California Public Utilities Commission

February 16, 2018

Energy Division Proposals for Proceeding 17-09-020 Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Refinements, and Establish Annual Local and Flexible Procurement Obligations for the 2019 and 2020 Compliance Years

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Staff Proposal: Load Serving Entities Planning to Serve Load Must Fully Participate in the Annual Resource Adequacy Process

Background

When the Resource Adequacy (RA) Program was created, it was designed as a mandatory program applicable to all load serving entities (LSEs). This included investor-owned utilities (IOUs), energy service providers (ESPs), and community choice aggregators (CCAs) as described in Public Utilities (P.U.) Code 380(e):

The commission shall implement and enforce the resource adequacy requirements established in accordance with this section in a nondiscriminatory manner. Each load-serving entity shall be subject to the same requirements for resource adequacy and the renewables portfolio standard program that are applicable to electrical corporations pursuant to this section, or otherwise required by law, or by order or decision of the commission. The commission shall exercise its enforcement powers to ensure compliance by all load-serving entities.

P.U. Code 380(f) goes on to state that:

The commission shall require sufficient information, including, but not limited to, anticipated load, actual load, and measures undertaken by a load-serving entity to ensure resource adequacy, to be reported to enable the commission to determine compliance with the resource adequacy requirements established by the commission.

The Commission established the RA program through a series of decisions to comply with statute (P.U. Code Section 380). These decisions created (1) an annual process for LSEs to submit load forecasts for the following year so that RA requirements could be fairly allocated between LSEs, and (2) a year-ahead filing for LSEs to demonstrate procurement to meet the RA requirement.

The Commission strongly stated that load forecasts were to accurately estimate an LSE's load for the coming year. As stated in D.04-10-035 at 17-18:

We therefore direct all LSEs to prepare load forecasts on the basis of their best estimate of future customers and their loads. We intend to aggressively pursue an approach that yields ***accurate load forecasts*** *by all LSEs…To facilitate this, we direct the LSEs to provide to the CPUC and the CEC, along with their forecasts based on* ***best estimates*** *of future customers and their loads, an up-to-date accounting of their current customers and loads.*

D.09-06-028 builds on the "best estimate" discussion of D.04-10-035, stating that accurate load forecasts were necessary because "the Commission clearly did not want to place LSEs in a position where they could be saddled with excess capacity, or in need of additional capacity, under market conditions where they would not be able to conduct reasonable and appropriate transactions to acquire or dispose of capacity as needed for load migration"[1] and that "under-forecasting by an LSE has the potential to cause cost-shifting from that LSE to LSEs that more accurately forecast their loads."[2]

[1] D.09-06-028 at 32
[2] D.09-06-028 at 57

Following the load forecasting process, Energy Division assigns RA requirements to all LSEs. All must then make an annual showing in October for the following year. D.06-06-064 describes this annual showing where "LSEs shall demonstrate they have acquired 100% of their Commission-determined 'year-ahead' local procurement obligation for the following calendar year, i.e., the 12 months from January through December. These compliance demonstrations are made concurrently with the LSEs' annual System RA requirement '90% year-ahead' (May through September) compliance filings."[3]

CPUC Resource Adequacy Annual Timeline

The timeline for the annual RA process begins each March, when LSEs file historical load information, and continues through October with initial and revised load forecasts, assignment of RA obligations, and year-ahead RA filings as described in the Annual RA Guide posted on the Resource Adequacy Compliance Materials website.[4]

For example, the year-ahead load forecast and filing dates for the 2018 compliance year were as follows:

LSEs file historical load information	**Mar 17, 2017**
LSEs file 2018 year-ahead load forecast	**Apr 21, 2017**
LSEs receive 2018 year-ahead RA obligations	**July 21, 2017**
Final date to file revised forecasts for 2018	**Aug 18, 2017**
LSEs receive revised 2018 RA obligations	**Sep 20 , 2017**
Final 2018 year-ahead filing	**Oct 31, 2017**

Load Migration

Early in the history of the resource adequacy program, there was concern over load migration leading to cost shifting between LSEs. However, at that time, load migration was generally confined to Direct Access customers. Since Direct Access is capped, and costs of this load shifting was confined to the ESPs, the burden of inaccuracies in the year ahead forecast due to load shifting was deemed to be reasonable given other concerns about market function.[5]

The local RA requirement is currently an annual requirement, meaning that LSEs must procure 100% of their local RA requirement for each month of the year in the year-ahead timeframe. When the local RA requirement was created, there was concern that load migration could result in unjust cost-shifting as described in D.09-06-028.

When an LSE loses a customer to another LSE during the compliance period, it temporarily remains saddled with Local RA procurement costs associated with that customer. At the same time, the LSE that

[3] D.06-06-064 at 3
[4] http://cpuc.ca.gov/General.aspx?id=6311
[5] See D.09-06-028 at 32-4

gains the migrating customer has no obligation to procure capacity on behalf of that customer for the remainder of the compliance year. This has the effect of shifting costs to the losing LSE, which runs counter to our policy, and the requirements of Section 380(b)(2), to equitably allocate the cost of generation and prevent cost shifting.[6]

In recent years, as the number of CCAs has grown and customers have been automatically defaulted into the CCAs, load migration from the IOUs to CCAS has rapidly increased. It appears that the scenario described in D.09-06-028 has become reality, as CCAs have launched at times that do not sync with the year-ahead RA process, leading to load migration after IOUs have procured for that load. This ultimately results in stranded costs being left with bundled customers since costs for contracts of one year or less in length are not included in the power charge indifference assessment (PCIA) paid by departing load.

For example, as of the end of 2017, the CPUC had approved eleven CCA implementation plans for launch or expansion of operations in 2018. None of this load migration was captured in the year-ahead RA process, yet these plans indicate that over 3,200 MW of load will leave the IOUs between January and September 2018 (Table 1). Because the year-ahead RA process assumed that this load would continue to be served by IOUs, the associated RA requirements were assigned to the IOUs, and costs were borne by bundled customers.

Additionally, five CCAs filed implementation plans in December 2017 that have not yet been approved by the CPUC. If they are approved to operate or expand in 2018, this will be an additional 1,000-1,500 MW of load migration in the second half of 2018 that was procured by the IOUs, not by the CCAs, in the year-ahead RA process (Table 2).

The approximately 5,000 MW of load likely to depart from the IOUs during 2018 was assigned to the three IOUs during the year-ahead process, since the CCAs did not participate, and the IOUs therefore procured capacity for that load. That departing load represents approximately 10% of the total peak load. If the load departs during 2018, costs of that procurement will be left stranded with remaining bundled customers since D.11-12-018 excluded power purchase transactions of less than a year in term from the total portfolio calculation of the Power Charge Indifference Adjustment (PCIA). When such costs are borne by bundled customers, it potentially results in millions of dollars annually of stranded costs and potentially is in contravention of the indifference requirement of P.U. Code Section 366.2 and P.U. Code 380's requirements for cost indifference of bundled customers.

Resolution E-4907, adopted by the Commission on February 8, 2018 was designed to align the CCA registration process with the RA filing schedule by requiring new or expanding CCAs to submit implantation plans by January 1 of the year before it would begin serving that load. This will ensure that implementation plans are approved and new CCAs are registered before year-ahead load forecasts are due in April. While this should largely resolve the timing issues that have surfaced over the past couple years, this proposal is meant to reiterate expectations for all LSEs. Additionally, it brings this issue into the RA proceeding where many parties preferred that these issues be considered.

[6] D.09-06-028 at 38-9.

Proposal

Staff proposes that resource adequacy continue to be an annual requirement. All LSEs must participate in all aspects of the year-ahead RA process if they plan to serve load at any point during the following calendar year and must submit monthly RA filings. Additionally, staff proposes that an LSE may only expand its territory in the following calendar year if its year-ahead load forecast and revised load forecast reflect that expansion.

This proposal is meant to work in tandem with Resolution E-4907 and to clearly delineate the year-ahead resource adequacy requirements. Ensuring participation in the year-ahead RA process for all LSEs planning to serve load or expand territory in the following calendar year will enable fair allocation of RA requirements according to best estimates of expected load migration. This will therefore prevent the cost shifting issues that have surfaced due to a mismatch in timing between LSE formation or expansion and the RA schedule and avoid any potential future conflicts.

This proposal is meant to apply only to the current one-year ahead RA construct. If a multi-year RA requirement is adopted in the future, staff may propose alternative mechanisms to address the issue of IOU forward procurement and associated cost allocation to new or expanding LSEs.

Table 1: 2018 Load Migration to Community Choice Aggregators not Captured in the Year-Ahead Resource Adequacy Process from Implementation Plans Approved by the CPUC in 2017 (Values in the implementation plans are adjusted to remove the 15% planning reserve margin and include only additional load migration in the case of CCA expansion).

TAC	CCA	Location	Implementation Plan File Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PGE	Redwood Coast Energy Authority	Ferndale	Aug-17	*	*	*	*	*	*	*	*	*	*	*	*
	Pioneer Community Energy	Placer County	Jul-17	155	146	129	123	137	203	204	202	166	128	128	135
	Monterey Bay Community Power	Monterey, Santa Cruz, San Benito County	Aug-17	-	-	319	371	384	399	603	604	620	535	519	503
	MCE (Revised)	Contra Costa County, Concord, Martinez, Oakley, Pinole, Pittsburg, San Ramon, Danville, Moraga	Sep-17	-	-	-	*	*	*	*	*	*	*	*	*
	San Jose Clean Energy	City of San Jose	Sep-17	-	-	-	20	20	26	25	28	450	371	414	433
	East Bay Community Energy	Alameda County	Aug-17	-	-	-	-	24	30	30	30	723	640	652	614
	Valley Clean Energy Alliance	Yolo County, Davis, Woodland, unincorporated Yolo	Oct-17	-	-	-	-	-	-	245	230	217	148	107	107
			PGE Total**	**155**	**146**	**448**	**514**	**566**	**657**	**1,107**	**1,094**	**2,175**	**1,822**	**1,820**	**1,791**
SCE	LA Community Choice Energy	LA County unincorporated, Rolling Hills Estates, South Pasadena	Aug-17	29	30	30	33	32	34	723	755	846	776	472	605
	Rancho Mirage CCA	Riverside County	Oct-17	-	-	-	-	43	63	70	73	77	54	41	36
	San Jacinto Power	City of San Jacinto	Dec-16	28	27	25	27	28	35	46	43	57	46	33	28
			SCE Total**	**57**	**57**	**56**	**60**	**103**	**131**	**839**	**871**	**980**	**876**	**546**	**669**
SDGE	Solana Beach CCA	City of Solana Beach	17-Nov	-	-	-	-	-	11	14	14	17	12	13	12
			SDGE Total**	**-**	**-**	**-**	**-**	**-**	**11**	**14**	**14**	**17**	**12**	**13**	**12**
			System Total**	211	203	503	574	669	800	1,960	1,979	3,171	2,709	2,379	2,472

CCAs have not provided detailed information, claim it is confidential or are undecided.

**Not including unavailable data.

Table 2: 2018 Load Migration to Community Choice Aggregators not Captured in the Year-Ahead Resource Adequacy Process from Implementation Plans Submitted to the CPUC in December 2017 (Values in the implementation plans are adjusted to remove the 15% planning reserve margin and include only additional load migration in the case of CCA expansion).

TAC	CCA	Location	Implementation Plan File Date	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
PGE	Silicon Valley Clean Energy (Revised)	City of Milpitas	20-Dec-17	-	-	-	-	73	79	78	80	82	74	63	64
	KCCP CCA	King City	15-Dec-17	-	-	-	-	-	*	*	*	*	*	*	*
			PGE Total**	**-**	**-**	**-**	**-**	**73**	**79**	**78**	**80**	**82**	**74**	**63**	**64**
SCE	RivCo CCA	County of Riverside	29-Dec-17	-	-	-	-	-	-	-	*	*	*	*	*
	Desert Community Energy	Riverside County, Cathedral City, Palm Springs, Palm Desert	12-Dec-17	-	-	-	-	-	-	469	529	517	434	310	295
	LA Community Choice Energy (Revised)	Cities of Agoura Hills, Alhambra, Arcadia, Beverly Hills, Calabasas, Carson, Claremont, Culver City, Downey, Hawaiian Gardens, Hawthorne, Malibu, Manhattan Beach, Ojai, Paramount, Santa Monica, Sierra Madre, Temple City, Thousand Oaks, West Hollywood, and the County of Ventura	29-Dec-17	-29	-1	-	1	1	1,164	477	461	485	674	736	1,143
			SCE Total**	**-29**	**-1**	**-**	**1**	**1**	**1,164**	**946**	**990**	**1,003**	**1,108**	**1,045**	**1,438**

System Total**	-29	-1	-	1	74	1,243	1,024	1,069	1,084	1,182	1,108

* CCAs have not provided detailed information, claim it is confidential or are undecided.

**Not including unavailable data.