

Proposal for a Multi-Year RA Framework

Presentation of
The Independent Energy Producers Association (IEP)
CPUC RA Workshop
R. 17-09-020
February 22-23, 2018

Background:

- ▶ 2010: Commission adopts bilateral approach to resource adequacy [D. 10-06-018]
 - Indicates a multi-year forward capacity commitment would potentially provide reliability and other benefits
- ▶ 2018: Dynamic changes highlight need for multi-year RA Framework at this time:
 - Load migration (e.g., rapid growth in CCAs)
 - Pending retirement of significant amounts of existing capacity (e.g., OTC, Diablo Canyon)
 - Change in capacity counting (e.g., ELCC)
 - Pending expansion in renewables
 - Increasing incidence of “backstop” CAISO procurement

Multi-year Forward RA Framework:

- ▶ ***No change in current process establishing LSE obligation:***
 - LSEs submit historical load information in March;
 - LSEs submit load forecast in April;
 - LSEs receive RA obligation in July;
 - LSEs revise load forecast in August;
 - LSEs receive final RA obligations in September;
 - LSEs make showing in October;
 - LSEs have opportunity to cure any deficiencies.

Multi-year Forward RA Framework:

▶ *Setting the Forward Obligation:*

- Build off existing one-year forward obligation;
- Set minimum 3-year obligation (“rolling”);
- Forward obligation (Years 2 and 3) declines 5% per annum on straight-line basis:

	One-Year Forward <i>(Status Quo)</i>	Two-Years Forward	Three-Years Forward
Local RA Obligation	100%	95%	90%
Flexible RA Obligation	90%	85%	80%

Benefits of Multi-year Forward RA Framework:

- ▶ Minimize out-of-market procurement.
- ▶ Incent orderly retirement of unneeded resources.
- ▶ Provide valuable revenue stream for needed and preferred resources.
- ▶ Does not harm bundled customers:
 - Consistent with Commission-adopted PCIA, Resolution E-4907, etc.
- ▶ Does not impede CCA/ESP formation:
 - Straight-line, 5% declining forward obligation provides hedge against risk of load migration.
 - CCAs/ESPs already faced with Long-Term procurement obligation (e.g., 65% RPS LT contracting beginning 2021).

What IEP Is *Not* Proposing:

- ▶ Centrally Administered Capacity Market
 - ▶ Redefinition of RA Products
 - ▶ New RA Reporting Framework
 - ▶ Changes to CPUC-adopted rules governing cost allocation, non-bypassable charges, etc.
- 