**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 IMPLEMENTATION TRACK PHASE 3 WORKSHOP AND PROPOSALS

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REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON IMPLEMENTATION TRACK PHASE 3 WORKSHOP AND PROPOSALS

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 opening comments submitted by parties on February 24th. 2023 regarding the Implementation Track Phase 3 proposals submitted January 20th, 2023, as well as the workshop held February 8th, 2023.

I. INTRODUCTION.

CESA appreciates the opportunity to provide responses and feedback to the opening comments submitted by parties to this proceeding. As the Commission considers important modifications to the Resource Adequacy ("RA") framework, an explicit focus should be placed on balancing the goals of reliability and affordability. The discussion surrounding the planning reserve margin ("PRM") exemplifies this balancing act. There, the Commission must identify a PRM that adequately mitigates the risks associated with rapidly changing weather patterns and unprecedented preferred resource development while guarding against overprocurement. In a similar way, regarding Local RA, the Commission must reform the current central procurement entity ("CPE") framework to ensure that procuring the resources needed for reliability is done so at reasonable costs to the ratepayers. Thus, CESA's reply comments can be summarized as follows:

- The Commission should adopt a PRM of 18% for 2024 while retaining the effective PRM framework.

- The Commission should consider the establishment of a soft price cap for CPE procurement to ensure procurement of needed resources and prevent costly backstop procurement.
- The Commission should adopt the proposal for the California Independent System Operator ("CAISO") to communicate local capacity requirements ("LCRs") in terms of both capacity and energy.

II. THE COMMISSION SHOULD ADOPT A PRM OF 18% FOR 2024 WHILE RETAINING THE EFFECTIVE PRM FRAMEWORK.

In opening comments, several parties pointed out that current weather and resource development conditions warrant the Commission either increase the PRM applicable to 2024, extend the effective PRM framework, or both in order to retain reliability. The Independent Energy Producers Association ("IEPA"), for example, recommended the Commission increase the official PRM to 18% for 2024 while maintaining the effective PRM of 20 to 22.5%.[1] IEPA argues that this is reasonable since a higher official PRM will reduce the excess capacity, including capacity that would not otherwise meet RA eligibility standards, that IOUs will have to procure on other LSEs' behalf to reach the effective PRM targets.[2] Similar arguments were expressed by the Western Power Trading Forum ("WPTF"), which recommended the adoption of a 18-20% PRM, but the elimination of the effective PRM framework.[3] In a contrasting manner, the Public Advocates Office ("CalAdvocates") recommends extension of the effective PRM framework, but supports the use of a 17% *de jure* PRM for 2024.[4]

The Commission should take note of the number of opening comments urging it to ensure that the PRM serves as an effective hedge for reliability in 2024. In this context and given the diversity of recommendations, CESA considers that IEPA's proposal to establish a 18% *de jure* PRM while extending implementation of the effective PRM framework strikes a reasonable balance between hedging against potential resource delays and mitigating potential cost increases.

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[1] IEPA Opening Comments, at 1.

[2] *Ibid,* at 3.

[3] *Ibid,* at 3-4.

[4] CalAdvocates Opening Comments, at 7-10.

As a result, the Commission should adopt a PRM of 18% for 2024 while retaining the effective PRM framework.

III. THE COMMISSION SHOULD CONSIDER THE ESTABLISHMENT OF A SOFT PRICE CAP FOR CPE PROCUREMENT TO ENSURE PROCUREMENT OF NEEDED RESOURCES AND PREVENT COSTLY BACKSTOP PROCUREMENT.

In opening comments, CalAdvocates argued that the Commission should reject Vistra's proposal to adjust the CPE pricing directives to include some form of soft price cap. CalAdvocates argues that this proposal is unnecessary and will actually result in increased ratepayer costs.[5] Southern California Edison ("SCE") offered similar arguments, noting that this proposal would increase the cost of procurement to the CPE by incenting all resources to bid the soft price cap, and that cost is not the only factor considered for CPE procurement.[6] CESA disagrees with these arguments.

The establishment of a soft price cap would not preclude resources from submitting bids below said cap. In fact, despite the fact that several factors are considered by the CPE when procuring resources, the mechanism would incent resources to bid below the soft price cap as that would further their chances of being selected. Moreover, the establishment of a soft price cap for CPE procurement would provide greater certainty for resources that can economically serve CPE needs, potentially bolstering resource development in local reliability areas ("LRAs"). Furthermore, the arguments against Vistra's proposal ignore the fact that CAISO backstop procurement also adversely impacts ratepayer costs. For these reasons, the Commission should consider establishment of a soft price cap for CPE procurement as to ensure procurement of needed resources and prevent costly backstop procurement.

IV. THE COMMISSION SHOULD ADOPT THE PROPOSAL FOR THE CAISO TO COMMUNICATE LCRS IN TERMS OF BOTH CAPACITY AND ENERGY.

In opening comments, SCE argues that the Commission should not adopt Vistra's proposal to ensure that LCRs are communicated in terms of both energy and capacity because Vistra's example regarding the Oakland area is dependent on "when the energy is required and what other

[5] CalAdvocates Opening Comments, at 12-13.

[6] SCE Opening Comments, at 17-18.

resources are available in the local area.”.[7] CESA disagrees with this argument as it disingenuously misinterprets Vistra’s comments. The Commission should note that SCE’s argument is inconsequential as Vistra’s underscoring of the Oakland LRA is only to exemplify the potential for different types of solutions (*i.e.,* conventional vs. energy-limited) to be able to meet a specific need. It is obvious that every LRAs need will have a different profile, making it more or less likely for energy- or use-limited resources to meet those needs; nevertheless, it is reasonable for the Commission to coordinate with the CAISO to ensure that the information regarding said needs is communicated with the utmost completeness so as to ensure that all solutions can be considered when curing deficiencies.

V. <u>CONCLUSION</u>.

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

Respectfully submitted,

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[7] SCE Opening Comments, at 23.