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Clean Power Alliance of Southern California Comments on Draft Clean Energy Reliability Investment Plan Report

Additional submitted attachment is included below.

February 16, 2023

California Energy Commission
715 P Street
Sacramento, CA 95814

Clean Power Alliance of Southern California Comments on Draft Clean Energy Reliability Investment Plan Report

Pursuant to the Notice of Availability of the Draft Clean Energy Reliability Investment Plan Report (CERIP Report) issued on February 9, 2023, Clean Power Alliance of Southern California (CPA) submits these comments on the investment plan detailed in the CERIP Report.

CPA is a community choice aggregator (CCA) that serves 32 member agencies in the counties of Los Angeles and Ventura, and commenced its service in 2018. As the third largest load serving entity (LSE) in the California Independent System Operator (CAISO) balancing area, CPA has executed contracts for 1,883 MW of renewable energy resources and 1,089 MW of energy storage resources. Like many other LSEs, CPA has experienced a tight capacity market in the last few years, and we especially appreciate the acknowledgement of the need to invest in supply-side and demand-side resources to increase grid reliability.

CPA's comments directly respond to the part of the report that recommends developing broad initiatives to achieve the scaling of supply-side and demand-side resources. CPA proposes an incentive mechanism to bring new, clean energy resources on the grid quickly and consistently to provide a cushion for reliability and liquidity to the capacity market.

An incentive mechanism for LSEs is needed to bring clean capacity resources online quickly

Over the last few years, California has been at increasing and ongoing risk of not having enough capacity on the grid. As acknowledged in the CERIP Report, the reliability risk necessitates the financial support for commercially available technologies that can be deployed in larger sizes (e.g. large customer or utility scale). CPA notes that while some new technologies have more cost barriers than others, supply chain challenges that the energy market continues to experience have led to price increase across the board, resulting in higher costs for ratepayers. To relieve the cost burden on ratepayers, and to address ongoing reliability challenges, CPA proposes an incentive payment mechanism for LSEs to bring resources online early in advance of their compliance requirements.

The approach is two-pronged. First, the state must set a long-term capacity procurement target for new, clean energy resources by 2035 to ensure there is sufficient capacity to meet reliability needs. This effort has been undertaken by the California Public Utilities Commission (CPUC), where the staff are developing a long-term framework to set a clean capacity procurement target. Importantly, this target should be perceived as a floor, not a ceiling, in order to ensure reliability and create the necessary competition that will drive down prices in the capacity market and result in savings for ratepayers.

Second, LSEs should receive an incentive payment for bringing resources online early in advance of and above their compliance requirements, and CPA recommends the CEC adopting this mechanism as a part of its investment plan. The payment amount can be set to the current year capacity market price benchmark for each eligible MW that comes online above the CPUC target. The incentive payment should be made available for eligible renewable energy resources, storage, and demand-side resources that contribute to the capacity target. Based on CPA's analysis, a $100 million incentive amount would be expected to create at least 1,000 MW of "cushion" capacity, and begin to bring back much needed competition to the capacity market.

This incentive mechanism proposal is consistent with the report's proposals to scale supply-side and demand-side clean energy resources, and CPA urges the CEC to consider adopting this incentive mechanism as a part of its investment plan to support grid reliability while making electricity fueled by clean energy resources affordable.

Conclusion

CPA appreciates the thoughtfulness of the CERIP Report and the opportunity to provide comments, and looks forward to collaborating with the CEC and other energy agencies to achieve California's reliability and decarbonization policy goals.

Sincerely,

C.C. Song
Senior Director, Regulatory Affairs
Clean Power Alliance of Southern California