

# Environmental Justice Parties’ Comments

## Subject: Regional Resource Adequacy Initiative

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The California Environmental Justice Alliance (“CEJA”), Asian Pacific Environmental Network (“APEN”), Communities for a Better Environment (“CBE”) and The Greenlining Institute (“Greenlining”) (hereinafter “Environmental Justice Parties”) respectfully submit these comments to the California Independent System Operator’s (“CAISO”) Regional RA – Third Revised Straw Proposal. These comments request CAISO to not expand its backstop authority as part of the regionalization effort.

### DISCUSSION

#### **A. CAISO Should Not Expand Its Backstop Authority.**

The California Public Utility Commission (CPUC) staff’s comments on the First and Second Revised Straw Proposals describe a real concern related to CAISO’s proposed backstop procurement, stating:

[T]he revised proposal discusses CAISO’s need to expand its tariff authority related to reliability, whereas under the present regime, assessing reliability is primarily the responsibility of [Local Regulatory Authorities], including the CPUC. ...CPUC Staff does not understand the need for, or support CAISO’s further expansion of its backstop authority for year-ahead showings in a regional ISO ... CPUC Staff continues to recommend that CAISO should evaluate the potential to make year-ahead RA showings advisory and not subject to potential backstop authority while retaining its current backstop authority on shorter-term time frames (i.e., monthly), when needed to cure

collective or cumulative deficiencies in system, local area, or flexible resource adequacy submissions.<sup>1</sup>

CAISO has not addressed the CPUC’s concerns in the Third Revised Straw Proposal.<sup>2</sup> The Environmental Justice Parties file these comments to support the CPUC’s position related to backstop procurement for several reasons. First, past experience shows that the CPUC as the LRA has a more nuanced understanding of its resources and needs. Second, the CPUC has different statutory requirements related to procurement. This provision would undercut them. Third, CAISO has shown no evidence that this expansion of its backstop authority is necessary.

### **1. CPUC Has a More Detailed Understanding of Resources in Its Jurisdiction.**

The California Environmental Justice Alliance, which APEN and CBE are members of, has participated in the CPUC’s procurement proceedings for years to help inform those decisions and ensure that the state does not overprocure unnecessary fossil-fuel resources. In those proceedings, the CPUC and CAISO have disagreed about what resources are necessary to meet reliability. As the CPUC has noted: “[i]n relevant past decisions, the Commission has disputed some of the ISO’s input assumptions to its modeling (such as megawatts of demand response and incremental uncommitted energy efficiency, and load forecasts).”<sup>3</sup>

For example, in the 2012 Long Term Procurement Proceeding, the CPUC examined long-term local capacity needs for the LA Basin. CAISO recommended “the long-term procurement of approximately 2400 MW in the LA basin local area to meet LCR needs in 2012, if the generation is selected from the most effective sites.”<sup>4</sup> The CPUC examined CAISO’s request and disagreed with a number of its assumptions. In particular, the CPUC found that “ISO should have included some projection of uncommitted CHP into its models,”<sup>5</sup> it disagreed with CAISO’s demand response assumption,<sup>6</sup> and it disagreed with CAISO’s energy efficiency assumption.<sup>7</sup> In the end, the CPUC determined that CAISO’s “Trajectory scenario LCR forecast should be reduced by a maximum of 1000 MW to account for undercounted resource available.”<sup>8</sup> The CPUC relied on its more extensive knowledge of preferred resources within its jurisdiction as well as parties’ input to determine more accurate inputs.

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<sup>1</sup> See CPUC Staff Comments, *CAISO Second Revised Regional RA Proposal*, <https://www.aiso.com/Documents/CPUCStaffCommentsRegionalResourceAdequacySecondRevisedStrawProposal.pdf>.

<sup>2</sup> CAISO Regional RA Third Straw Proposal, *available at* <https://www.aiso.com/Documents/ThirdRevisedStrawProposal-RegionalResourceAdequacy.pdf>.

<sup>3</sup> CPUC Decision 14-03-004 at p. 48.

<sup>4</sup> CPUC Decision 13-02-015 at p. 13.

<sup>5</sup> CPUC Decision 13-02-015 at p. 59.

<sup>6</sup> CPUC Decision 13-02-015 at p. 56.

<sup>7</sup> CPUC Decision 13-02-015 at p. 51.

<sup>8</sup> CPUC Decision 13-02-015 at p 65.

The CPUC’s decision in the 2012 LTPP demonstrates the importance of leaving reliability decisions with local regulatory authorities. In that decision, the CPUC analyzed detailed information about preferred resources due to its expertise as administrator of the programs as well as parties’ input through a hearing that allowed for cross-examination. This more nuanced, detailed analysis, which took into account parties’ comments, is critical for ensuring that procurement reflects the States’ policies and mandates.

## **2. This Provision Would Undercut CPUC’s Statutory Responsibilities.**

CAISO’s primary charge under California law is reliability. The Public Utilities Code (“Code”) provides that CAISO “shall ensure efficient use and reliable operation of the transmission grid”<sup>9</sup> and that CAISO shall “ensure the reliability of electric service and the health and safety of the public.”<sup>10</sup> These CAISO mandates apply to its management of the grid.<sup>11</sup>

The CPUC has additional primary statutory directives. As the CPUC summarized: “A significant different between the ISO’s reliability mission and the Commission’s reliability emphasis is that the Commission must balance its reliability mandate with other statutory and policy considerations. Primarily, these considerations are reasonableness of rates and a commitment to a clean environment.”<sup>12</sup>

Indeed, the CPUC must comply with several statutory procurement-related requirements to protect the environment. For example, the Code provides that utilities must first meet their “unmet resource needs through all available energy efficiency and demand reduction resources that are cost-effective, reliable, and feasible.”<sup>13</sup> Consistent with this requirement, the CPUC has historically required that all procurement be consistent with a Loading Order by prioritizing demand side and preferred resources.<sup>14</sup>

In addition to loading order requirements, the CPUC has to comply with mandates that require consideration of disadvantaged communities and air pollution in procurement. For example, the Code requires a preference for renewable projects “that provide environmental and economic benefits to communities afflicted with poverty or high unemployment, or that suffer from high emission levels of toxic air contaminants, criteria air pollutants, and greenhouse gases.”<sup>15</sup> It further requires that the CPUC ensure that load servicing entities’ integrated resource plans “minimize localized air pollutants and other greenhouse gas emissions, with early priority

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<sup>9</sup> Cal. Public Util. Code § 345.

<sup>10</sup> Cal. Public Util. Code § 345.5(b)

<sup>11</sup> *See* Cal. Public Util. Code § 345.5(b). Although CAISO does have a requirement to manage the grid consistent with “applicable state law intended to protect the public’s health and environment”, the Code does not specify requirements related to ensuring procurement meets California’s other policies. Those procurement requirements fall upon other entities including the CPUC.

<sup>12</sup> CPUC Decision 13-02-015 at p. 35.

<sup>13</sup> Cal. Public Util. Code § 454.5(b)(9)(C).

<sup>14</sup> *See, e.g.*, CPUC Decision 12-01-033 at p. 21.

<sup>15</sup> Cal. Public Util. Code § 399.13(a)(7).

on disadvantaged communities.”<sup>16</sup> These types of important requirements are currently before the CPUC and being evaluated as part of the IRP proceeding.<sup>17</sup> The Legislature entrusted the CPUC to make to implement these decisions and ensure that future procurement balances these types of considerations. An expansion of backstop procurement authority would undercut the CPUC’s jurisdiction related to these important policies and mandates.

### **3. There Is No Demonstrated Need for Increasing Backstop Procurement.**

CAISO has limited backstop procurement authority now. There has been no showing that CAISO needs it expanded for a regional ISO. Any expansion of backstop procurement should be scrutinized because it would directly undercut local authorities like the CPUC as discussed above. With no demonstrated need, CAISO should maintain its current authority. As the CPUC’s comments suggest, CAISO can make its RA showings advisory and if an issue arises, it can use its limited backstop authority.<sup>18</sup>

For all these reasons, the Environmental Justice Parties request that CAISO revise its backstop procurement proposal to make it only advisory to LRAs and allow LRAs to retain their procurement authority.

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<sup>16</sup> Cal. Public Util. Code § 454.52(a)(1).

<sup>17</sup> See CPUC Rulemaking 16-02-007.

<sup>18</sup> See CPUC Staff Comments, *CAISO Second Revised Regional RA Proposal*, <https://www.aiso.com/Documents/CPUCStaffCommentsRegionalResourceAdequacySecondRevisedStrawProposal.pdf>.