

**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)	

**COMMENTS OF THE PUBLIC GENERATING POOL ON THE PROPOSED
DECISION CLARIFYING RESOURCE ADEQUACY IMPORT RULES**

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September 26, 2019

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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 comments in response to the *Proposed Decision Clarifying Resource Adequacy Import Rules* (“Proposed Decision”) of Administrative Law Judges Debbie Chiv and Peter V. Allen mailed on September 6, 2019 regarding the requirements governing the use of energy imported into California to meet Resource Adequacy requirements.

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 over 8,000 MW of non-federal generating resources that is 97% carbon-free with over 7,000 MW of which is renewable hydro generation. Four of the PGP member utilities operate their own Balancing Authority Areas (BAA), while the remaining member utilities reside in the Bonneville Power Administration (BPA) BAA. PGP’s comments specifically focus on the proposal to mandate

Import Resource Adequacy contracts to require energy to flow during the Availability Assessment Hour (AAH) window (*e.g.*, 4:00pm to 9:00pm).

PGP supports the Commission's and the California Independent System Operator's (CAISO) efforts to ensure that Import Resource Adequacy contracts consist of real physical capacity and are not simply speculative or contain capacity that is already dedicated for another purpose (double-counted). However, PGP urges the Commission to reject the proposed rule that requires import Resource Adequacy contracts to flow energy during the AAH window as it leads to various harmful outcomes for the system and for import Resource Adequacy capacity from real physical resources and will ultimately result in higher costs to California ratepayers. Instead PGP urges the Commission to work with the CAISO to employ more effective measures that directly address the issues of speculative Import Resource Adequacy supply and double counting.

II. A must-flow requirement will result in various harmful outcomes

a. Displaces more economic and lower-emitting resources

A must-flow requirement for Import Resource Adequacy resources does 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 must-flow energy from Import Resource Adequacy resources. The Proposed Decision may inadvertently require dispatch of higher cost and higher emitting resources that would have not otherwise been dispatched as part of CAISO's optimization, resulting in higher costs to California ratepayers.

b. Imposes unduly 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. Increases congestion on the interties and increases curtailments

The transmission capability on the California-Oregon Intertie and Pacific DC Intertie is fully subscribed for a significant portion of the year during the AAH window. Consequently, the proposed must-flow requirement will not result in any additional flows into California during peak hours and may create a greater burden on CAISO as the transmission operator on the south side of the interties to take reliability actions to ensure flows remain below the maximum physical capability of the transmission lines.

d. Disqualifies and disrupts existing Import Resource Adequacy contracts

The Proposed Decision disqualifies existing longer-term Import Resource Adequacy contracts with physical capacity that do not contain a must-flow requirement. As such, California load-serving entities with such contracts will face increased costs as they will need to either terminate their existing contracts and enter into new Resource Adequacy contracts or be required to renegotiate their existing contracts.

e. Discourages Physical Import Resource Adequacy Supply

A must-flow requirement significantly changes the terms of an Import Resource Adequacy contract by requiring the seller to deliver at a pre-determined price during the AAH. Under current capacity contracts, the seller is able to offer energy into the market taking into account the costs of producing the energy, which assures the seller that they can cover their

costs. Eliminating the option for a seller to determine their offer price introduces a new risk of financial loss to a seller of real physical Import Resource Adequacy capacity, given that CAISO's day-ahead prices received for energy deliveries may be less than the cost of supplying that energy. And it is reasonable to assume that sellers of Import Resource Adequacy will either not accept such risk at all or require additional compensation to offset the risk of financial loss. The result is increased cost for Import Resource Adequacy capacity and a reduced willingness of external suppliers to enter into Import Resource Adequacy contracts in the first place.

III. Conclusion

PGP appreciates the Commission's consideration of these comments in the Proposed Decision seeking clarification for Resource Adequacy Import Rules. For all of the reasons stated above, PGP strongly urges the Commission to reject any must-flow requirement for Import Resource Adequacy contracts and instead work with the CAISO to develop appropriate measures and requirements that ensure import Resource Adequacy supply is supported by real physical capacity.

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Respectfully submitted,

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