

**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)	Rulemaking 17-09-020
Flexible Procurement Obligations for the 2019 and)	(Filed September 28, 2017)
2020 Compliance Years.)	

**REPLY COMMENTS OF THE PUBLIC GENERATING POOL
ON RULING SEEKING COMMENT ON CLARIFICATION TO RESOURCE
ADEQUACY IMPORT RULES**

I. Introduction

Under Rule 6.2 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure (“Rules”), the Public Generating Pool (PGP) respectfully submits reply comments to the Order Instituting Rulemaking 17-09-020. PGP is responding to the July 3, 2019 *Ruling Seeking Comment to Resource Adequacy Import Rules*.

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

PGP has long believed a well-designed and functioning Resource Adequacy (RA) program that ensures adequate capacity and flexibility procured from resources that perform consistent with obligations is essential to well-functioning markets.¹ As such, PGP commends

¹ [Public Generating Pool 2016 Market Principles](#)

the Commission's endeavors to understand current issues with its RA program and to explore the need to revise its requirements. Furthermore, PGP appreciates the opportunity to contribute to this conversation and hopes these reply comments will aid in the process of maintaining the integrity of imports as qualifying for RA requirements.

1. The Commission should not deem a bidding obligation insufficient to meet RA rules.

PGP understands the Commission's initial question to parties to be whether the Commission should eliminate the option of a Resource Adequacy product that's only requirement is to bid into the market through a Must-Offer Obligation (MOO) and supply firm energy if being awarded. PGP supports the comments made by CAISO, Powerex, and other parties that responded to Question 1 in the negative. The Commission's decisions should not deem a bidding obligation insufficient to meet RA rules. Requiring RA import contracts to include actual delivery and deem bidding-only obligations insufficient for RA is not necessary to deter speculative contracts nor to ensure the integrity of the RA program considering the enhancements being proposed by the CAISO. Further, such a requirement could compromise the efficiency of the power system.

Eliminating the option of Resource Adequacy product with a bidding obligation would negatively impact the CAISO's ability to optimize the system because of the impacts on its minimum generation profile. The purpose behind imposing a must offer obligation on imports and all other RA resources is to allow for optimal use of energy and transmission by only requiring delivery when RA resources are awarded in the day-ahead market and subsequently in the real-time market. If actual delivery were required for imports to meet RA requirements, CAISO's minimum generation profile would likely increase because delivery would occur over 16- or 24-hour blocks. Actual delivery of imports on a block schedule for RA would only

exacerbate oversupply conditions and increase renewable curtailments during the mid-day hours when internal resources, such as California solar and wind resources, are more than sufficient to meet energy demand. Rather, the need for imports from a resource adequacy perspective occurs most frequently during the morning and evening ramping hours when energy demands peak and fluctuate based on weather patterns and the variability in solar and wind. Therefore, imports should only be required to actually deliver firm energy when their MOO is awarded.

The CAISO has analyzed the issue of speculative contracts and the reliability of RA imports most recently in its Revised Straw Proposal dated July 1, 2019.² The CAISO's Department of Market Monitoring suggested there is some evidence of potential speculative RA supply. However, the analysis also reported the vast majority of RA imports are from firm physical resources that have consistently delivered as required and as specified in their contracts.³ The CAISO ultimately concluded the potential reliability impact of RA import non-delivery to be less of a concern than previously thought.⁴ This recent analysis suggests the integrity of the RA program with respect to imports is largely intact and requiring all RA imports to provide actual delivery of firm energy and transmission would not provide much benefit towards ensuring reliability. In fact, requiring actual delivery could reduce flexibility and increase costs due to a potential increase in minimum generation levels.

Lastly, PGP supports measures that deter speculative supply and believes the enhancements proposed by the CAISO are more direct and will better address the issues that might allow for speculative supply. One of the CAISO's proposed modifications is to require

² CAISO RA Enhancements Revised Straw Proposal. July 1, 2019.

³ *Id* at 42-43.

⁴ *Id* at 43. *See* Figure 10: Observed undelivered RA import resources accounts for less than 10% on average of hourly RA showings.

specification of the Source Balancing Authority (BA) for all RA imports for monthly showings. The CAISO believes these new requirements will also assist in ensuring that RA imports are not also being relied upon by the native BAA to serve native load or sold to a third party.⁵ The CAISO also proposed incorporating requirements for RA imports from the CPUC RA proceeding into its tariff—specifically, requiring LSEs to submit supporting documentation that any non-specified RA import resource shown on annual and monthly RA and Supply plans is able to deliver firm energy when awarded.⁶ PGP believes these enhancements are more appropriate and effective in addressing speculative RA contracts and ensuring the integrity of the RA program. As a final note, PGP does not believe further study of this issue is necessary at this time considering the efforts by the CAISO to understand and address speculative supply.

2. The Commission could require attestations, certificates, or other documentation to verify import contracts meet RA requirements.

PGP agrees with the CAISO and Powerex’s comment that attestations, certificates, or other verification for import contracts or from the import provider could be used by LSEs to show the contracts meet the Commission’s rules. Additionally, such attestations could specify the source BA as proposed by the CAISO.

II. Conclusion

For all of the above reasons, the Commission should not require RA import contracts to include the actual delivery of firm energy with firm transmission and should not deem a bidding obligation to be insufficient to meet RA rules. PGP appreciates the Commission’s consideration of these reply comments in its Ruling seeking comment on the

⁵ *Id* at 44.

⁶ *Id* at 45.

requirements for imports to be qualify for RA and looks forward to further engagement with the Commission on these issues.

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Respectfully submitted,

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