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Additional submitted attachment is included below.
The Public Advocates Office’s Comments

California Energy Commission Docket 18-IRP-01

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I. INTRODUCTION

Pursuant to California Energy Commission (CEC) staff direction,¹ the Public Advocates Office (Cal Advocates) at the California Public Utilities Commission (CPUC) submits these comments regarding the CEC’s proposed updates to the Publicly Owned Utility (POU) Integrated Resource Plan (IRP) Guidelines. The proposed updates include revisions to various rules governing POUs’ reliability showings, including new requirements for methodological descriptions of the POUs’ self-selected Planning Reserve Margins (PRMs).² CEC staff introduced these proposed updates during an August 8, 2022, workshop,³ and confirmed the importance of these PRM updates for ensuring the provision of reliable electric service to California ratepayers.

Cal Advocates supports the CEC’s efforts to update POU IRP requirements, which

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reflects the urgent need to review all California Independent System Operator (CAISO) load-serving entities’ (LSEs) contributions to grid reliability and pursue improvements where needed. While the proposed updates are a good start, Cal Advocates recommends that the CEC adopt a higher minimum PRM of 17%, as well as explicit resource counting rules for meeting the PRM. The CEC should also gather and evaluate reliability-related information from the small POUs that do not file IRPs.

Finally, Cal Advocates recently recommended that the CPUC pursue a stakeholder convening process with other state agencies and CAISO stakeholders to collaborate in support of all CAISO LSEs’ shared interest in system reliability. Cal Advocates recommends that the CEC support this effort.

II. BACKGROUND

The CAISO’s rotating outages on August 14 and 15, 2020, lent a new urgency to CAISO system reliability issues, as detailed in the CEC’s, CPUC’s, and CAISO’s Final Root Cause Analysis (FRCA). Since the outages, the CPUC and the CPUC-jurisdictional LSEs have undertaken substantial work to prevent future rotating outages. Since 2004, the CPUC had previously required every CPUC-jurisdictional LSE to procure sufficient generation capacity for a PRM in the range of 15-17%. The CPUC recently increased this PRM requirement for all CPUC-jurisdictional LSEs to 16% in 2023 and 17% in 2024. The CPUC also requires all CPUC-jurisdictional LSEs to share the costs of investor-owned utility (IOU) procurement of additional generation capacity, sufficient to meet an “Effective PRM” of 20-22.5% for additional

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summer reliability. More recent CPUC modeling results correspond to the range of 19.5%-23.5%, and CPUC staff have indicated that these even higher PRMs will determine CPUC-jurisdictional LSEs’ reliability procurement needs for 2025 and beyond. CEC staff have likewise published stack analyses that utilize a 22.5% PRM and that show a potential risk for multiple coincident downside risks even with the 22.5% PRM.

The CEC-jurisdictional POUs are not subject to these higher PRMs, and the FRCA raises the prospect that CEC-jurisdictional POUs have fallen behind the CPUC-jurisdictional LSEs in working to meet the shared responsibility of providing for CAISO system reliability. The FRCA finds that the CEC-jurisdictional POUs have PRMs as low as 14%; that they rely on a disproportionately high share of resource adequacy (RA) “credits” with unknown attributes, no must-offer obligation, and no performance penalty or capacity substitution requirements; and that they failed to share the burden of rotating outages when the CAISO issued load shed requests to CPUC-jurisdictional and CEC-jurisdictional LSEs alike on August 14, 2020. These facts suggest that additional oversight is necessary to ensure CEC-jurisdictional LSEs shoulder

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11 CEC and CAISO, Transitioning to a Clean Energy Future: Electric Reliability Outlook, August 14, 2022, pp. 11-16.


their fair share of the work needed to maintain CAISO system reliability.

Furthermore, the state Legislature recently passed Assembly Bill (AB) 209 and Senate Bill (SB) 846, in part to support increased CEC oversight of POUs’ contributions to CAISO system reliability. AB 209 requires the CEC to “develop recommendations about approaches” to minimum planning reserve margins for future POU PRMs, that explicitly “take into consideration climate change [and] extreme weather events,” among other factors.\textsuperscript{15} SB 846 requires the CEC and CPUC to file a joint Reliability Planning Assessment on a quarterly basis.\textsuperscript{16} In this assessment series, the CEC will “provide an estimate for the loads and resources for the entities that are not subject to the Public Utilities Commission’s jurisdiction that are part of the Independent System Operator system supply and demand balance.”\textsuperscript{17} This is a clear mandate for the CEC to exercise additional oversight of POUs to rectify the problems outlined in detail in the FRCA.

III. DISCUSSION

A. The CEC’s proposed POU IRP Guideline updates will not ensure that CAISO POUs contribute their fair share to CAISO system reliability.

Cal Advocates commends CEC staff for turning their attention to the critical issue of electricity reliability and bringing this concern to bear on updating the POU IRP Guidelines. While the proposed updates to the POU IRP Guidelines are a good start, the updates are insufficient to ensure that CEC-jurisdictional LSEs will ultimately contribute their fair share to CAISO system reliability. The CEC’s proposed updates include the following:

- Reporting a discretionary PRM to meet 1-in-2 peak load;\textsuperscript{18}
- Reporting a discretionary PRM to meet “a more extreme 1-in-10 weather scenario”;\textsuperscript{19}

\textsuperscript{15} Public Resources Code Section 25704.5(b).
\textsuperscript{16} SB 846 (Dodd), Proposed Public Resources Code Section 25233(a).
\textsuperscript{17} SB 846 (Dodd), Proposed Public Resources Code Section 25233(a)(4).
• A narrative discussion of “the method for calculating the PRM”; 20
• “[P]rojections of annual peak capacity needs and the contribution of both demand and supply-side resources”; 21
• Recommended showings of “supply-resource stacks”; 22 and
• Narrative descriptions of the POU’s efforts to meet net peak demand. 23

These CEC POU IRP Guidelines are insufficient because the proposed guidelines would permit POUs to continue planning with their self-selected, insufficient PRMs of 14-15%. Maintaining relatively lower POU PRMs would be unfair to CPUC-jurisdictional LSEs, which now face increasing PRMs themselves. These lower POU PRMs could also put the CAISO at risk of future shortfalls, as the lower PRMs have already proven insufficient to prevent the August 2020 outages. 24 If future shortfalls occur, the FRCA provides reason to believe that the outages could be concentrated among CPUC-jurisdictional LSEs, as the CAISO POUs did not share in rotating outages on August 14, 2020. 25

The guidelines are also insufficient because they fail to establish clear rules for resource accreditation, such as exceedance or effective load-carrying capability methodologies. 26 Resource accreditation refers to rules for how the CEC will de-rate the nameplate capacity of a given resource or resource type when counting its megawattage towards the LSE’s PRM. This

26 Public Utilities Code Section 399.26 requires the CPUC to use effective load carrying capability (capacity) (ELCC) values for certain RA planning purposes. ELCC methodologies accredit resources for reducing the risk of load by comparison with modeled, hypothetical “perfect” generators. The CPUC will also be using exceedance values for wind and solar in future RA years, pursuant to Ordering Paragraph 17 of D.22-06-050. Exceedance methods use percentile thresholds of resources’ historical production data to accredit resources.
de-rating recognizes the likelihood that some of the resource’s nameplate capacity is unlikely to provide energy or reduce demand during the specific period of greatest grid stress. For example, variable energy resources’ output is less than nameplate in nearly all hours, and these resources’ nameplate capacities would overrepresent the resources’ true reliability contributions if the resource accreditation methodology does not include de-ratings. Consistent resource accreditation rules will enable the CEC to understand the actual reliability contributions of a given POU IRP, and to compare different POUs’ IRPs in an apples-to-apples manner.

Cal Advocates recommends that the CEC adopt a more systematic approach to ensuring the CAISO POUs contribute their fair share to CAISO system reliability. Minimum elements of this approach should include:

- An interim minimum 17% PRM for each CAISO POU, calculated on the LSE’s coincident share of the CAISO’s 1-in-2 peak load. This 17% interim PRM should remain in effect until superseded by future PRM requirements pursuant to AB 209. This interim PRM should be implemented starting in 2024, concurrent with CPUC-jurisdictional LSEs’ increasing PRM obligations;
- A requirement for POUs to file interim IRP updates, if necessary, to provide updated showings with sufficient resources to meet the increased 17% PRM obligation;
- Explicit resource counting rules (e.g., exceedance or effective load-carrying capability methodologies) for how the CEC will accredit a given resource type for any contributions to the PRM or to the proposed ‘‘supply-resource stacks’’ for periods of overgeneration, ramping needs, and net-peak demand’’;
- Guidance requiring future POU IRP amendments in the event of additional PRM increases, pursuant to AB 209. To enable advance POU planning, Cal Advocates recommends that the CEC adopt an interim advisory PRM range for POUs’ subsequent IRP filings in the late 2020s. This interim advisory range should be commensurate with the higher midterm range of 19.5%-23.5% that is under consideration by the CPUC; and
- The calculation and narrative description of any resources that the POU may use to claim RA credits with the CAISO. The CEC should require the POU to link the resource’s

27 Public Resources Code Section 25704.5(b).
29 Public Resources Code Section 25704.5(b).
dispatch to the CAISO’s grid emergency protocols to ensure the resource actually provides energy or reduces demand when the CAISO grid reaches emergency conditions. These minimum elements are necessary to support the CEC’s evaluation of CAISO POUs’ contributions to overall CAISO system reliability; to provide the POUs with certainty to understand how the CEC will review their IRPs for resource sufficiency; to improve the visibility and linkage of any POU RA credits with the CAISO’s emergency protocols; and to ensure that the 5-year POU IRP minimum filing requirement does not pose an obstacle to future updates that should occur within the 5-year horizon.

Finally, the current approach to evaluating the CAISO system reliability contributions of CEC-jurisdictional and CPUC-jurisdictional LSEs may result in cross-subsidization if the two groups do not increase their PRMs commensurately. For example, if the CEC lags behind the CPUC in the pace of PRM increases, then POUs may end up contributing less than their fair share to the costs of ensuring CAISO system reliability. The result of this pattern would be a cross-subsidy from CPUC-jurisdictional LSEs’ ratepayers. Joint agency collaboration could reduce this cross-subsidization risk, though the CEC can independently implement the recommendations above, regardless. Cal Advocates recently recommended that the CPUC pursue a stakeholder convening process with other state agencies and CAISO stakeholders to collaborate in support of all CAISO LSEs’ shared interest in system reliability. Cal Advocates recommends that the CEC support this effort.

B. The CEC should gather and evaluate reliability-related information from non-IRP filing POUs.

POUs with annual load below 700 gigawatt-hours are not subject to the CEC’s POU IRP filing requirements. However, statute authorizes the CEC to request any information the [CEC] determines is necessary to evaluate the progress made by the local publicly owned electric utility” … “to meet its planning reserve margin and peak demand and operating reserves, sufficient to provide reliable electric service to its customers.

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31 Public Utilities Code Section 9621(b).
33 Public Utilities Code Section 9621(a).
34 Public Utilities Code Section 9620(a) and (d).
The CEC must include information on this “progress” in the annual Integrated Energy Policy Report.\textsuperscript{35} SB 846 requires the CEC to include some of this “progress” information - estimates of all CAISO POU’s loads and resources - in quarterly Reliability Assessments.\textsuperscript{36}

Cal Advocates recommends that the CEC gather information from the non-IRP-filing POU’s, to evaluate their CAISO system reliability contributions in conjunction with the CEC’s reporting obligations. To ensure that the CEC can evaluate the small POU’s information filings for the \textit{equitability} of the POU’s contributions to CAISO system reliability, the CEC should propose and enforce reliability filing requirements similar to those recommended for the IRP-filing POU’s, above, including an increased 17% minimum PRM.

Cal Advocates acknowledges that small POUs may have unique characteristics, including load or resource attributes, that may result in claimed reliability contributions equivalent to RA credits that fully net out the POU’s CAISO peak load share. For example, Pechanga Western Electric has represented to the CAISO that its ability to “island” from the grid enhances CAISO load modification.\textsuperscript{37} Kirkwood Meadows Public Utility District likewise represented to the CAISO that its islanding ability satisfies its share of the CAISO’s RA obligations.\textsuperscript{38} The resources that support such RA credit claims are not visible to the CPUC or the CAISO, and the regulatory structure that links the resources to the CAISO’s emergency protocols, if any, is unknown.

The CEC is the agency with the statutory authority to gather the information needed to assess such RA credit claims, and it should exercise this authority. The CEC should focus its informational requests to the non-IRP-filing POUs on any RA credits that the POU may claim to satisfy its RA obligations. The CEC should require the non-IRP-filing POUs to explain how the resources that support their RA credits are linked to the CAISO’s grid emergency protocols, ensuring that the resources actually reduce demand or otherwise produce energy during grid

\textsuperscript{35} Public Utilities Code Section 9620(e).

\textsuperscript{36} SB 846 (Dodd), Proposed Public Resources Code Section 25233(a)(4).


emergencies.

IV. CONCLUSION

Cal Advocates respectfully requests that the CEC adopt the recommendations herein. Please contact Christian Lambert at Christian.Lambert@cpuc.ca.gov with any questions or comments.