

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

Order Instituting Rulemaking to  
Oversee the Resource Adequacy  
Program, Consider Program Reforms  
and Refinements, and Establish  
Forward Resource Adequacy  
Procurement Obligations.

Rulemaking 21-10-002  
(Filed October 7, 2021)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON  
THE PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR  
2023-2025, FLEXIBLE CAPACITY OBLIGATIONS FOR 2023, AND REFORM TRACK  
FRAMEWORK**

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In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the California Energy Storage Alliance (“CESA”) hereby submits these reply comments on the *Proposed Decision Adopting Local Capacity Obligations for 2023-2025, Flexible Capacity for 2023, and Reform Track Framework* (“PD”), issued on May 20, 2022, by Administrative Law Judges (“ALJ”) Debbie Chiv and Shannon O’Rourke.

**I. INTRODUCTION.**

CESA is pleased to observe that most parties have expressed support for the direction the Commission intends to take with regards to Resource Adequacy (“RA”) reform, with many focusing their opening comments on topics that merit additional work or clarification. While some of the concerns raised regarding the implementation of the 24-slice proposal are valid and deserve further consideration, some purported issues lack merit. In this context, CESA continues to support the adoption of the 24-slice proposal while requesting the Commission to enhance transactability and valuation stability within the framework. With this in mind, CESA’s comments can be summarized as follows:

- The PD is correct in adopting the 24-hour slice-of-day (“SOD”) proposal.
- The Commission should revise the PD to adopt the hourly load trading proposal and direct its development as part of the identified workstreams.

- The Commission should recognize the importance of providing stable capacity counts for RA resources.
- Changes to demand response (“DR”) qualifying capacity (“QC”) values or assessment methodologies should be optional or deferred to 2024.

## **II. THE PD IS CORRECT IN ADOPTING THE 24-SLICE PROPOSAL.**

In opening comments, the Independent Energy Producers Association (“IEP”) argues that the PD errs in its adoption of the 24-slice proposal. IEP objects to the PD stating that the 24-slice proposal violates Public Utilities Code (“PUC”) Section 399.26(d),<sup>1</sup> and that it hinders resource transactability and market liquidity.<sup>2</sup> On the other hand, IEP claims that the two-slice proposal does not rely on single counting values.<sup>3</sup> CESA disagrees with the arguments put forth by IEP and continues to recommend adoption of the 24-slice proposal as part of the PD.

First, IEP’s argument that the 24-slice proposal cannot be legally adopted due to the language included in PUC Section 399.26(d) fails to recognize that, as noted by parties during the RA Reform Workshops conducted September 2021 through January 2022, effective load carrying capacity (“ELCC”) is not a concept narrowly defined within the PUC. Furthermore, even if the Commission agreed with a narrow definition of the term used in PUC Section 399.26(d), this would not be sufficient to discard the 24-hour SOD proposal. As suggested by American Clean Power (“ACP”), the Commission could adopt the 24-slice proposal and provide direction to parties to adhere to the statutory requirements governing the RA program and evaluate multiple resource counting methodologies within the identified workstreams.<sup>4</sup> As such, IEP’s argument regarding the compatibility of the 24-slice proposal lacks merit and should not impact the PD.

Second, IEP’s argument that the 24-slice framework could hinder transactability of RA products and the overall liquidity of the market ignores the proposals parties, including CESA, have put forth to alleviate these concerns. The 24-slice proposal is not *per se* incompatible with transactability; in fact, it could be very effectively bolstered by the adoption of the hourly

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<sup>1</sup> IEP Opening Comments, at 2-3.

<sup>2</sup> *Ibid*, at 6-7; *and see* Middle River Power (“MRP”) Opening Comments, at 13-14.

<sup>3</sup> *Ibid*, at 3-5; *and see* California Wind Energy Association (“CalWEA”) Opening Comments, at 3.

<sup>4</sup> ACP-California Opening Comments, at 5-6.

obligation trading proposal. Thus, IEP's argument does not point toward an insurmountable challenge; rather, an area of opportunity that several parties have put forth proposals to improve.

Third, IEP's claim that the two-slice proposal does not rely on single counting values mischaracterizes the issue and its implications for hour-to-hour reliability. IEP argues that the two-slice proposal effectively ensures reliability across all hours since the study that determines the applicable effective load carrying capability ("ELCC") values would meet a loss-of-load expectation target in all hours of the year.<sup>5</sup> While this statement is true, IEP fails to recognize that said analysis would continue to yield a single value (*i.e.*, percentage) per resource class to be applied for the approximation of reliability capacity for every single hour of the year. In other words, the fact that the ELCC process considers all hours of the year does not solve the issue of estimating how much RA is available in a particular hour.

### **III. THE COMMISSION SHOULD REVISE THE PD TO ADOPT THE HOURLY LOAD TRADING PROPOSAL AND DIRECT ITS DEVELOPMENT AS PART OF THE IDENTIFIED WORKSTREAMS.**

To the very point of transactability, parties such as the California Community Choice Association ("CalCCA") and Shell urged the Commission to revise the PD and adopt either the hourly resource trading or hourly obligation trading proposals, or both.<sup>6</sup> CESA agrees with the spirit of the cited comments and recommends the Commission move forward with the development of obligation trading. As stated by CalCCA, hourly obligation and hourly resource trading are fundamentally different mechanisms that should not be conflated.<sup>7</sup> Relative to hourly resource trading, hourly obligation trading offers a more readily implementable solution that will continue to allow load-serving entities ("LSEs") to efficiently meet their RA requirements, minimizing ratepayer costs. Moreover, the PD generally overstates the complexity of implementing hourly obligation trading.<sup>8</sup> CESA agrees with the importance of enhancing the 24-slice proposal with added transactability and, in alignment with the comments submitted by CESA, Peninsula Clean

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<sup>5</sup> *Ibid*, at 4.

<sup>6</sup> CalCCA Opening Comments at 3-6 and Shell Opening Comments at 9.

<sup>7</sup> CalCCA Opening Comments, at 7.

<sup>8</sup> *Ibid*, at 8-9.

Energy, and San José Clean Energy (“Joint Parties”), urges the Commission to adopt the load trading proposal and direct its development as part of the workstreams identified in the PD.

**IV. THE COMMISSION SHOULD RECOGNIZE THE IMPORTANCE OF PROVIDING STABLE CAPACITY COUNTS FOR RA RESOURCES.**

Hydrostor advocated for RA values for existing contracts to be maintained<sup>9</sup> and argued that uncertainty regarding the future of the RA framework has resulted in increased contracting risks and even delays.<sup>10</sup> As such, Hydrostor requests the Commission to clarify what grandfathering or transition mechanisms should apply to projects that are currently contracted or that will be contracted prior to implementation of the RA reforms, advocating that existing counting rules should apply to resources that have been contracted or contracted prior to any new adopted rules.<sup>11</sup>

Hydrostor is not alone in this plea; similar requests for stability in RA values can be found in the opening comments of ACP and Shell.<sup>12</sup> CESA agrees with the need for increased certainty on the valuation of projects that will be contracted prior to the implementation of the 24-slice proposal. These risks are material and have the potential to affect grid reliability in the near-term. As such, CESA urges the Commission to revise the PD and include consideration of potential grandfathering mechanisms for currently contracted assets in order to avoid the need for material modifications to those agreements and provide certainty to buyers and sellers of RA.<sup>13</sup>

**V. CHANGES TO DR QC VALUES OR ASSESSMENT METHODOLOGIES SHOULD BE OPTIONAL OR DEFERRED TO 2024.**

In the PD, the Commission proposes to vet California Energy Commission (“CEC”) Loss-of-Load Probability (“LOLP”) data and, if the Commission approves the data, use the LOLP-weighted LIP methodology in a decision that would be issued in August 2022.<sup>14</sup> However, as raised by Leapfrog Power<sup>15</sup> and California Efficiency + Demand Management Council

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<sup>9</sup> Hydrostor Opening Comments, at 2.

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*, at 3.

<sup>12</sup> ACP-California Opening Comments at 6-7 and Shell Opening Comments at 9-10.

<sup>13</sup> See CESA, Comments on the ALJ’s Ruling Seeking Comments on the Working Group Report, March 24, 2022, at 2.

<sup>14</sup> PD at 39-40.

<sup>15</sup> Leapfrog Power Opening Comments, at 6.

(“CEDMC”),<sup>16</sup> there are RA contracts that have already been executed for RA year 2023 using QC values determined under the existing LIP methodology. CESA is supportive of the LOLP-weighted LIP methodology but only as an option for 2023 for the DR providers (“DRP”) that chose to use it. Changing the required methodology when DRPs and LSEs have already signed RA contracts would be extremely disruptive and pose risks for 2023 RA compliance. In 2024, the LOLP-weighted LIPs could be required; however, this methodology does not make sense with a SOD framework. CESA agrees with the California Large Energy Consumers Association (“CLECA”) that, “the 24-hour profile of DR load impacts already embedded in the current load impact protocols be used for the slice-of-day framework in the 2024 RA year.”<sup>17</sup>

Similarly, the Availability Assessment Hours (“AAH”) are proposed to be moved from Hour Ending (“HE”) 17 – HE 21 to HE 18 – HE 22; however, contracts have already been executed based on the AAH in place today. Therefore, this change should be pushed to 2024, or, at a minimum, executed contracts at the time of the final decision should be grandfathered.

## VI. CONCLUSION.

CESA appreciates the opportunity to submit these comments on the PD and looks forward to working with the Commission and stakeholders in this proceeding.

Respectfully submitted,



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<sup>16</sup> CEDMC Opening Comments, at 5.

<sup>17</sup> CLECA Opening Comments, at 7.