**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)

COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON THE PROPOSED DECISION ADOPTING LOCAL CAPACITY OBLIGATIONS FOR 2024-2026, FLEXIBLE CAPACITY OBLIGATIONS FOR 2024, AND PROGRAM REFINEMENTS

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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 comments on the *Proposed Decision Adopting Local Capacity Obligations for 2024-2026, Flexible Capacity Obligations for 2024, and Program Refinements* ("Proposed Decision" or "PD") issued by Administrative Law Judges ("ALJ") Debbie Chiv and Shannon O'Rourke on May 25, 2023.

I. INTRODUCTION.

CESA appreciates the opportunity to provide comments on the PD issued by the Commission. Overall, CESA is supportive of the direction the Commission has taken with the determinations contained therein. CESA supports the Commission's decision to extend application of the effective planning reserve margin ("PRM") framework through 2025, coupled with the determination to retain the *de jure* Resource Adequacy ("RA") PRM of 17%. This approach will allow contingency resources, including distributed preferred resources, to continue supporting reliability without creating further strain on the pool of available RA capacity, thus managing ratepayer costs. Moreover, CESA is also supportive of the Commission's decision to institute a formal schedule for assessing the performance of the Central Procurement Entity ("CPE") framework. In addition, we also support the modifications to the CPEs' reporting and transparency requirements as well as the adoption of the proposal that would allow load-serving entities

("LSEs") that have self-shown resources to the CPE be allowed to sell the system and/or flexible attributes of those resources that are in excess of their individual local capacity obligation to other LSEs. These modifications will materially enhance the CPE construct and allow a timely evaluation of the merits of this paradigm in a timely manner.

Regarding issues related to demand response resources ("DR"), CESA appreciates the Commission's decision to formally establish a schedule to further develop a qualifying capacity ("QC") methodology for supply-side DR assets, with the assistance of the California Energy Commission ("CEC"). The revision of these methods has been delayed several times due to uncertainties in the RA program. With the adoption of Decision ("D.") 23-04-010 some of those uncertainties have been mitigated and parties will be better equipped to further evolve the concepts at hand. While supportive of most elements included in the PD, CESA is still materially concerned with the Commission's intention to establish a bid cap in the day-ahead and real-time energy markets for a specific market participation pathway. In this context, CESA's comments can be summarized as follows:

- The Commission should refrain from adopting an energy bid cap specific to one market participation pathway.
  - If the Commission moves forward with adopting a bid cap specific to proxy demand response ("PDR") assets, the bid cap should be \$949/MWh as opposed to \$500/MWh.

II. <u>THE COMMISSION SHOULD REFRAIN FROM ADOPTING AN ENERGY BID CAP SPECIFIC TO ONE MARKET PARTICIPATION PATHWAY</u>.

In the PD, the Commission notes that Energy Division ("ED") submitted a proposal to limit the ability of PDR assets providing RA to bid up to the current bid cap applicable to all resources, instead limiting their bids to up to \$500/MWh in both the California Independent System Operator's ("CAISO") day-ahead and real-time markets. ED argues that this proposal is necessary as it would limit the likelihood of reliability demand response resources ("RDRR") being dispatched ahead of PDR assets.[1]

[1] PD at 79-80.

As noted in our comments on the proposal submitted earlier this year, CESA opposes the implementation of a bid cap specific to a market participation pathway. Generally, within the RA program, the Commission aims to treat all resource types consistently, where each resource type can accurately and appropriately reflect its ability to contribute to California's electric system or local reliability. While the Commission takes an active role in setting obligations for resources to participate in the market, the Commission does not govern wholesale market rules and has allowed CAISO to work under the purview of the Federal Energy Regulatory Commission ("FERC") to establish market rules and regulations that ensure a fair and competitive energy market for the state. The creation of a discriminatory resource-specific bid cap fundamentally limits the ability of PDR resources to operate in the market compared to other RA resources.

Unfortunately, despite the opposition of CESA and other parties, the PD moves forward with the aforementioned bid cap, setting it as $500/MWh. While we continue to oppose the implementation of said bid cap, if it were to be adopted, the Commission should *ad minima* recognize the comments made by parties and modify the bid cap upwards. Just as noted by both CESA and the CAISO's Department of Market Monitoring ("DMM"), applying a bid cap of $949/MWh will suffice to mitigate ED's concern that RDRR assets are dispatched ahead of PDR assets.[2] This is a revision to the proposal that the Commission does not engage with in the PD despite the fact that this modification would achieve the stated goal of the proposal while minimizing the differences in treatment between PDR assets and all other RA resources. In this context, CESA requests that the Commission reassess if including a bid cap for a specific participation pathway is consistent with the RA program and warranted. If the Commission's determination is that the bid cap is necessary, the staff-proposed bid cap of $500/MWh should be increased to $949/MWh, as this value will achieve the stated goal of ED's proposal without posing an unduly burdensome restriction to PDR assets.

[2] PD at 82.

III. 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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