



Multi-Year Central Buyer Resource Adequacy Framework – R.17-09-020 Track 2



RA Workshop
July 19, 2018





WebEx and Teleconference Info

Conference Phone Line: 1-866-811-4174

Participant Code: 4390072#

WebEx information:

<https://centurylinkconferencing.webex.com/centurylinkconferencing/j.php?MTID=m4cf4ba2b060dcf923c2e2c279c378147>

Meeting number: 712 086 429

Meeting password: !Energy1

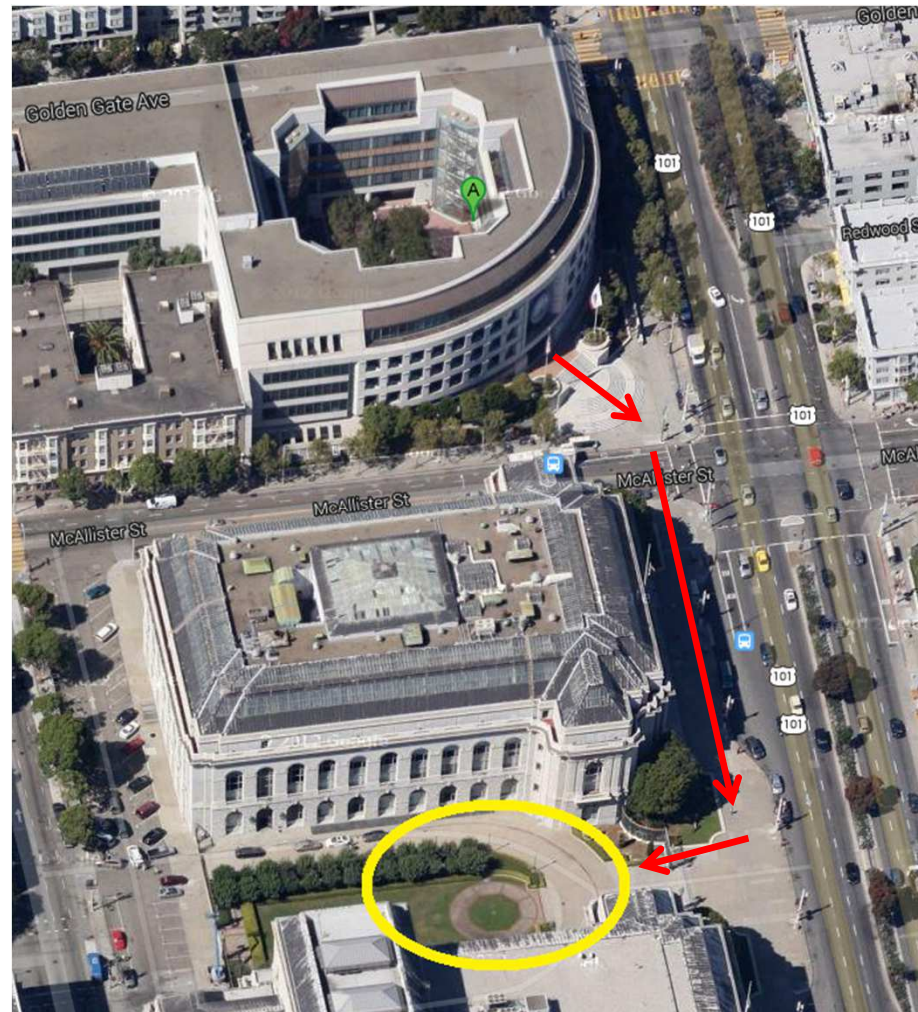




Restrooms & Evacuation Procedure

Restrooms are located on the south side of both wings of the building

In the event of an emergency evacuation, please cross McAllister Street, and gather in the Opera House courtyard down Van Ness, across from City Hall.





Workshop Purpose and Goals:

- **Provide parties with greater clarity and understanding of Track 2 multi-year local RA and central buyer proposals. This workshop provides an opportunity for parties to:**
 - (1) clarify their proposals and
 - (2) discuss key components of a multi-year central buyer framework. The intent is to encourage discussion and collaboration leading to responsive testimony which is due on August 8, 2018.





Agenda

10:00 - 10:15 am	Introduction & Ground Rules, Review Purpose and Goals	<i>Energy Division</i>
10:15 - 10:45 am	Presentation of Proposals	<i>Calpine PG&E CalCCA</i>
10:45 - 11:15 am	Panel 1: Full Central Procurement vs. Residual Buyer	
11:15 - 11:45 am	Presentation of Proposals	<i>SCE NRG SDG&E</i>
11:45 am - 12:15 pm	Panel 2: Who Should be the Central Buyer?	
12:15 - 1:15 pm	Lunch	
1:15 - 1:55 pm	Presentation of Proposals	<i>CAISO AReM IEP Shell</i>
1:55 - 2:25 pm	Panel 3: Percentages and Duration	
2:25 - 3:05 pm	Panel 4: Need Determinations (LCR and TPP Studies) and RA Timeline	
3:05 - 3:45 pm	Panel 5: Transitional Requirements	
3:45 - 4:00 pm	Wrap-Up/Next Steps	





Ground Rules

- **Party Presentations**
 - 10 minutes each
 - Limit questions to quick clarifications
- **Panels**
 - Panelists respond (briefly), then open discussion to all
 - Staff will keep time, ensure discussion is on topic (parking lot)





Definitions

- **Central Buyer:** An entity that manages central RA capacity procurement, including a distribution utility, a capacity market operator, or a special purpose entity
- **Special Purpose Entity:** A third party that may serve as a central buyer
- **Residual Procurement:** Procurement by a central buyer beyond what LSEs self-procure (in a framework that enables LSEs to self-procure some portion of their requirement)
- **Frontstop:** A central procurement framework that incorporates both LSE self-procurement (if allowed) and residual procurement prior to a backstop role by the CAISO
- **Backstop:** A procurement framework in which the CAISO secures backstop capacity in the event of deficiencies





Background- Track 1 Decision (D.18-06-030)

Duration and Percentages

- Concludes that implementation of a 3-5 year local multi-year RA requirement should be initiated for 2020.
- Finds that a 100% local procurement requirement for the first year is appropriate and 95% for year two is appropriate.
- For year three (and beyond if adopted) parties are to propose a reasonable amount of local procurement based on data such as that presented by Energy Division Staff in its proposal.





Background- Track 1 Decision (D.18-06-030)

Central Buyer

- Parties are directed to include implementable central buyer structures in their Track 2 proposals.
- All central buyer structures must address how they would balance economic procurement criteria with other essential state policies, such as greenhouse gas emissions reductions targets and consideration of impacts on disadvantaged communities.
- A strong preference is given to a single central buyer or a central buyer for each transmission access charge (TAC) area.
- Proposals with more than one procurement agent per TAC (two buyers) need to address: 1.) equitable allocation of costs to all customers and 2.) ensure cost effective efficient and coordinated procurement for each local and sub-local area within the TAC.





Background- Track 1 Decision (D.18-06-030)

Studies

- The existing Local Capacity Requirement Technical Studies will serve as the primary input to the Commission's determination of multi-year local needs. However, if a three or four-year local RA program is adopted CAISO studies should preferably match this new timeframe, and not just the current one and five year studies.
- “[W]e also see a need to study the characteristics of the current fleet and potentially identify quantitative and qualitative criteria that consider additional local resource attributes (such as flexibility, locational effectiveness, efficiency, emissions and impacts on disadvantaged communities.) Energy Division may propose such a study in Track 2, where it can be considered tin more detail and coordinated with any IRP planning necessary to meet the state’s 2030 greenhouse gas reduction goals.”





ED Staff Proposal Summary- Central Buyer

- **Full Central Buyer Framework** where the distribution utility would procure all local capacity needed to meet multi-year requirements
- The distribution utility would establish an independent procurement arm to manage local procurement. This arm would be subject to:
 - Competitive neutrality rules or something similar to mitigate anti-competitive concerns
 - Independent evaluator review
 - A stakeholder review group (like PRG CAM)





Staff Proposal Summary- Setting Requirements

- Utilize the CAISO LCR studies (one and five year studies)
- CAISO utilize engineering judgment to allow transmission planning assumptions to flow into the local requirements and minimize the risk of over procurement in the intra-years between the annual and the five-year study.
- Inputs and assumptions of LCR studies should be vetted in the CAISO's LCR process and in the RA proceeding.
- TPP LCR reduction study would flow into the LCR assumptions for all five years.
- CPUC would only allocate the jurisdictional portion of the total local requirements, as is done today for the annual local requirements.
- Proposed percentages and duration:

Year 1	Year 2	Year 3	Year 4	Year 5
100%	95%	90%	80%	75%





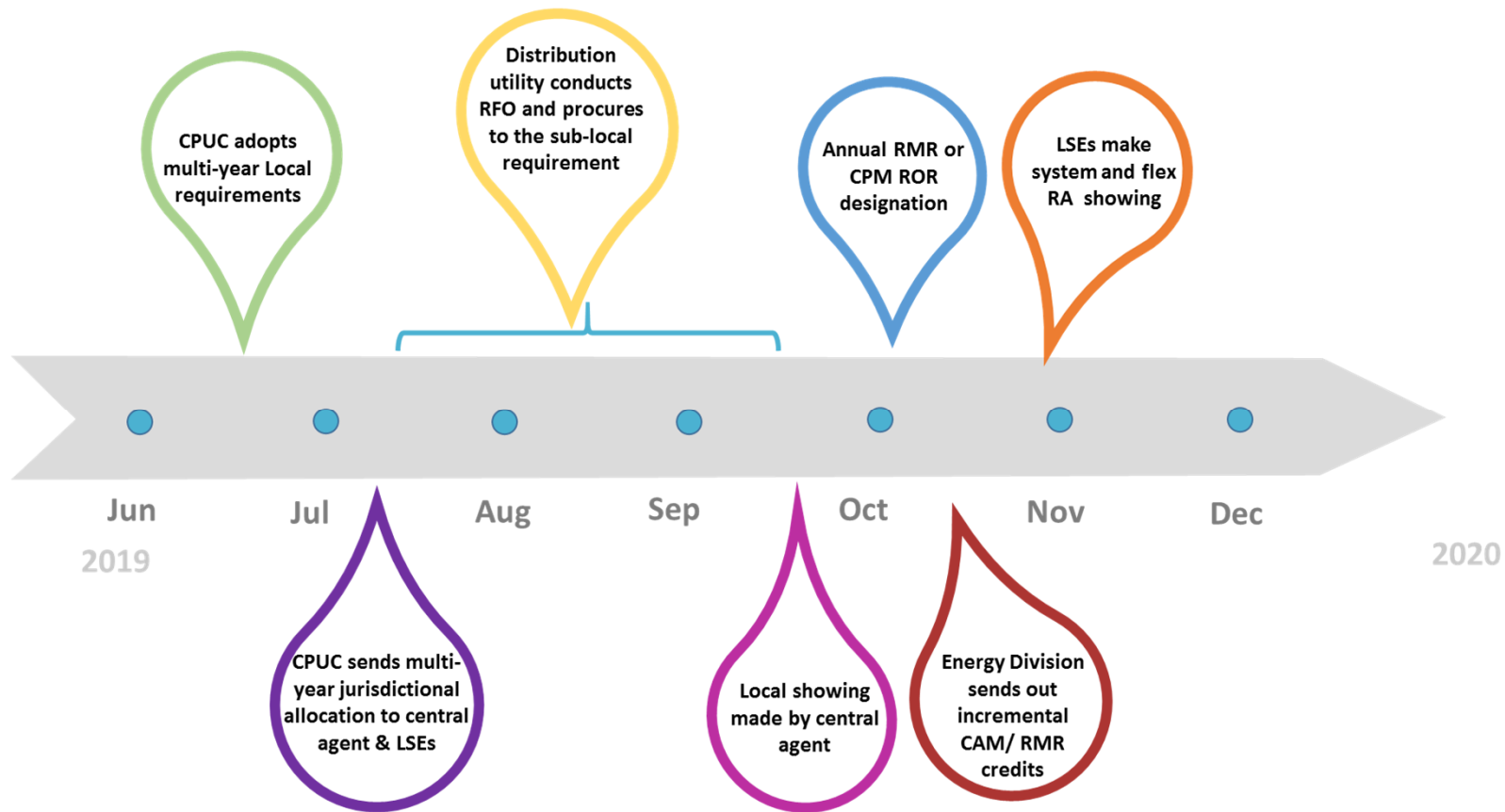
Staff Proposal Summary- Solicitation and Procurement of Local Resources

- Annually the distribution utility would conduct an RFO
- New and existing generation could bid into this RFO
- Criteria that should be considered in selection of local and sub-local procurement includes (no order proposed):
 - Future local area and sub area needs
 - Effectiveness factors
 - Costs
 - Operational characteristics (age, efficiency, flexibility, facility type)
 - Location of the facility
 - Cost of potential alternatives
- Distribution utility will need to work with CAISO and the CPUC to ensure that the local procurement meets reliability goals and also effectively addresses the state's GHG and environmental justice goals.





Timeline - Implementing Central Procurement





Other aspects of the proposal

- Cost allocation of local procurement should go through CAM
- No local RA compliance
- CAISO backstop would be utilized if distribution utility failed to procure resource due to market power
- CPM process and RMR process should remain annual
- Local capacity procurement should be allocated to IRP based on load ratio shares utilized in IRP





Panel 1

Full Central Procurement vs. Residual Buyer





Panel 1 Questions

- 1) How would it be possible to allow LSEs to self-provide while ensuring:
1.) equitable cost allocation (no leaning) and 2.) efficient and coordinated procurement for each local and sub-local area within the TAC?
- 2) Under a residual procurement framework, how do we account for the local effectiveness of LSE procurement in determining residual needs and equitable cost allocations?
- 3) Under a full central procurement framework, how would we treat currently existing local procurement (e.g. buyout, contracts would be bid into a solicitation, etc.)?
- 4) Under a residual procurement framework, what happens if an LSE procures and then loses substantial load?





Panel 2

Who Should Be the Buyer?





Panel 2 Questions

- 1) Under your proposed central procurement entity, how would you ensure that the state's environmental mandates are met? Specifically, if the CAISO is the central agent, would the procurement authority move to FERC, and if so, then how would that change in jurisdiction influence the state's ability to implement state environmental mandates?
- 2) Would a special purpose entity (government agency or NGO) have the expertise and insight to effectively manage least cost procurement and to identify alternative (T&D) solutions? A new special purpose entity will take more time to implement – what about this solution justifies the extra time & complexity?
- 3) If the distribution utility is directed to be the procurement agent, how could anti-competitive concerns be mitigated? Why is the distribution utility hesitant to assume this role?





Panel 3

Percentages and Durations





Panel 3 Questions

- 1) Do generators need more than 3 years to recover major maintenance costs? Would longer duration contracts lower cost to customers?
- 2) How do we set appropriate percentage requirements to allow for preferred and/or alternative (T&D) solutions in the later years?
- 3) What is the cost/risk of over-procurement? If more Local RA is procured than turns out to be necessary in the year-ahead timeframe, will LSEs still benefit from other attributes of the resources, such as System/Flexible RA and dispatch rights, or would excess contracts be sold, to recover costs to the extent possible?
- 4) Which is worse: over-procurement, or under-procurement? How much worse, and in what ways?





Panel 4

Need Determinations (LCR and TPP Studies) and RA Timeline





Panel 4 Questions

- 1) How do we incorporate transmission/distribution and preferred resource solutions into the planning process (TPP and LCR)? If the distribution utility is not the central procurement agent, then who would study the alternatives, and how would they flow into the planning processes?
- 2) Would identification of essential reliability resources lead to market power issues and potential front running of bilateral contracting?
- 3) How would RMR feed into the LCR process? Does it interact with the identification of essential reliability resources?





Panel 4 Questions (cont.)

- 4) Please describe what would change and what would stay the same in your revised RA timeline.
 - a) What are the load forecasting and procurement implications of these changes?
 - b) What other processes would be impacted (e.g. Path 26 allocations, import allocations, August revised load forecast, etc.)
 - c) What changes does your proposal anticipate on the part of the CAISO and the CEC, if any?

- 5) What modifications to the LCR process are needed/possible for 2020?





Panel 5

Transitional Requirements





Panel 5 Questions

- 1) If there is a need for an interim mechanism to transition from the current system to a multiyear single buyer framework? What are the necessary components of that mechanism?
- 2) If the Commission does not adopt a framework with a special purpose entity as the buyer, would an interim mechanism be necessary?
- 3) PG&E proposes that the costs and benefits of the IOUs' entire local portfolios (utility owned and bilaterally contracted) should be allocated to LSEs in their respective TAC areas. Is this necessary, and why (or why not)? Should a similar process be considered for non-IOU LSEs' existing portfolios?





Next Steps





Track 2 Schedule

Activity	Date
Prehearing Conference	August 1
Responsive testimony on Track 2 issues	August 8
Additional Workshops	Late August and Mid-September
Evidentiary Hearings on Track 2 issues (if needed)	Late August
Opening Briefs	September 19
Reply Briefs	October 5
Proposed Decision	Q4 2018





Backup Slides





CAM - Public Utilities Code 365.1 (c) 2

- **Ensure that in the event the commission authorizes, in the situation of a contract with a third party, or orders, in a situation of utility owned generation, an electrical corporation to obtain generation resources that the commission determines are needed to meet system or local area reliability needs for the benefit of all customers in the electrical corporation's distribution service territory, the net capacity costs of those generation resources allocated on a fully nonbypassable basis consistent with departing load provisions as determined by the commission, to all of the following:**
 - Bundled service customers of the electrical corporation
 - Customers that purchase electricity through a direct transaction with other providers
 - Customers of community choice aggregators





Public Utilities Code 380 (a),(h), and (i)

(a) The Commission in consultation with the CAISO shall establish RA requirements for all LSEs.

(h) In establishing these requirements the commission shall determine and authorize the most efficient and equitable means for achieving all the following:

1. Meeting the objectives of this section
2. Ensuring that investment is made in new generating capacity
3. Ensuring that existing generating capacity that is economic is retained
4. Ensuring that the cost of generating capacity and demand response is allocated equitably
5. Ensuring that community choice aggregators can determine the generating resources used to serve their customers
6. Ensuring that investments are made in new and existing demand response resources that are cost effective and help to achieve electrical grid reliability and the states goals for reducing emissions of greenhouse gases.

(i) In making the determination pursuant to subdivision (h), the commission may consider a centralized resource adequacy mechanism among other options





Thank You!

Jaime Rose Gannon

jrg@cpuc.ca.gov

415-703-2818

Nick Dahlberg

Nick.Dahlberg@cpuc.ca.gov

415-703-3386

Simone Brant

simone.brant@cpuc.ca.gov

415-703-5239

