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Resource Planning and Procurement: Policy Overview and Current Challenges

Cities of Anaheim, Azusa, Banning, Colton,
Pasadena, and Riverside, California

California Energy Commission Assembly Bill 209 Planning Reserve Margin
Workshop

In the Matter of: Energy System Reliability, Docket No. 21-ESR-01

November 16, 2023



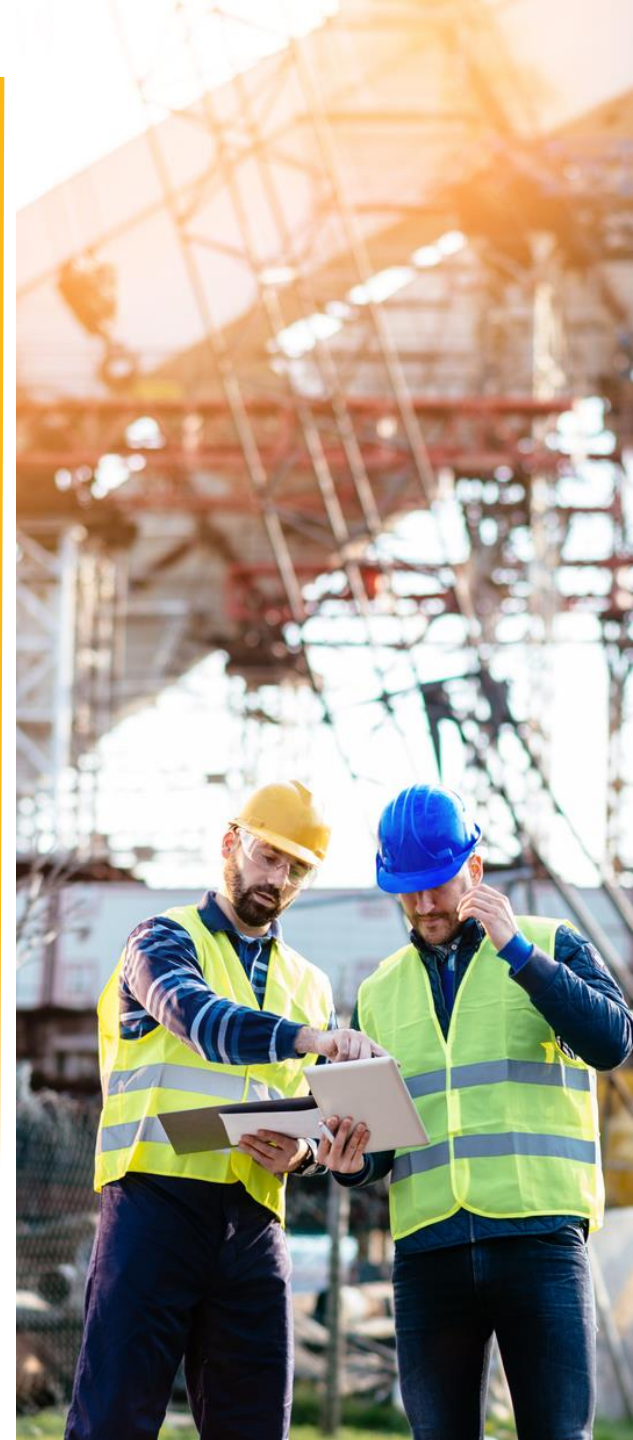
- Municipally-owned and operated electric utilities in Southern California
- Local regulatory authorities are the Cities' respective City Councils
- Located in the CAISO Balancing Authority Area (BAA) and comprise approximately 3% of CAISO BAA load
- Participating Transmission Owners in the CAISO and CAISO market participants
- Several of the Cities own and operate generation resources
- All cities engage in procurement of generation and transmission to serve loads

2022 Peak Loads (MW)	
Anaheim	500
Azusa	71
Banning	52
Colton	93
Pasadena	319
Riverside	648



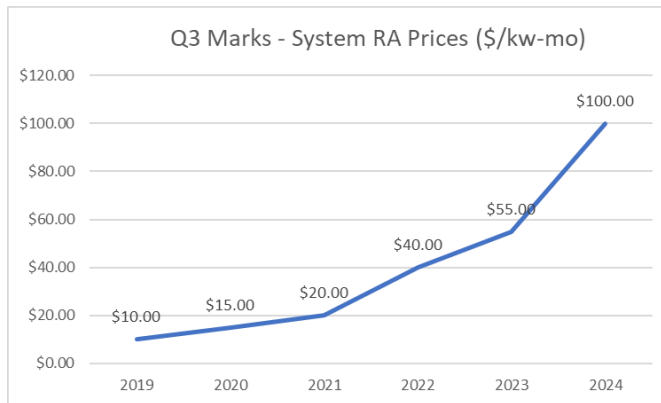
Resource Planning and Procurements

- Each City performs own resource planning and procurement
- All have targeted a 15% Planning Reserve Margin
 - Adopted by local regulatory authority or applied as management policy
- California Energy Commission-adjusted forecast
- Resource planning goals:
 - Procure resources that are reliable
 - Procure resources that are cost effective
 - Comply with Renewable Portfolio Standards (RPS) and other environmental policies
- Typically use CAISO default qualifying capacity criteria absent unique circumstances
- Do not currently rely on demand response programs

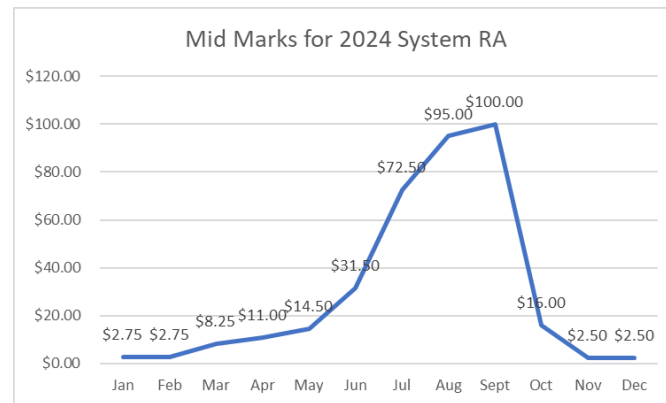


Current Challenges in Resource Procurement

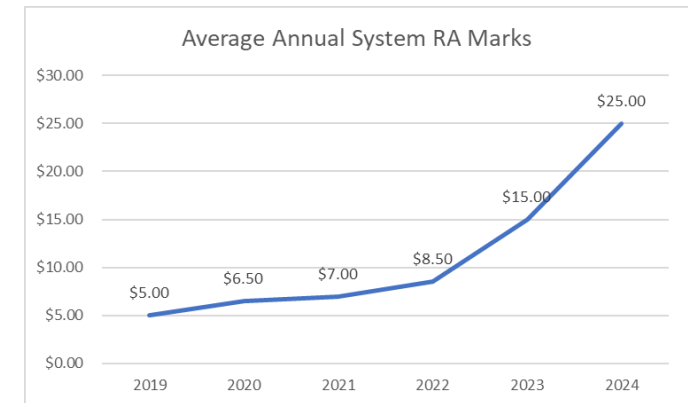
- High penetration of RPS-eligible capacity creates increasing reliability challenges in the CAISO BAA and west
- Increased competition for capacity across the western region
- Dramatically increasing prices for both renewable capacity and capacity eligible to meet RA availability obligations



Source: City internal data



Source: Broker data



Source: Broker data



Factors Intensifying Procurement Challenges

- Substantially increased backlog in the CAISO interconnection queue
 - 354 GW (Cluster 15) plus 188 GW (pre-Cluster 15) of projects
- CAISO requirements
 - Limitations and requirements for full or partial capacity deliverability status for internal RA resources
 - Limitations on availability of Maximum Import Capability (MIC) required to qualify import RA resources
- Continuing supply chain problems impacting progress of new resources
- Removal/retirement of RA resources from market

Impacts of Procurement Challenges

- Substantial decline in responses to Requests for Proposals (RFPs) for RA capacity from resources eligible to meet CAISO RA requirements
 - Some of the Cities have received no responses to multiple RFPs
 - Typically Q3 = most limited availability
- RFP responses quote capacity prices that are multiples of prevailing prices several years ago
 - Prices exceed penalties for non-compliance with regulatory requirements
- **Bottom line** – *LSEs are unable to build, buy, or import RA-eligible capacity at a reasonable cost at this time*

Considerations for the PRM Recommendations

1. Recommend PRM targets and related eligibility requirements that recognize market challenges, at least for a transition period
 - Adopting standards or requirements that are unachievable under current market conditions will be counter-productive; it will not enhance reliability and will only result in increased costs for customers
2. Allow capacity installed within a publicly-owned utility's territory to be counted toward PRM targets
 - Locally installed capacity results in an effective reduction in load, but it can contribute more to reliability if subject to utility and CAISO control



Questions/Discussion



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