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Additional submitted attachment is included below.

**STATE OF CALIFORNIA ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT COMMISSION**

IN THE MATTER OF:

ENERGY SYSTEM RELIABILITY

DOCKET NO. 21-ESR-01

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS
ON THE SUMMER RELIABILITY WORKSHOP**

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**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS
ON THE SUMMER RELIABILITY WORKSHOP**

The California Community Choice Association¹ (CalCCA) submits these Comments pursuant to the *Notice of Summer Reliability Workshop*,² dated May 4, 2023.

I. INTRODUCTION

CalCCA appreciates the opportunity to comment on the 2023 Summer Reliability Workshop (Workshop). The Workshop presentations point to positive improvements to summer reliability in 2023 due to new resource procurement and above-normal hydro conditions. CalCCA recognizes the tremendous efforts made by state agencies, load-serving entities (LSEs), developers, and other industry stakeholders to accelerate the pace of resource development in response to summer reliability challenges in recent years. The California Independent System Operator (CAISO) projects 8,594 megawatts (MW) of new installed capacity between September

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.

² *Notice of Summer Reliability Workshop*, 21-ESR-01 (May 4, 2023):
<https://efiling.energy.ca.gov/GetDocument.aspx?tn=250004&DocumentContentId=84734>.

1, 2022 and September 1, 2023, roughly half of which comes from energy storage.³ The California Public Utilities Commission (CPUC) data shows LSEs collectively met their 2022 Mid-Term Reliability procurement obligations due to excess procurement by community choice aggregators (CCAs) and electric service providers (ESPs).⁴ These efforts, coupled with record hydro conditions, put the state in a good position for summer 2023.

Despite positive progress for summer 2023, resource adequacy (RA) challenges persist and will continue into the near future. It is not possible to compare the 2023 summer supply stack presented by the California Energy Commission (Commission) to the 2023 summer RA stack because resource availability assumptions used in the supply stack differ from those used in the RA program. However, several factors point to an RA market that is more constrained than the 2023 summer supply stack suggests. *First*, hydro conditions are volatile, and the cushion provided by the above-average hydro conditions this year may not last. *Second*, supply continues to be tight west-wide, and increasing the import RA assumptions used in the stack analysis appear contradictory to recent RA import trends. *Finally*, the CAISO analysis of authorized procurement and the preferred system plan (PSP) suggests shortfalls will reemerge in the coming years due to increases in the load forecast.

While this Workshop focused on the immediate summer reliability needs, given persistent RA market challenges, CalCCA makes the following recommendations:

³ CAISO Presentation at 2.

⁴ CPUC *Summary of Compliance with Integrated Resource Planning (IRP) Order D.19-11-016 and Progress Toward Mid Term Reliability (MTR) D.21-06-035 Procurement*, at 24: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/integrated-resource-plan-and-long-term-procurement-plan-irp-ltpp/d1911016andd21.pdf>.

- The Commission should recognize that despite positive progress for summer 2023, RA may still be a challenge this year and in future years;
- The Commission should further consider its import RA assumptions given recent RA import trends and capacity conditions West-wide; and
- Contingency resources should be truly incremental to RA-eligible resources so as not to introduce competition between LSEs procuring RA capacity and the state procuring contingency capacity.

These recommendations recognize the importance of continued efforts and the difficult market conditions that can be expected to continue.

II. THE COMMISSION SHOULD RECOGNIZE THAT DESPITE POSITIVE PROGRESS FOR SUMMER 2023, RA MAY STILL BE A CHALLENGE THIS YEAR AND IN FUTURE YEARS

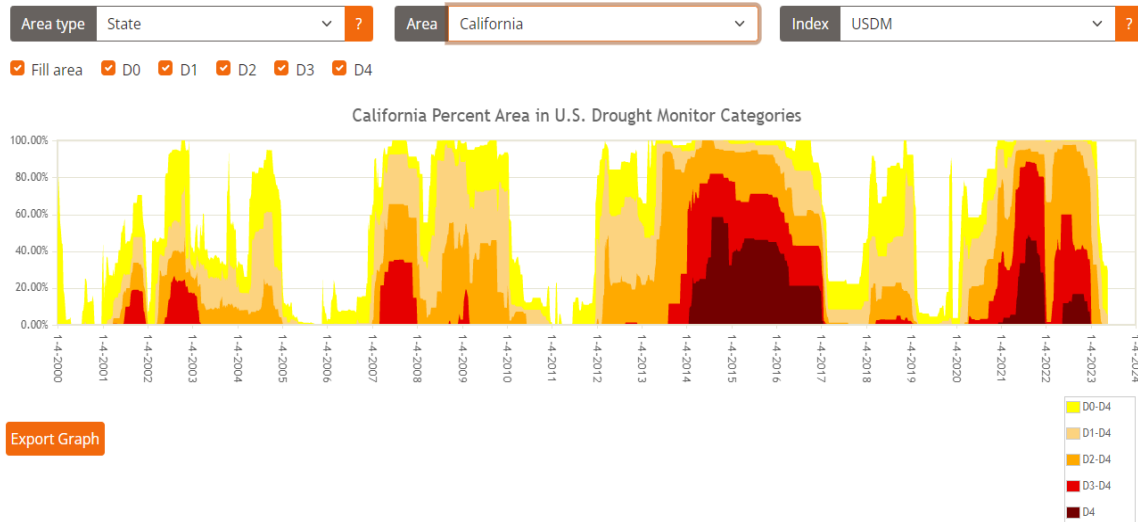
While new resource procurement and above-normal hydro conditions will improve summer reliability in 2023 compared to past years, the Commission, CPUC, CAISO, and stakeholders must continue to work on challenges with the RA supply stack that will continue this year and in coming years. The CAISO's presentation demonstrates that 2022-2023 is a record hydro year, surpassing any prior year's hydro conditions since 1982-1983.⁵ Hydro conditions are variable, and the effects of climate change make it critical for the state to continue to plan for energy needs considering conservative hydro assumptions. Figure 1, shown below, shows historic California drought data from the US Drought Monitor⁶, with darker colors indicating more severe drought.⁷ 2014-2016 and 2021-2022 are abnormally dry years, with more exceptional droughts.

⁵ CAISO Presentation at 2.

⁶ US Drought Monitor: <https://droughtmonitor.unl.edu/>.

⁷ Data is from <https://droughtmonitor.unl.edu/DmData/TimeSeries.aspx> for California. The color scale in the legend consists of the following categories: D0 (Abnormally Dry), D1 (Moderate Drought), D2 (Severe Drought), D3 (Extreme Drought), and D4 (Exceptional Drought).

Figure 1



Given this variability in hydro conditions year over year and the risk of sustained droughts, current high hydro conditions cannot be relied upon when estimating available supply to meet reliability targets and RA requirements in future years.

The CAISO's summer assessment⁸ supports this. The CAISO indicates that current high hydro conditions provide an additional 1,340 MW margin, allowing the system to achieve a 1-in-10 loss-of-load expectation (LOLE) with resources forecasted to be online by June 1, 2023.⁹ The CAISO's PLEXOS modeling also finds that with average hydro conditions, shortfalls emerge in 2025 and 2026 as loads increase.

Additionally, current hydro conditions may not align with what is actually shown for RA this compliance year due to counting rule limitations. A recent CPUC decision allowed hydro resources to receive a resource adequacy availability incentive mechanism (RAAIM) exemption

⁸ Similar to the stack analysis in the Commission's presentation, the CAISO summer assessment focuses on summer 2023 outlook but also includes information pertinent to the near future with regard to reliability. This aspect is important for all reliability organizations to consider.

⁹ CAISO, *2023 Summer Loads and Resources Assessment*, at 11: <http://www.aiso.com/Documents/2023-Summer-Loads-and-Resources-Assessment.pdf>.

if the hydro resources elected to use an exceedance counting methodology that values the resource based on past availability putting more weight on low hydro years.¹⁰ Therefore, while this year may result in higher hydro availability and therefore increased reliability, that higher availability may not be reflected in RA showings due to counting rule limitations. In addition, even though the IOUs may choose for the month-ahead RA showings in 2023 to show a higher amount, it is unlikely that they will do the same for the year-ahead showing for 2024 which is due in October, as the precipitation year has only begun. In short, the RA process can still produce results indicating insufficient capacity even when the grid is expected to meet summer conditions like the Commission report shows for 2023.

III. THE COMMISSION SHOULD FURTHER CONSIDER ITS IMPORT RA ASSUMPTIONS GIVEN RECENT RA IMPORT TRENDS AND CAPACITY CONDITIONS WEST-WIDE

The Commission also indicated that it added an additional 500 MW of RA imports assumed in the supply stack to better reflect historical averages, resulting in an increase in the amount RA imports from 5,500 MW to 6,000 MW.¹¹ This increase appears to contradict recent RA import trends that point to the inability to rely on historical RA import levels as a good predictor of future RA import levels. CAISO data on historical year-ahead RA import showings in Table 1 below demonstrate that since 2020, import RA showings have steadily decreased.¹²

¹⁰ Decision 20-06-031 *Decision Adopting Local Capacity Obligations for 2021-2023, Adopting Flexible Capacity Obligations for 2021, and Refining the Resource Adequacy Program*: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M342/K083/342083913.PDF>.

¹¹ Commission Presentation at 6.

¹² While shown RA imports may increase between the year-ahead and month-ahead showings, what is important is the trend of decreasing shown RA imports year over year.

Table 1: Year-Ahead RA Import Showings (MW)

<i>Year</i>	<i>Non-Resource Specific Imports (ITIE)</i>	<i>Resource Specific Imports (TG)</i>	<i>Grand Total</i>
2019	4,155.24	1,642.22	5,797.46
2020	4,331.41	1,586.31	5,917.72
2021	2,237.63	2,159.89	4,397.52
2022	1,333.31	2,244.56	3,577.87

This trend reflects the fact that while California continues to face scarce capacity conditions, so do other regions across the west. The Western Electric Coordinating Council’s (WECC) August 2020 Heatwave Event Analysis Report finds that increased demand during summer months across the Western Interconnection has created more competition for available generation. The Report also finds that seasonal demand differences between balancing authority areas (BAAs) that once allowed excess generation in the north to supply demand in the south in the summer (and vice versa) appear to be diminishing, as BAAs that previously peaked in the winter months now peak in summer or in both summer and winter.¹³ This increases demand for available generation in the summer when California’s RA needs are highest. Other BAAs have recognized the need to ensure sufficient capacity is available to serve their load through forward commitments, and have begun implementing their own RA programs (i.e., the Western Resource Adequacy Program (WRAP)). Given capacity conditions West-wide and recent RA import trends, the Commission should revisit its decision to increase its import RA assumptions or provide further justification so that stakeholders can better understand the rationale for the increase.

¹³ Western Electricity Coordinating Council, August 2020 Heatwave Event Analysis Report, March 19, 2021, at 2-3.

IV. CONTINGENCY RESOURCES SHOULD BE TRULY INCREMENTAL TO RA-ELIGIBLE RESOURCES SO AS NOT TO INTRODUCE COMPETITION BETWEEN LSES PROCURING RA CAPACITY AND THE STATE PROCURING CONTINGENCY CAPACITY

While in general it is a good idea for the state to procure contingency resources to ensure reliability during extreme events, we must recognize that the set of RA resources is fixed. Any procurement by the state of exiting RA qualified resources to meet reliability needs will result in a system that is reliable, but under the current tight capacity market for RA, could result in a deficient entity subject to penalties. It is not reasonable to have a reliable grid that all customers pay for, either through their LSE or through costs from the state through CDWR, and then have to pay penalties for RA deficiencies as well. The state must carefully assess its needs and procurement methods to allow LSEs to the maximum extent reasonable to procure the capacity necessary to meet the reliability needs of the grid.

The California Water Code Section 80710(e)(3)¹⁴ states that when procuring contingency capacity through the Electricity Supply Strategic Reliability Reserve Program (ESSRRP), the California Department of Water Resources (CDWR) “shall prioritize investments that do not compete with generation facilities already planned for development and disclosed by load serving entities or local publicly owned utilities.” While this requirement intends to avoid ESSRRP procurement from competing with LSE procurement, in practice, ESSRRP procurement has potentially competed with LSE procurement already by procuring resources that could otherwise have been used as RA capacity.

¹⁴ California Water Code § 80710: <https://casetext.com/statute/california-codes/california-water-code/division-29-electricity-supply-strategic-reliability-reserve-program/chapter-2-electricity-supply-strategic-reliability-reserve-agreements/section-80710-department-to-implement-projects-purchases-and-contracts-including-the-distributed-electricity-backup-assets-program-and-the-demand-side-grid-support-program>.

ESSRRP procurement has come from natural gas-fired resources and firm energy import contracts.¹⁵ Both of these resource types are used by LSEs to meet their RA obligations. For example, CDWR procured California State University Channel Islands Power (CSU Channel Island), a 27.5 MW cogeneration plant, for 2023. Prior to CDWR procuring CSU Channel Island, the resource was listed by the CAISO as a potential reliability must-run (RMR) unit, meaning LSEs would have received RA allocations for the resource had the resource not been picked up by CDWR.¹⁶ Had CDWR not procured CSU Channel Island as a contingency resource, CSU Channel Island would have either (1) likely been procured by an LSE and the procuring LSE would receive all the RA benefits of the resource, or (2) received an RMR from the CAISO with RA benefits allocated to all LSEs.

For imports, LSEs may procure RA imports up to 45 days in advance of the RA month, when month-ahead RA showings are due. If ESSRRP procures imports prior to 45 days in advance of the RA month, the ESSRRP could be competing with LSEs trying to fill their monthly obligations with RA imports. ESSRRP procurement of imports must occur *after* LSEs do their month-ahead RA showings to not compete with LSEs' procuring import RA.

To avoid ESSRRP procurement competing with LSE procurement, ESSRRP procurement must either (1) be limited to capacity that is truly incremental to RA capacity (i.e., non-RA eligible capacity), or (2) when contracting with existing RA-eligible resources like imports or existing natural gas facilities, the ESSRRP should only do so after the RA showings deadline has passed.

¹⁵ CDWR Presentation at 3.

¹⁶ CAISO Memorandum to ISO Board of Governors: Update on Results of Reliability Must Run Contract Extensions for 2023 (Oct. 19, 2022): <http://www.caiso.com/Documents/ReliabilityMust-RunContractsUpdate-Oct2022.pdf>.

V. CONCLUSION

CalCCA appreciates the work performed by the Commission and other entities to prepare for summer 2023 and looks forward to further collaboration with the Commission to ensure system reliability this summer and in the future.

Respectfully submitted,

A handwritten signature in blue ink that reads "Evelyn Kahl". The signature is written in a cursive style with a large initial 'E'.

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CALIFORNIA COMMUNITY CHOICE
ASSOCIATION

May 31, 2023