

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider Program
Refinements, and Establish Annual Local and
Flexible Procurement Obligations for the 2019 and
2020 Compliance Years.

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Rulemaking 17-09-020
(filed September 28, 2017)

**COMMENTS OF THE PUBLIC GENERATING POOL ON THE PROPOSED
DECISION ADOPTING RESOURCE ADEQUACY IMPORT REQUIREMENTS**

I. INTRODUCTION

Under Rule 14.3 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure (“Rules”) the Public Generating Pool (“PGP”) respectfully submits these comments in response to the *Decision Adopting Resource Adequacy Import Requirements* (“Proposed Decision”) of Administrative Law Judge Debbie Chiv mailed on 5/18/20. PGP appreciates the opportunity to provide these comments.

PGP is a not-for-profit corporation composed of eleven consumer-owned electric utilities located in Washington and Oregon. Collectively, PGP’s member utilities own 8,000 MW of non-federal generating resources that is 97 percent carbon-free, over 7,000 MW of which is renewable hydro generation. Four of the PGP member utilities operate their own Balancing Authority Areas (BAAs), while the remaining member utilities reside in the Bonneville Power Administration (BPA) BAA.

PGP understands and shares the Commission’s concern with ensuring that resource adequacy (RA) imports are backed by physical resources. However, we believe there are key elements in

the proposed decision that go beyond ensuring that import resources are firm and instead introduce serious unintended consequences. These include reducing the overall amount of import RA supply into California as a result of 1) requiring import RA resources to dynamically schedule or pseudo-tie in order to qualify as resource-specific import RA and (2) the price risks associated with being required to self-schedule as a non-resource-specific RA import. In addition, the CAISO's ability to economically dispatch resources would be impacted by the self-scheduling requirement, which will lead to distorted short-term CAISO market prices and operational issues in the CAISO balancing authority area.

II. COMMENTS

A. Limiting resource-specific import resource adequacy to pseudo-tied or dynamically scheduled resources will restrict RA supply from the Northwest.

Requiring a resource to be pseudo-tied or dynamically scheduled to qualify as resource-specific would pose challenges for multi-facility coordinated hydro systems in the Northwest. Under the proposal, a resource pseudo-tied into the CAISO BAA is required to be operated on a stand-alone basis by CAISO which may conflict with the coordinated operation of multi-facility hydro systems in the Pacific Northwest. Dynamic scheduling would also pose a barrier to accessing physical capacity from Pacific Northwest hydro entities. For example, as BPA has stated in comments in the R. 19-11-009¹ proceeding, BPA is not able to provide transfer service to a resource that is dynamically controlled by a third party across the California-Oregon Intertie, other than the very short-term sales of regulation supply. This is due to the way dynamic transfer capability is allocated on a daily basis to customers, which

¹ See R. 19-11-009, Comments on the Bonneville Power Administration on Track 1 Proposals (March 6, 2020).

does not allow for any specific level of dynamic scheduling capability on a forward basis as would be required under an RA contract. Moreover, the dynamic transfer capability available between the Northwest and California is limited to 600 megawatts on the California-Oregon Intertie and 0 megawatts on the Pacific DC Intertie. Requiring resources to be dynamically scheduled or pseudo-tied to qualify as resource-specific would greatly limit California's access to resource-specific RA from the Northwest.

B. Adopting a “self-scheduling” requirement for non-resource specific import resource adequacy contracts will result in harmful unintended consequences.

PGP urges the Commission to reject the proposed rule that would require import resource adequacy to flow energy during the Availability Assessment Hour (AAH) window as it would have various harmful impacts on the efficient functioning of CAISO's markets and will ultimately lead to increased costs to California ratepayers. The proposed alternative option to the self-scheduling requirement that would allow resources to bid in at levels between negative \$150/MWh and \$0/MWh does not mitigate these concerns as it would not address most instances when CAISO's market price is less than the sellers actual cost of delivering energy. It would only address the concern of self-scheduling during negative pricing periods, which should effectively be addressed already through limiting self-scheduling to the AAH windows. However, self-scheduling has the potential to compel import RA deliveries to the CAISO when the CAISO market prices is less than the seller's actual cost of delivering the energy outside of negative pricing periods as well. The below list illustrates some of the primary harmful impacts associated with the self-scheduling requirement.

- **Limits CAISO’s ability to economically dispatch resources.** CAISO’s markets are designed to allow for the most economic and efficient dispatch of available resources. Requiring import RA resources to deliver energy to the CAISO, regardless of whether their bids cleared the day-ahead market or if they were dispatched in real-time, would not allow CAISO’s market optimization to dispatch least-cost resources, considering GHG emissions and all other known constraints. During the AAH window, there may be more economic and lower GHG emitting resources available that are precluded from being dispatched because of the must-flow energy from import RA resources. In addition, a self-scheduling requirement could base load low-cost flexible resources with energy that would otherwise be optimally used to provide flexibility. This in turn increases the amount of inflexible supply, further increases the need for flexible generation, and leaves CAISO procuring additional flexible resources from higher-cost resources, ultimately resulting in higher costs to California ratepayers.
- **Creates operational challenge for the CAISO.** The self-scheduling requirement would limit CAISO’s ability to economically dispatch resources, which would result in numerous operational issues including increasing transmission congestion, exacerbating oversupply conditions and increasing renewable energy curtailments.
- **Discourages physical import resource adequacy supply.** Under current contracts, the seller is able to offer energy into the market at a price that takes into account the costs of producing energy, which allows the seller to ensure it can recover its costs. To satisfy the Proposed Decision’s must-flow requirement,

import RA resources would have to self-schedule energy into the CAISO's day-ahead and real-time markets and that energy would be delivered regardless of cost, or alternatively, import RA resources could bid in at levels between negative \$150/MW and \$0/MWh. Eliminating the option for a seller to determine their offer price introduces a new risk of financial loss to a seller of import RA, given that CAISO's day-ahead prices received for energy deliveries may be less than the cost of supplying that energy. This risk is likely to discourage sales of import RA all together or increase RA contract costs to offset the risk of financial loss. Both of these outcomes—higher priced import RA contracts or less capacity available through import RA—result in negative outcomes for California ratepayers through either increased costs or reduced availability of import resources needed to operate the grid and maintain reliability.

- **Imposes discriminatory requirements on external resources.** A must-flow requirement imposed on external resources providing the same resource adequacy capacity as internal resources is inequitable and raises discrimination concerns. External resources providing the same service should be treated comparably to internal resources as to not advantage or disadvantage one type of resource over another.

C. The Commission should adopt key components of the CAISO and Powerex proposals that ensure all contracts are backed by real physical supply.

PGP supports the Commission's interest in ensuring that RA imports are backed by physical resources and we believe the Powerex and CAISO proposals would accomplish this without the negative consequences of a self-scheduling requirement and a definition of resource-specific that excludes resources that are not able to be dynamically scheduled

or pseudo-tied. Specifically, PGP supports the following key elements of the CAISO and Powerex proposals that would require:

- Physical resource(s) are identified at the time of the annual RA showing;
- A representation from the supplier that the resource capacity supporting the RA contract is expected to be surplus to the needs of the source balancing authority and any commitments to other entities;
- A commitment that all energy deliveries will be firm energy and will be supported by necessary contingency reserves and balancing reserves

D. The Commission should clarify whether self-scheduling is required under existing rules.

The Proposed Decision states that the adopted rules in this decision would apply for the 2021 RA compliance year; however, it is not clear whether self-scheduling would be required under existing rules. In its October 10, 2019 Proposed Decision, the Commission affirmed existing requirements in D. 04-10-035 and D. 05-10-042 with the clarification that non-resource specific import RA contracts are required to be self-scheduled into the CAISO markets consistent with the timeframe reflected in the governing contract.² This raises uncertainty as to the existing rules that are in place until the current proposed decision would go into effect in the 2021 RA year.

E. The Commission should clarify the requirement for non-resource specific import RA to include a contract term that would require the sale of energy delivery to the LSE specifically.

² D. 19-10-021 at 8-9.

The Proposed Decision states that a non-resource specific energy contract must include a term that specifies that the sale of energy delivery is to an LSE specifically and not to the CAISO BAA generally. PGP seeks clarification of the obligation under this requirement. For example, assuming the import RA supplier is the one with the RA obligation to the CAISO BAA, how would it demonstrate compliance by directly delivering to the LSE?

III. CONCLUSION

PGP appreciates the Commission's consideration of these comments. For the reasons stated above, PGP strongly urges the Commission to eliminate any must-flow requirement for non-resource specific import RA contracts and expand the definition of resource-specific RA resources beyond just those import RA resources that are pseudo-tied or dynamically scheduled. We fully support and understand the urgency of addressing the speculative supply concerns, but the ramifications of moving forward with proposals that have many identified negative consequences and possibly other unknown unintended impacts is too consequential to overlook. PGP respectfully requests that the Commission delay any action on changes to import RA requirements in order to fully develop and vet the CAISO and Powerex proposals to address speculative supply and ensure import RA resources are backed by physical capacity in time for the 2021 compliance year. In the alternative, PGP requests that the Commission only adopt the new rules on a very limited interim basis for 2021 and reconsider the alternative proposals going forward.

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Respectfully submitted,

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