

## Comments on FRACMOO 2 After August 18, 2015 Meeting

Submitted by	Company	Date Submitted
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The California Large Energy Consumers Association (CLECA) provides these comments based on the presentations from the August 18, 2015 Working Group meeting on Flexible Resource Adequacy Capacity and Must Offer Obligation – Phase 2 (FRACMOO 2), the discussion at that meeting and parties’ prior comments.

### 1. The “Problem Definition” Still Lacks Clarity and Credibility

Many parties raised significant concern in comments and at the working group meeting with how the “problem” to be addressed by FRACMOO 2 is being defined and set-up.<sup>1</sup> CLECA continues to agree with these parties that the lack of clarity regarding “net load” and “over-generation risk” is highly problematic.<sup>2</sup> This lack of clarity causes a lack of credibility. Not knowing what the purported problem is – i.e., not being able to review and analyze the net load curve broken out into its distinct load shape and renewables generation curves - makes it hard to accept first that the problem exists and second that it must be addressed now. The FRACMOO 2 process is still in the issue paper stage; the CAISO can and should remedy this widely-recognized deficiency by providing the necessary, more granular analysis to lay the groundwork for FRACMOO 2 before moving to a Straw Proposal. The data and analysis should be provided to stakeholders for their review and followed by an in-person working group meeting.

#### a) Renewable Resource Output Assumptions Should Reflect Economic Reality

Critically, a break-out of the net-load curve into load shapes, solar output and wind output should be accompanied by full transparency around the CAISO’s development of modeling assumptions for the renewables generation and output. Multiple stakeholders caution against characterizing all wind and solar resources as

<sup>1</sup> See Slide 6 (listing stakeholders raising these concerns: CPUC, Six Cities, PG&E, Calpine, CLECA, LSA, ORA, NCPA, SDG&E, WPTF).

<sup>2</sup> See, e.g., CLECA Comments submitted August 5, 2015, at 1-2; *see also* Calpine Comments, submitted August 5, 2015, at 1 (“Calpine believes the CAISO should gather more evidence that its energy and AS markets are failing or likely will fail to manage overgeneration economically before implementing a downward capacity product.”).

“must take”, noting the possibility of a market-based, economic solution<sup>3</sup>; CLECA agrees that those resources that have agreed to economic curtailment provisions should not be modeled as “must take.” Further, the forecasted output of renewable resources should account for expected increases in flexibility of those resources.

### **b) Data on How the Interim Flexibility Requirement Has Performed Is Needed**

Moreover, despite prior suggestions from multiple parties including CLECA, no data has been presented to demonstrate any current issues with the interim requirement for flexible capacity. The interim requirement was just implemented; 2015 is the first year it has been in place. Data on the flexible resources currently meeting the interim flexible RA requirement and whether they are providing the CAISO with the level of flexibility it needs to run the grid should be the foundation for any review and analysis of a “durable” flexible capacity requirement. Review and analysis of this data should be undertaken to help a realistic determination of whether there is indeed a problem. Proposing changes to the current interim requirements without such data is extremely problematic and wasteful of stakeholder resources. The CPUC and the CAISO should make available information on how the current interim flexible RA requirements are working *before* any decisions are made on changing the requirements.

The interim requirements are supposed to remain in place until the 2018 RA compliance year. There is time to gather data on how the current requirements are performing. No persuasive case has been made on a “need for speed” for addressing FRACMOO 2 now. Moreover, time should be taken to ensure that the CAISO’s presumptions regarding inflexible capacity are accurate.<sup>4</sup>

### **c) The Problem Statement Should Evolve With Greater, Needed Clarity**

Importantly, the problem statement needs to be refined and the perception of the problem should change as needed clarity is gained in several key areas:

- Whether and how the load curve, as a distinct component of the net load curve, will change in response to structural changes in retail rates; this should be informed by the CEC’s revised 2015 IEPR load forecast;

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<sup>3</sup> During the working group meeting, at least four parties (PG&E, SCE, SDG&E and, CLECA believes, CalWEA) raised this, and more parties addressed it in their August 5, 2015 written comments. See, e.g., ORA Comments submitted August 5, 2015, at 4.

<sup>4</sup> In FRACMOO 2, there is an assumption of approximately 2,000 MW of inflexible nuclear capacity, presumably representing Diablo Canyon (see, e.g., slides 17, 19 and 20); Diablo Canyon, however, appears to be presumed to have ~1,800 MW of Effective Flexible Capacity for 2016. See, Preliminary 2016 Resource Adequacy Effective Flexible Capacity Data, tab Final EFC, rows 208 and 209 for “Diablo\_7\_Units 1 and 2, respectively (Available online at <http://www.caiso.com/Documents/2016EffectiveFlexibleCapacity-ResourceAdequacyResources.htm>). Is this apparent inconsistency a reason why CAISO seeks to change the definition of flexibility?

- Whether all or just some renewable resources should be part of the net load curve (as noted above, some solar and wind resources have apparently already agreed to economic curtailment and more may be able to flexibly operate in the future); and
- Whether and for how long Diablo Canyon (2,240 MW of nameplate baseload (inflexible?) nuclear power) will continue operations. Here, two facts should be noted: first, retrofitting the plant to meet State Water Board once-through cooling requirements may require a minimum 17 month shutdown<sup>5</sup> (should PG&E move forward with retrofitting the plant – which it may not do) and second, there are serious questions surrounding the re-licensing of Diablo Canyon for post 2024 operations.<sup>6</sup> The CAISO may need to re-examine its assumption that there will be a large block of nuclear power that can't turn down in 2024.

#### **d) The Load Shape on Which the Net Load Curve Is Based Should Be Updated and Informed by the CEC's Final 2015 IEPR Forecast**

The CAISO's net load curve is based on an outdated load shape forecast that – even though it extends well past the initial implementation of significant retail rate design changes – fails to take those retail rate design changes into account. This effort should be informed by the updated load shape forecast being developed for the CEC's 2015 IEPR. Last month, at an IEPR workshop on the electricity demand forecast, CEC Commissioners recognized the importance of retail rate changes on the forecast load shape. “[W]e do know something about what the rate structures are going to look like going forward. So, maybe the revisions to the [load forecast] model need to take multiple inflection points into account”<sup>7</sup> As CEC staffer Kavalec explained, the final 2015 IEPR forecast of electricity demand would take those rate changes into consideration:

our job, at least for this particular model, is attempting to incorporate both a flatter rate structure and the beginning of much more widespread time of use

<sup>5</sup> See, [http://www.sanluisobispo.com/2013/11/02/2763083\\_diablo-canyon-faces-deadlines.html?rh=1](http://www.sanluisobispo.com/2013/11/02/2763083_diablo-canyon-faces-deadlines.html?rh=1); see also [http://www.swrcb.ca.gov/water\\_issues/programs/ocean/cwa316/rcnfpp/docs/subbechcom\\_111314.pdf](http://www.swrcb.ca.gov/water_issues/programs/ocean/cwa316/rcnfpp/docs/subbechcom_111314.pdf)

<sup>6</sup> In July, PG&E Spokesperson Blair Jones reportedly stated, ““To be clear, while the Nuclear Regulatory Commission is moving forward with its review, PG&E has yet to move forward on the California portion of the license renewal process as we continue to consider feedback on recent seismic research.” <http://www.sfgate.com/bayarea/article/Feds-to-decide-whether-state-s-last-nuclear-6371664.php>) As of August 6, 2015, the utility apparently remained undecided on whether or not to seek renewal of Diablo Canyon's license. <http://www.keyt.com/news/nrc-taking-public-comment-on-diablo-canyon-license-renewal/34568790>

<sup>7</sup> Chair Weisenmillar: “there has to be some adjustment for that ... there's a lot going on in this [retail rate structure] area.” Commissioner McAllister, “Oh, absolutely. That's kind of my point here ... as you refine the model, a predictive model, you can see how well some of these new, anticipated scenarios map onto your inputs and kind of figure how you might be able to reflect that.” [http://docketpublic.energy.ca.gov/PublicDocuments/15-IEPR-03/TN205689\\_20150812T084228\\_Transcript\\_of\\_the\\_July\\_7\\_2015\\_IEPR\\_Commissioner\\_Workshop\\_on\\_the.pdf](http://docketpublic.energy.ca.gov/PublicDocuments/15-IEPR-03/TN205689_20150812T084228_Transcript_of_the_July_7_2015_IEPR_Commissioner_Workshop_on_the.pdf), at 20-22.

rates. So this is a work in progress ... [W]e're going to make some changes for the revised forecast.<sup>8</sup>

He continued, "We are also involved in an analysis of much more widespread use of TOU rates, with the CPUC and the California ISO."<sup>9</sup>

Notably, the rate design changes will impact more than just the load curve; they will also likely impact the adoption rates for onsite customer generation. For example, as shown in the preliminary 2015 IEPR forecast, after 2018, the forecast impact of the residential rate re-design on residential PV installations was a 1,600 MW reduction.<sup>10</sup>

## 2. Long-term forward planning should be done at CPUC, not the CAISO

Finally, the CAISO may be overstepping its system operator role by moving into "forward planning."<sup>11</sup> At the working group meeting, CAISO representatives asserted, "we need forward procurement space with economic bids"; the RA construct is short-term – covering at most a one-year period.<sup>12</sup> Perhaps more importantly, long-term procurement planning for its jurisdictional entities should be the purview of the CPUC, not the CAISO. The CPUC staff at the workshop explained the CPUC's careful process for approval of the existing RA and procurement contracts, including consideration of limits based on environmental and community considerations; it was noted that some of these questions may be more appropriately considered and answered at the CPUC in a procurement proceeding.

CLECA thus opposes the untimely institution of a poorly-defined, overly-complex regulatory mechanism without a demonstration of need, as proposed by the CAISO to date; however, SCE's proposal may warrant further review. This review should occur after the necessary groundwork and analysis described above to clarify the problem statement have been performed. SCE's proposal appropriately examines the time periods between net load troughs and net load peaks in considering ramping needs.<sup>13</sup> This is helpful context.

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<sup>8</sup> [http://docketpublic.energy.ca.gov/PublicDocuments/15-IEPR-03/TN205689\\_20150812T084228\\_Transcript\\_of\\_the\\_July\\_7\\_2015\\_IEPR\\_Commissioner\\_Workshop\\_on\\_the.pdf](http://docketpublic.energy.ca.gov/PublicDocuments/15-IEPR-03/TN205689_20150812T084228_Transcript_of_the_July_7_2015_IEPR_Commissioner_Workshop_on_the.pdf), at 22.

<sup>9</sup> Id., at 34.

<sup>10</sup> Id., at 57 ("we have a shift from four tiers, to three tiers, and then two tiers by 2018. And after 2018, we just hold the 2018 tiers and escalate it by the retail rate escalation from our price forecast. And, you know, no surprise there, ... you get a lot less adoption here. ... There's actually about 1,600 megawatts [less]... ***So, these rate assumptions have some very big impacts that we need to address for the revised forecast.***")

<sup>11</sup> See, e.g., Flexible Resource Adequacy Criteria and Must-Offer Obligation – Phase 2 Working Group Meeting Presentation, slide 5 (stating as an objective to "ensure the ISO is able to address ... potential over-generation through responsible forward planning").

<sup>12</sup> While some RA contracts may have a longer duration, the regulatory requirements extend only one year.

<sup>13</sup> See SCE Durable Flexible RA Proposal Presentation, dated 2015-08-18, at Slide 10.