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STATE OF CALIFORNIA ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION

IN THE MATTER OF: *2022 Integrated Energy Policy Report Update (2022 IEPR Update)*	Docket No. 22-IEPR-01 RE: *Final 2022 Integrated Energy Policy Report Update*

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON THE FINAL 2022 INTEGRATED ENERGY POLICY REPORT UPDATE

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The California Community Choice Association[1] (CalCCA) submits these Comments pursuant to the *Notice of Availability and Request for Comments on the Final 2022 Integrated Energy Policy Report Update*.

I. INTRODUCTION

CalCCA appreciates the significant time and effort invested by California Energy Commission (Commission) staff in creating the Final 2022 Integrated Energy Policy Report Update (IEPR Update). The IEPR Update provides a comprehensive analysis of the energy demand forecast and other critical energy issues facing California. These comments focus on three areas addressed in the IEPR Update: (1) the reliability analysis; (2) the energy demand forecast; and (3) the California Planning Library.

[1] California Community Choice Association represents the interests of 24 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Energy For Palmdale's Independent Choice, Lancaster Choice Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

First, CalCCA urges the Commission to broaden its focus beyond only the energy procurement needed to address the identified supply shortfall in the coming years. The Commission should also include in its reliability discussion the presently razor thin California resource adequacy (RA) market and how to remedy the lack of capacity for load serving entities (LSEs) to meet their RA obligations. The IEPR Update does analyze RA in connection with the potential for western electricity integration and the possible regional RA market. While regional coordination of California electricity markets may be extremely beneficial over the long term, the Commission and other California regulatory agencies must first recognize the obligations of LSEs within the California RA program that must be presently satisfied.

Second, CalCCA supports the updates to the energy demand forecast including the development of a single plan to be used by California energy agencies. However, plans should continue to be analyzed under varying scenarios to ensure the identification of any risks of variances in the demand forecast.

Third, the Commission should ensure that the California Planning Library allows easy access and links to a wide range of Commission materials.

II. THE IEPR UPDATE'S ENERGY RELIABILITY ANALYSIS SHOULD FOCUS ON THE THIN CALIFORNIA RESOURCE ADEQUACY MARKET ALONG WITH PROCUREMENT NEEDS AND WESTERN ELECTRICITY INTEGRATION

Along with energy procurement needs and the progression for California's electricity system to join the larger Western Interconnection, the Commission and other California energy agencies must presently focus on the thin California RA market to ensure competitive markets, reasonable customer rates, and to maintain grid reliability. The IEPR Update summarizes the reliability challenges identified by the Commission in its various analyses of reliability over the next several years, including: (1) procurement shortfalls to meet peak demand and maintain a

1-in-10 loss of load expectation (LOLE); (2) project delays; (3) potential extreme and unanticipated weather events such as the September 2022 heat wave; and (4) emergencies occurring during extreme weather events, including fires impacting transmission as well as reduced hydroelectric resources.[2] The IEPR Update also addresses the transition towards a western regional electricity market, including the implementation of a regional RA program, the Western Resource Adequacy Program (WRAP).[3] CalCCA appreciates the extensive analysis of the energy supply challenges facing California, as well as the potential advantages of Western electricity system integration. However, a key component of the present reliability discussion must be the extremely scarce California RA market, considering diminishing imports and increasing exports from the California Independent System Operator Corporation (CAISO) footprint, and the potential impact on competitive markets and customer rates in California.

A. Reliability Analyses Must Focus on California's Thin Resource Adequacy Supply Margin as Well as Procurement Needs

The Commission's analysis on reliability in the IEPR Update focuses on energy supply challenges and the need for additional procurement in California over the next several years, but fails to also discuss another critical component of the reliability landscape – the currently razor thin California RA market. The Commission's reliability studies (including the summer stack analysis) as described in the IEPR Update,[4] demonstrate the potential generation shortfall of more than 10,000 megawatts (MW) in 2025 if several of the conditions (such as emergency

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2 IEPR Update at 75-76.

3 *Id.* at 86-96. The WRAP is an opt-in RA planning and compliance program for the western region, started at the request of the customers of the Western Power Pool. As of January 2023, 20 utilities from the northwest, parts of the desert southwest, Canada and northern California have committed to the program. The first non-binding WRAP showing was in October 2022 for 2023. *See* Western Power Pool, Western Resource Adequacy Program: https://www.westernpowerpool.org/about/programs/western-resource-adequacy-program.

4 *Id.* at 74-79.

weather events, supply chain issues) occur at once.[5] Reliability in California, however, must be analyzed in the context of both generation shortfalls and the inability of LSEs to meet their RA obligations due to an inadequate supply of resources available.

CalCCA has conducted its own summer supply stack analysis for 2023,[6] which concludes with a picture "on paper" of the razor thin to deficient California RA supply margin beginning in July 2023. As discussed below, the actual margin is likely thinner for several reasons. The results of CalCCA's analysis, utilizing publicly available information, is set forth in Table 1 below and demonstrates:

- In July 2023, an RA surplus of only 779 MW;
- In August 2023, an RA surplus of only 1,179 MW, which as noted assumes 60 percent of the California Public Utilities Commission (CPUC) ordered supply becomes available (if it does not become available a deficit of 516 MW will result); and
- In September 2023, an RA deficit of 553 MW (assuming 60 percent of the CPUC-ordered supply becomes available (and if it does not become available a sizable deficit of 2,248 MW will result)).

Table 1: 2023 Summer Supply Stack

		Jun	Jul	Aug	Sep
1	Owned by Calpine[7]	5,874	5,864	5,861	5,867
2	Owned by AES[8]	3,657	3,657	3,655	3,655
3	Owned by NRG[9]	2,321	2,317	2,315	2,322
4	Owned by Other[10]	35,956	36,402	35,690	34,973

[5] *Id.* at 77.

[6] CalCCA has shared its stack analysis with the energy agencies, the CAISO, academics, and market participants. Through these meetings we have evolved and continue to evolve our analysis.

[7] Totals by generator owner established using the CAISO 2023 Net Qualifying Capacity (NQC) List, located at: https://www.caiso.com/Documents/Final-Net-Qualifying-Capacity-Report-For-Compliance-Year-2023.xls, and the CAISO Master Control Area Generating Capability List, located at: oasis.caiso.com.

[8] *Id.*

[9] *Id.*

[10] *Id.*

		Jun	Jul	Aug	Sep
5	Thermal Plant Derate[11]	(726)	(726)	(726)	(726)
6	Imports[12]	5,500	5,500	5,500	5,500
7	Event-Based Demand Response[13]	995	1,045	1,077	1,090
8	**Total RA Supply**	**53,577**	**54,059**	**53,372**	**52,681**
9	CAISO 1-in-2 Load[14]	42,056	45,397	45,922	46,819
10	Reserve Margin (16%)[15]	6,729	7,264	7,347	7,491
11	Retention for Substitution[16]	619	619	619	619
12	**Total RA Demand**	**49,405**	**53,280**	**53,888**	**54,929**
13	Surplus Supply (Deficit)	4,173	779	(516)	(2,248)
14	Expected New Resources[17]	-	-	1,695	1,695
15	Surplus Supply (Deficit) with New	4,173	779	1,179	(553)

CalCCA's 2023 summer stack analysis demonstrates the grim situation "on paper" beginning with the razor thin surplus in July 2023, culminating with an actual deficit in September. Not incorporated into this analysis are factors that indicate that the actual margin

[11] Many thermal generators cannot produce at maximum output at certain temperatures, leading to plant derates. For this reason, resource owners may not sell their full NQC as RA capacity. Ambient derate data can be found in the CAISO's daily Curtailed and Non-Operational Generator Prior Trade Date Reports, located at: http://www.caiso.com/market/Pages/OutageManagement/CurtailedandNonOperationalGenerators.aspx

[12] Assumes the same amount of imports used in the CEC's Reliability Planning Assessment. *See* 21-ESR-01, CEC SB 846 Presentation (Jan. 19, 2023), Slide 32, located at: https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=21-ESR-01.

[13] Demand response (DR) quantities are from the CPUC's Resource Adequacy Compliance Materials, located at: https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/resourceadequacy-homepage/resource-adequacy-compliance-materials.
DR totals, from event-based programs at Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric (SDG&E), include avoided losses.

[14] Peak demand forecast is from the CPUC's 2023 Forecast Summary Tables, located at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacyhomepage/resource-adequacy-compliance-materials/ra-2023-forecast-summary-tables.xlsx.

[15] Planning reserve margin requirement of 16 percent, as required by CPUC Decision (D.) 22-06-050: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M488/K540/488540633.PDF.

[16] 2021 Investor-owned Utility (IOU) Excess Resource reports: https://www.cpuc.ca.gov/industries-and-topics/electricalenergy/electric-power-procurement/resource-adequacy-homepage/resource-adequacy-compliancematerials.

[17] Follows PG&E's approach in its *Response of Pacific Gas and Electric Company (U 39 E) to California Community Choice Association's Petition for Modification of Decision 22-03-034,* R.21-10-002 (Oct. 11, 2022), at 10, which assumes that 60 percent of 2023 Commission-mandated integrated resource proceeding (IRP) procurement becomes available for RA in 2023, located at https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M497/K621/497621743.PDF.

may be even thinner. First, responses to CCA market outreach for RA supply have indicated insufficient supply. Second, the analysis above (and the CEC's Senate Bill (SB) 846 Reliability Assessment) assumes that generators will sell 100 percent of their NQC, which may not always be the case.[18] Third, the availability of 5,500 MWs of imports during critical hours utilized in CalCCA's analysis is uncertain, especially given capacity in the entire western region is tight. Finally, CalCCA's analyses is based on the assumption that all of the NQC is sold within the CAISO footprint, and that the NQC is not used to support other Western markets. Given the west-wide constraints, however, NQC that appears available may, in fact, be supporting other Western LSEs – out of state utilities or in-state publicly owned utilities outside the CAISO footprint – to shore up their internal supply or participate in the WRAP.

B. Potential Coordinated Western Integration on Resource Adequacy Does Not Adequately Address Current California Resource Adequacy Needs and Obligations

The IEPR Report identifies regional resource adequacy concerns and the potential benefits of participating in a regional resource adequacy market (the WRAP).[19] Given the RA scarcity in California, however, the Commission and other California regulatory agencies should first focus on the lack of capacity in California for LSEs to fulfill their obligations in the California RA program to ensure enough capacity is available at all hours to the CAISO. The Commission should also focus on how the RA supply challenges impact competitive markets and customer rates. CalCCA therefore recommends that the Commission include in its IEPR reliability analysis not only new procurement and how western regionalization may provide reliability benefits in the future, but also the impact of the RA supply challenges on competitive markets and customer rates.

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[18] Note that as set forth in footnote 11 above, the CalCCA analysis does account for potential reductions in the RA supply due to thermal derates. However, there may be additional reasons why suppliers would not sell 100 percent of their NQC that have not been included in the CalCCA analysis.

[19] IEPR Update at 86-87.

III. THE COMMISSION SHOULD EVALUATE PLANS UNDER A WIDE RANGE OF ENERGY DEMAND FORECASTS TO IDENTIFY AND COMMUNICATE RISKS

CalCCA supports the Commission's plan to streamline and clarify the demand forecast with a reduced set of assumptions and new naming conventions. The choice of scenarios in the single managed forecast set for electricity planning are appropriate for the CPUC and CAISO use cases. The proposal to have consistent demand forecasts used across different planning forums, including IRP and the Transmission Planning Process (TPP), will ensure planning for future procurement and transmission needs will stem from consistent assumptions. However, all planning processes should acknowledge that demand forecasts are inherently uncertain. While the single managed forecast set of assumptions can be used to develop a single plan, all plans should continue to be evaluated under a wide range of forecast conditions. Such analysis will ensure that risks associated with the single plan are identified and communicated. The planning process should therefore continue to identify effective strategies when demand inevitably differs from the forecast.

IV. THE COMMISSION SHOULD ENSURE EASY ACCESS TO PLANNING DATA THROUGH THE CALIFORNIA PLANNING LIBRARY

The Commission's efforts to develop a California Planning Library should be applauded. CalCCA urges the Commission to ensure that the Planning Library allows a vast array of Commission planning data to be easy to access and well organized. In addition to organizing the data itself, the Commission should ensure that the data are easy to understand by providing direct links to documentation of the data sources, methods, and meaning of data fields. Organization of the data dictionaries is just as important as organizing the data to enable others to build on Commission data. For example, the Commission's demand forecast includes aggregate hourly profiles for demand modifiers, including behind-the-meter resources, that it creates from annual data provided by LSEs. The California Planning Library is an opportunity to make this data more

useful to LSEs by providing visibility to the methods used by the Commission to "build up" the aggregate hourly profile from the annual data.

V. CONCLUSION

CalCCA looks forward to further collaboration on these topics.

Respectfully submitted,

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