

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

Order Instituting Rulemaking to Develop an)
Electricity Integrated Resource Planning Framework)
and to Coordinate and Refine Long-Term) Rulemaking 16-02-007
Procurement Planning Requirements) (Filed February 11, 2016)

**REPLY COMMENTS OF THE PUBLIC GENERATING POOL
ON PROPOSED PREFERRED SYSTEM PORTFOLIO AND TRANSMISSION
PLANNING PROCESS RECOMMENDATIONS**

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February 11, 2019

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In accordance with the January 11, 2019 *Ruling of Assigned Commissioner and Administrative Law Judge Seeking Comment on Proposed Preferred System Portfolio and Transmission Planning Process Recommendations* (“Ruling”), the Public Generating Pool (“PGP”) respectfully submits the following responsive comments to the January 31, 2019 stakeholder comments on the Proposed Preferred System Portfolio and Transmission Planning Process Recommendations, submitted in the California Public Utilities Commission (“Commission”) Rulemaking (R.16-02-007).

**I. CARBON FREE ENERGY FROM NORTHWEST HYDRO CAN BE ASSURED
WITH THE RIGHT INCENTIVES AND MARKET RULES**

The California Independent System Operator (“CAISO”) shared concerns about the assumed future reliance on imports, especially from hydroelectric generation. While the resource mix in the Western Interconnection is projected to change significantly over the course of the next several years, PGP believes Northwest carbon-free hydro resources *can* play a role in maintaining

resource adequacy within California by continuing to meet a portion of the system and flexible capacity needs of the system *if* current barriers for participation of Northwest hydro in California's resource adequacy program are removed and the right incentives are put in place. PGP believes there are also changes to market design and price formation in the California day-ahead and real-time markets that can better incent delivery of the flexible and GHG-free attributes of Northwest hydro during the time periods of highest value.

The landscape continues to change towards a future of greater demand for the flexible and GHG-free attributes of the Northwest's hydro resources. Carbon and energy policies in the West are evolving. California is currently the only state with specific carbon policy that puts a premium on all zero- and low-carbon energy. However, the high likelihood of carbon reduction policy changes being contemplated in Washington and Oregon increases the competition for flexible and zero- and low-carbon capacity and energy. Given these changes, it will be increasingly important that the Commission and the CAISO have the right incentives in place to better secure surplus from Northwest hydro resources.

PGP agrees with Powerexⁱ that the Commission is uniquely positioned to identify and implement targeted incentives through reforms in its resource adequacy program that jointly support California's reliability and environmental goals. Barriers such as the absence of a multi-year forward procurement framework, limitations on maximum import capability allocation, and the restrictions on out-of-state resources' ability to participate in the flexible resource adequacy program disincentivize or even preclude participation of Northwest hydro resources in California's resource adequacy program. These critical resource adequacy issues must be addressed in order to assure future Northwest hydro surplus is committed to meeting California capacity and flexibility needs.

II. CONCLUSION

PGP appreciates the Commission's consideration of these reply comments and looks forward to further engagement with the Commission on these issues.

Dated: February 11, 2019

Respectfully submitted,

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ⁱ <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M263/K658/263658386.PDF>