

GPI Proposal in Track 3.B. of the RA Proceeding – R.19-11-009

Proposal to Make RA Procurement a Responsibility of the Wires Utilities

Detail on Proposal

The procurement of RA products is currently treated in an equivalent manner to the procurement of RPS energy products, and of energy products in general. However, RA requirements are set by the Commission in order to enhance grid reliability and operability under the most demanding conditions, not to serve the energy needs of an LSE's customers. This distinction was unimportant at the time that the RA program was originally formulated, because the IOUs both ran the grid and provided energy services (bundled electricity) to the customers in their service territory. With the rise of the CCA sector of the market that is no longer universally true. Now a significant proportion of California customers obtain their energy services from a CCA, and their T&D services from their IOU.

The GPI's Track 3.B. proposal recognizes that RA should be classified as a T&D function of the electric utility industry, and should be performed by the wires utilities (IOUs in most cases), and charged to customers as a T&D expense. This would simplify the Commission's RA program by distributing responsibilities for RA procurement to only six or so entities, rather than to all of the 40-odd LSEs operating in the state. It would also make the procurement process more efficient by limiting the need to develop shared and/or partial contracts with RA services providers, and it would directly link the RA providers to the operators of the grid who they serve, rather than to LSEs who are fulfilling a mandate but have no grid operational duties.

Discussion Questions

For IOUs: Do you see an advantage in the T&D operator being directly linked to the RA contracts for your service territory. Would you be willing to assume full RA procurement responsibilities for your service territory, and to treat the cost of doing so as a T&D expense? What changes would you like to see in the proposal?

For CCAs and ESPs: Do you consider RA procurement responsibilities to be a priority area for your business? Would you be willing to cede RA procurement responsibilities to the IOUs? Do you support the proposal? What changes would you like to see in the proposal?

For other parties: Does the logic of this proposal resonate with you? Do you support this proposal? What changes would you like to see in the proposal?

What is the Proposal Seeking to Solve? What Benefits?

RA product procurement in California is performed in an effort to assure that the necessary resources are available to grid operators to assure the stable operation of the grid under the most challenging conditions. Its underlying purpose is to support and enhance the T&D side of the electric utility industry. It is inherently linked to the T&D operations of the wires utilities.

Current RA product procurement is performed collectively by some 40 different LSEs in California, the majority of which do not have any role in operating the grid. The core function of non-wires utilities is to provide electricity to their customers. Their customers receive T&D services from the IOU in whose service territory the LSE is located.

Under current rules the responsibility for the procurement of RA products is distributed among all of the LSEs in the state that are under CPUC jurisdiction. This leaves some of the smaller LSEs with relatively small RA procurement requirements, which do not match up well with many of the generators who supply RA products.

The Commission has already designated the IOUs as Central Procurement Entities (CPEs) for the acquisition of local RA. The CPEs can easily be expanded to procure all kinds of RA products, including local, system, and flexible. The framework and structure have already been created.

The fact that a host of LSEs are filing RA waivers for the coming year is evidence that these entities are not well suited to RA procurement and cannot be counted on to fulfill their RA procurement obligations.

The solution to these factors is to treat RA procurement as a T&D activity and to assign it only to the wires utilities, mainly the three IOUs. RA procurement by non-T&D LSEs is motivated only by the need to acquire the assigned amount of RA products. RA procurement by wires utilities is motivated not only to acquiring the assigned amount of RA products, but also to acquire the right products at the right places for the efficient operation of the grid.

The benefit of this proposal is to simplify and increase the efficiency of running the RA program, to simplify the procurement operations of the non-wires LSEs, and to enhance the ability of the wires utilities to operate the grid.