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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Reliable Electric Service in California in the Event of an Extreme Weather Event in 2021.

Rulemaking 20-11-003

**ASSIGNED COMMISSIONER'S RULING DIRECTING THE STATE'S
THREE LARGE ELECTRIC INVESTOR-OWNED UTILITIES TO SEEK
CONTRACTS FOR ADDITIONAL POWER CAPACITY TO
BE AVAILABLE BY THE SUMMER OF 2021 OR 2022**

In August 2020, a majority of the western United States encountered a prolonged extreme heat storm. This led to a variety of circumstances that ultimately required the California Independent System Operator (CAISO) to initiate rotating outages in its balancing authority area to prevent wide-spread service interruptions.

Following the rotating outages, on August 17, 2020, Governor Gavin Newsom directed the three primary entities responsible for ensuring the provision of safe, reliable electric service to California — California Energy Commission (CEC), CAISO, and California Public Utilities Commission (CPUC) — to publish a report identifying the root cause of the events leading to the outages.¹ Consistent with that directive, on October 6, 2020, the three state entities published a Preliminary Root Cause Analysis report.

¹ <http://www.caiso.com/Documents/Preliminary-Root-Cause-Analysis-Rotating-Outages-August-2020.pdf> (Preliminary Root Cause Analysis).

The preliminary report identifies several actions that will address the contributing factors that caused the August 2020 rotating outages.

The actions identified in the preliminary report include “expedit[ing] the regulatory and procurement processes to develop additional resources that can be online by 2021.”²

In this Assigned Commissioner’s Ruling (ACR), I direct Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E), collectively the large electric investor-owned utilities (IOUs), to seek contracts for capacity, available for the net peak demand in summer 2021 that conform with the parameters outlined in this ruling. I additionally direct them to seek contracts for capacity available for the net peak demand for summer 2022 as well. In this ACR, I outline how these contracts may be brought to the Commission for consideration of approval. The substance of this ruling will be brought to the full Commission in the form of a proposed decision.

1. Background

On December 11, 2020, the assigned Administrative Law Judge (ALJ) issued a ruling that identified the potential need for additional capacity to be procured by summer 2021 and sought comments from parties on the parameters the Commission could set on such procurement to deem it per se reasonable. On December 18, 2020, parties to this proceeding, in some circumstances jointly, filed comments in response.

Based on the party comments, the urgent need for additional capacity by summer 2021, and the practical need for action to be taken now to ensure certain

² Preliminary Root Cause Analysis at 15.

resources are available by summer 2021, I direct the State's large electric IOUs to immediately pursue contracts for incremental capacity.

In terms of addressing reliability need, this directive is consistent with, and is essentially an extension of, the reliability procurement ordered in Integrated Resources Plans (IRP) Decision (D.) 19-11-016. In that decision, the Commission directed load serving entities (LSEs) to procure 3,300 megawatts of incremental capacity at a minimum as a "least regrets" strategy — and encouraged LSEs to exceed these minimum requirements — to address what that decision referred to as "potential" system reliability challenges, that are now actual system reliability challenges.

2. Procurement Parameters

The December 11, 2020 ruling sought comments from parties to this proceeding to indicate their position on what parameters and constraints the Commission could place on incremental capacity procurement to deem it per se reasonable. In consideration of those comments, this ACR places the following requirements, parameters, and constraints on procurement that results from this directive.

The large electric IOUs may seek approval and cost allocation mechanism (CAM)-based cost-recovery for procurement that conforms with the following parameters.

2.1. Procurement Type

- Resource must be deliverable during the peak and net peak demand periods.
- For Commission consideration through a Tier 1 advice letter, a commercial online date (COD) by June 1, 2021 is preferred but COD by September 1, 2021 will be considered. For Commission consideration through a

Tier 3 advice letter, a COD by June 1, 2022 is preferred but COD by September 1, 2022 will be considered.

- Potential resources may include utility-owned generation, with Commission consideration for utility owned generation projects with a COD in 2021 through a Tier 2 advice letter and Commission consideration for utility owned generation projects with a COD in 2022 through a Tier 3 advice letter.
- Resource types that may be considered for procurement include:
 - Incremental capacity from existing power plants through efficiency upgrades, revised power purchase agreements, etc.
 - Contracting for generation that is at-risk of retirement.
 - Incremental energy storage capacity.
 - Firm forward imported energy contracts.
- Resource adequacy only contracts or contracts that include tolling agreements may be proposed.

2.2. Procurement Process

- The large electric IOUs should initiate new bilateral negotiations and revisit offers from recent IRP requests for offers bid stacks.
- Consistent with current procurement requirements, an independent evaluator and the procurement review group (PRG)/CAM-PRG should be actively engaged in these procurement efforts.
- To the extent that comparable data exist, the procurement should be cost competitive with recently procured resources.

3. Procurement Cost Recovery and Ratemaking Treatment

- The large electric IOUs shall procure on behalf of all customers in their service territories with the costs and benefits allocated to all benefitting customers through the CAM.

4. Process for Commission Review

The large electric IOUs shall submit the contracts that conform with this ACR for consideration as advice letters no later than February 15, 2021. Along with the contracts, the advice letters shall include the following additional summarized information to assist with evaluation.

- A summary of the resources being selected and a brief discussion of the procurement and selection method and criteria.
- Operational information of the resources contracted and a demonstration that the resource will be available during the peak and net peak demand hours in summer 2021 or 2022.
- Pricing and net market value analysis along with a summary of the key contract terms.
- A completed analysis by the independent evaluator.
- A demonstration of cost competitiveness.
- A demonstration that the resource is incremental.
- A demonstration that the resource has a path to deliver its online date in summer 2021 or 2022.

IT IS SO RULED.

Dated December 28, 2020, at San Francisco, California.

/s/ MARYBEL BATJER

Marybel Batjer
Assigned Commissioner