

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Continue
Electric Integrated Resource Planning and
Related Procurement Processes.

Rulemaking 20-05-003

**COMMENTS OF POWEREX CORP.
ON ADMINISTRATIVE LAW JUDGE RULING SEEKING FEEDBACK ON MID-
TERM RELIABILITY ANALYSIS AND
PROPOSED PROCUREMENT REQUIREMENTS**

POWEREX CORP.
Mike Benn, J.D., B.ASc.
Energy Trade Policy Analyst
Suite 1300 – 666 Burrard Street
Vancouver, BC V6C 2X8
Telephone: (604) 891-6074
Email: mike.benn@powerex.com

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Vidhya Prabhakaran
Tahiya Sultan
Davis Wright Tremaine LLP
Suite 800
505 Montgomery Street
San Francisco, CA 94111-6533
Tel. (415) 276-6500
Fax. (415) 276-6599
Email: vidhyaprabhakaran@dwt.com
Email: tahiyasultan@dwt.com

Attorneys for Powerex Corp.

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Pursuant to the February 22, 2021 *Administrative Law Judge’s Ruling Seeking Feedback on Mid-Term Reliability Analysis and Proposed Procurement Requirements* (“Ruling”), Powerex Corp. (“Powerex”) submits these comments to the California Public Utilities Commission (“Commission”).¹ Powerex provides comments only in response to Question 15 of the Ruling and has no comment on the other questions posed by the Ruling at this time.

15. Comment on whether firm imports should be allowed to count towards the required capacity proposed in this ruling, and if such resources should be required to be committed to California via pseudo-ties or dynamic scheduling. Include any other limitations you would propose.

The Commission should allow for imports that are committed to California on a forward basis to count for the required capacity procurement proposed in this Ruling, but the Commission should avoid adopting a pseudo-tie or dynamic scheduling requirement because such a requirement could have the effect of artificially restricting the real physical resources available to meet California’s medium-term reliability needs.

Physical imports that are committed to California on a forward basis can play a key role in meeting California’s reliability needs in a cost-effective manner while helping meet California’s aggressive climate goals. However, it is critical to ensure that the procurement

¹ On March 12, 2021, the Administrative Law Judge issued an e-mail ruling granting the deadline extension to file comments until March 26, 2021.

requirements established through this proceeding are only met by suppliers that can be counted upon to perform.

The ability of California load-serving entities (“LSEs”) to meet procurement requirements with speculative and non-firm import supply (“paper capacity”) played a key role in contributing to the significant reliability challenges facing the CAISO and such paper capacity should not be eligible for this procurement. Therefore, to ensure that imports provide the requisite reliability benefits to California, the Commission should develop procurement rules that:

- (1) Require imports to demonstrate that they are supported by real physical capacity and transmission service necessary to support reliable delivery; and,
- (2) Avoid adopting eligibility criteria that could have the effect of artificially restricting the real physical resources available to meet California’s medium-term reliability needs.

A. The Commission Should Develop Procurement Rules That Require Firm Imports to Demonstrate That They Are Supported by the Physical Capacity and Transmission Necessary to Support Delivery

Reliability will be undermined if import contracts do not have the capacity and transmission service necessary to support an external supplier’s commitments to California, or if the external supplier has notionally supported its commitments with capacity that is simultaneously relied upon to meet another region’s reliability needs. Thus, the Commission should adopt procurement rules that ensure that firm import contracts have the underlying surplus physical capacity and transmission service necessary to support their forward capacity commitments to California.

The Commission can ensure import supply is supported by real physical capacity that can be reliably counted upon to perform by requiring that any forward firm energy or standalone capacity commitments with external suppliers only be eligible to meet the procurement proposed in this Ruling if:

- The contract identifies the real physical resource—which may be a group of identified resources within the same balancing authority area—providing the capacity committed under the contract;
- The contract includes a representation that the capacity is reasonably expected to be surplus to the needs of the source balancing authority and has not been, and will not be, committed to meet the needs of any other balancing authority area during the relevant period; and,
- The seller has committed to provide operating reserves and to deliver the committed capacity to the CAISO grid on firm transmission.

Additionally, these changes can and should be complemented by modifications to the CAISO market rules that include measures that ensure that the committed capacity and transmission is made available to the CAISO, such as those currently being evaluated through the CAISO's RA Enhancements Stakeholder Proceeding.

B. The Commission Should Avoid Adopting a Pseudo-Tie or Dynamic Scheduling Requirement or Other Eligibility Criteria That Could Have the Effect of Artificially Restricting the Real Physical Resources Available to Meet California's Medium-Term Reliability Needs

California LSEs must not be permitted to meet procurement requirements using contracts that are not backed by physical capacity and transmission necessary to support delivery to California. Ensuring that all supply is supported by real physical supply and can be counted upon to be available to the CAISO can be accomplished by adopting the import procurement requirements outlined above.

It is also important that the Commission avoid adopting eligibility criteria, such as a dynamic scheduling or pseudo-tie requirement, that could artificially restrict the real physical resources available to meet California's medium-term reliability needs. Dynamic transfer capability is highly limited to support such arrangements over key paths to the CAISO. For instance, while the Pacific AC and DC interties represent a combined transfer capability of 7,900 MW between the Northwest and California, the Pacific DC does not support dynamic scheduling

and the dynamic transfer capability available on the AC intertie is generally limited to 600 MW². A pseudo-tie or dynamic scheduling requirement for imports would therefore substantially limit the external supply options available to California LSEs and will have the effect of unnecessarily excluding external suppliers with surplus capability that can reliably and cost-effectively meet California's needs. For these reasons, the Commission should not adopt a pseudo-tie or dynamic scheduling requirement.

Respectfully submitted,

POWEREX CORP.
Mike Benn, J.D., B.A.Sc.
Senior Market Policy Analyst
Suite 1300 – 666 Burrard Street
Vancouver, BC V6C 2X8
Telephone: (604) 891-6074
Email: mike.benn@powerex.com

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By: /s/
Vidhya Prabhakaran
Tahiya Sultan
DAVIS WRIGHT TREMAINE LLP
505 Montgomery Street, Suite 800
San Francisco, CA 94111-6533
Tel. (415) 276-6500
Fax. (415) 276-6599
Email: vidhyaprabhakaran@dwt.com
Email: tahiyasultan@dwt.com

Attorneys for Powerex Corp.

² See section J.10. Bonneville Power Administration, *Dynamic Transfer Operating and Scheduling Requirements*, BPA Transmission Business Practice (Feb. 16, 2021), www.bpa.gov/transmission/Doing%20Business/bp/tbp/DTC-Operating-Scheduling-Requirements-BP.pdf