

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

Order Instituting Rulemaking to Oversee  
the Resource Adequacy Program, Consider  
Program Refinements, and Establish  
Forward Resource Adequacy Procurement  
Obligations.

Rulemaking 19-11-009  
(Filed November 7, 2019)

**REPLY COMMENTS OF THE CALIFORNIA ENERGY STORAGE ALLIANCE ON  
THE PROPOSED DECISION ON TRACK 3B.2 ISSUES: RESTRUCTURE OF THE  
RESOURCE ADEQUACY PROGRAM**

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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 reply comments on the *Proposed Decision on Track 3B.2 Issues: Restructure of the Resource Adequacy Program* (“PD”), issued by Administrative Law Judges (“ALJs”) Chiv and Nojan on June 10, 2021.

**I. INTRODUCTION.**

CESA appreciates the opportunity to provide feedback and responses to the opening comments parties to this proceeding submitted June 30, 2021. As CESA has previously stated, we are committed to contribute to the conversation of Resource Adequacy (“RA”) reform in a manner that advances the transition to a decarbonized grid.<sup>1</sup> In this context, while the proposal presented by Pacific Gas & Electric (“PG&E”) has substantial merits, the Commission would be amiss to narrowly consider elements of, but not the core structure of, the proposal put forth by Southern California Edison (“SCE”) and the California Community Choice Association (“CalCCA”) (jointly, “Joint Parties”). In opening comments, a number of parties echoed this position. Parties such as American Clean Power – California (“ACP-CA”) highlighted their support for further exploring the proposal submitted by the Joint Parties. In addition, the California Independent System Operator (“CAISO”) highlighted a series of concerns related to the proposal put forth by

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<sup>1</sup> CESA’s Comments on Resource Adequacy Track 3B.1, 3B.2. and 4 Proposals, filed under this proceeding on March 12, 2021, at 1.

PG&E, noting that the slice-of-day (“SOD”) framework has not been examined for long enough by parties to this proceeding. In a related comment, CalCCA also underscored that the PG&E proposal has significant potential for added complexity, particularly with regards to resource counting. Notwithstanding these concerns regarding PG&E’s SOD proposal, CESA is supportive of its further development in working group processes alongside the continued refinement of the Joint Parties’ proposal.

- Durability should be added as a principle for the purposes of RA restructuring.
- The various issues related to PG&E’s proposal should be acknowledged in the PD to guide follow-on working group processes.

## II. **DURABILITY SHOULD BE ADDED AS A PRINCIPLE FOR THE PURPOSES OF RA RESTRUCTURING.**

The PD introduces the four principles with which it evaluated the proposals of Energy Division (“ED”), San Diego Gas & Electric (“SDG&E”), the Joint Parties and PG&E.<sup>2</sup> The principles appear to be roughly based on Public Utilities Code Section 380. However, in opening comments, SCE requested that the Commission formally include durability as a principle to be considered during the development of the final RA framework.<sup>3</sup> SCE noted that with the rapidly changing landscape of LSEs, technologies, and load impacts, an RA program structure that is adaptable and durable is needed.<sup>4</sup> In a similar fashion, Form Energy highlighted the need to ensure a predictable and stable resource value that load-serving entities (“LSEs”) can transact.<sup>5</sup> Form argues that this does not necessarily mean that a resource’s value must be unchanging indefinitely; only that its value must be sufficiently understood and stable that project developers can finance projects without being subject to capricious regulatory change, and LSEs can treat resources as being reasonably fungible and tradable so they can fine-tune their portfolios over time.<sup>6</sup> CESA

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<sup>2</sup> PD at 26.

<sup>3</sup> SCE comments, at 5.

<sup>4</sup> *Ibid*, at 6.

<sup>5</sup> Form Energy comments, at 9.

<sup>6</sup> *Ibid*, at 10.

understands this recommendation to be related to the need for durability, as it would maintain a stable and predictable valuation of resources.

CESA agrees with the need to incorporate durability into the principles put forth by the Commission. Including this principle will minimize the administrative burden related to constant framework updates while ensuring a stable and robust bilateral market. As California's electric sector experiences change in all directions, the establishment of a durable RA program is fundamental to retain reliability and to support the necessary investments to achieve these ends. Against this principle, CESA has concerns that PG&E's proposal may not present a durable solution as its elements (seasons and slices) could require constant updates, thus increasing regulatory uncertainty and financial risks.<sup>7</sup> While PG&E's does merit further consideration due to its relative simplicity and flexibility, CESA recommended it should not be the sole proposal that should "remain on the table". At minimum, durability should be a key area of improvement in PG&E's SOD framework during follow-on working group discussions.

### **III. THE VARIOUS ISSUES RELATED TO PG&E'S PROPOSAL SHOULD BE ACKNOWLEDGED IN THE PD TO GUIDE FOLLOW-ON WORKING GROUP PROCESSES.**

In opening comments, the CAISO noted a series of concerns with PG&E's SOD framework. First, the CAISO highlighted that, given the limited period of time to review it, parties have not yet been able to consider the feasibility and potential complexity of the SOD proposal.<sup>8</sup> Second, the CAISO is concerned that the selection of slices in PG&E's proposal is not based on operational needs, but instead is driven by the current resource adequacy counting convention requiring a four-hour minimum duration for storage and demand response resources.<sup>9</sup> Third, CAISO is also concerned with the potential administrative burden related to PG&E's proposal, noting that it could create up to six different qualifying capacity ("QC") values per resource, which

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<sup>7</sup> CESA's Comments on Resource Adequacy Track 3B.1, 3B.2. and 4 Proposals, filed under this proceeding on March 12, 2021, at 11-12.

<sup>8</sup> CAISO comments, at 2.

<sup>9</sup> *Ibid*, at 3.

is unnecessarily complex.<sup>10</sup> Finally, CAISO warned other parties that it is also unclear how PG&E's SOD framework would ensure that Local and Flex RA needs are covered.<sup>11</sup>

Along the same lines, CalCCA highlighted that, unlike the Joint Parties' proposal, the PG&E proposal leaves many details undefined that will introduce significant complexity despite how simple the SOD approach may appear on the surface.<sup>12</sup> Specifically, CalCCA highlighted the administrative complexities related to resource counting. Given the risks of over- and under-counting, CalCCA notes that the seasonal structure may need to be replaced by a monthly one, which, if six slices per day are to be considered, would result in the need for 72 separate analyses for each technology.<sup>13</sup> If solar and wind are further broken down into geographic or technology type, the PG&E methodology would require ED to conduct hundreds of such analyses.<sup>14</sup> CalCCA goes on to detail other potential issues, such as the interaction of transactability with the inclusion of more RA products and current and future availability incentives.

As noted by CAISO, there are several areas in which the viability of PG&E's proposal has not been verified or studied as deeply as it is warranted. CESA shares the concerns of CAISO, CalCCA and other parties regarding the SOD proposal. While PG&E's SOD proposal is conceptually simple, CESA agrees with the importance of these concerns and recommends the Commission revise the PD to ensure that they are addressed in follow-on working group processes. In addition, the identification of these challenges and issues in the PD may inform whether a more limited version of PG&E's SOD proposal should be pursued in the near term.

In doing so, the Commission should still maintain the Joint Parties' proposal for further development to address the issues identified in the PD. Without developing the two shortlisted proposals in parallel, CESA fears that the Commission and stakeholders may encounter certain "threshold" issues that make the proposal infeasible, inefficient/expensive, overly complex, etc., such that the Commission would be smart to pivot toward one proposal over the other. Some of these threshold issues may be unknown until working group processes are launched to fully develop and understand the details of any given proposal; however, by singularly focusing on

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<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> CalCCA comments, at 6.

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*

PG&E's SOD proposal, CESA believes that the Commission may be forcing a restructuring proposal that may or may not be suitable given the principles and goals of the RA Program. Like other stakeholders, CESA is limited in time and resources, but considering the foundational importance of RA rules and requirements to meet state reliability objectives while advancing decarbonization goals, the additional time and resources may be necessary to further developing both PG&E's and the Joint Parties' proposals.

**IV. CONCLUSION.**

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jin Noh', written in a cursive style.

Jin Noh  
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CALIFORNIA ENERGY STORAGE ALLIANCE

Date: July 6, 2021