEPR Workshop (May 12, 2017) at 11.
[7] *Id.*

3. CONCLUSION

CMUA appreciates the opportunity to provide these comments to the Commission.

May 25, 2017

Respectfully submitted,

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