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APPENDIX A

California Public Utilities Commission

December 13, 2021

Energy Division Proposals for Proceeding R.21-10-002

Implementation Track Phase 1

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Proposal A: Local Capacity Requirement Reduction Compensation Mechanism Calculation

I. Background

In Decision (D.) 20-12-006, the Commission adopted a local capacity requirement reduction compensation mechanism (LCR RCM) for new preferred and energy storage resources shown by load serving entities (LSEs) to the central procurement entity (CPE).

As outlined in Ordering Paragraph 3(c), the LCR RCM is to be calculated as follows:

> *If selected, the load-serving entity (LSE) shall be paid up to the showing price without annual adjustment for effectiveness. The showing price shall not exceed the pre determined local price, which is calculated as follows:*
>
> - *Year 1: Use the weighted average price from the last four quarters of Energy Division Power Charge Indifference Adjustment (PCIA) responses for both system and local RA; subtract system Resource Adequacy (RA) price from local RA price.*
> - *Subsequent Years: Use the weighted average price from the last four quarters of Energy Division PCIA responses for system RA and the most recent weighted average price reported in the CPE solicitation results (prior year's results) for local RA price; subtract system RA price from local RA price.*

The CPEs began procurement in 2021 to meet 2023 local RA requirements. The first annual CPE compliance reports were submitted on November 1, 2021, by Pacific Gas and Electric (Advice Letter 6386-E) and Southern California Edison (Advice Letter 4626-E) in their roles as the CPEs.

II. Proposal

In reviewing the recently filed CPE advice letters and their confidential attachments, Energy Division has observed that the CPE's procurement for 2023 resulted in a very limited number of RA-only contracts. In fact, due to LSE self-shown resources, contracts that include energy settlement, and the need for additional CPE procurement in PG&E's service area for 2023, certain local areas did not have any RA-only contracts executed by the CPE.

Energy Division believes that it is not possible to implement the LCR RCM calculation for subsequent years as outlined in D. 20-12-006 at the local-area level. Therefore, Energy Division proposes that rather than basing the local RA price calculation solely on "the most recent weighted average price reported in the CPE solicitation results," the local RA price calculation be the weighted average price from the last four quarters of Energy Division PCIA responses for local RA as it was for Year 1 of the LCR RCM. The PCIA data include RA-only contracts reported by the CPEs as well as other LSE contracts for local resources. The LCR RCM would continue to be the difference between the system and local prices.

Proposal B: Modify CPE Timeline

I. Background

The hybrid procurement framework adopted in Decision (D.)20-06-002 designates Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (SCE) to serve as the central procurement entities (CPEs) for their respective distribution service areas. Each CPE is responsible for procuring the multi-year local Resource Adequacy (RA) requirements for their respective distribution service area and making a local showing to the Commission in late September. D.20-06-002 also allows the CPE to conduct more than one solicitation per year if needed.[1]

The decision adopted the following RA timeline: [2]

- **April-May 2021:**
  - The CAISO files draft and final LCR one- and five-year ahead studies. LCR studies will include any CAISO-approved transmission upgrades from the Transmission Planning Process (TPP) LCR study.
  - LSEs in SCE and PG&E TAC areas commit to CPE to show self-procured local resources in RA filing for 2023 and 2024.
  - Parties file comments on draft and final LCR studies.
- **June 2021:**
  - The Commission adopts multi-year local RA requirements for the 2022-2024 compliance years as part of its June decision.
  - CPE receives total jurisdictional share of multi-year local RA requirements for 2022-2024 compliance years.
- **July 2021:**
  - For the SCE and PG&E TAC areas, LSEs receive initial RA allocations, including CAM credits and system, flexible, and local requirements for 2022 (but are not allocated local requirements for 2023 and 2024).
  - For SDG&E TAC area, LSEs receive initial RA allocations (system, flexible, local requirements) and CAM credits.
- **Late September 2021:** CPE and LSEs that voluntarily committed local resources to the CPE make local RA showing to the Commission and the CAISO.
- **Late September/early October 2021:** For PG&E and SCE's TAC areas, LSEs are allocated final CAM credits (based on coincident peak load shares) for any system and flexible capacity that was procured by the CPE during the local RA procurement process or by CAISO through its RMR process.
- **End of October 2021:** LSEs in the SDG&E TAC make system, flexible, and 3-year local RA showing. CAISO determines necessary backstop procurement. LSEs in PG&E and SCE TACs make local showing only for 2022, as well as 2022 year ahead system and flexible showings.

Additionally, the Commission specified that "LSEs would commit self-procurement to the CPE in the April - May timeframe for the local procurement window covered by the RA year (e.g., in 2022, LSEs would submit self-procured local resources for 2023-2025 to the CPE)."[3]

[1] D.20-06-002 at 38.
[2] D.20-06-002 at 70.
[3] D.20-06-002 at 71.

II. Issue

The current timeline reflects that system and flexible capacity CPE CAM credits will be distributed to LSEs in late September/early October, after the CPE makes its procurement filings to the Commission in late September. It also reflects that LSEs are required to make year ahead (YA) system and flexible filings at the end of October.

Energy Division believes that CPE CAM credits could significantly alter an LSE's YA system and flexible position depending on their magnitude. Given the fact that LSEs are dependent on these allocations in finalizing their YA RA positions, the current timeline likely fails to provide sufficient time for LSEs to manage their YA system and flexible positions, which are due at the end of October.

III. Proposal

To provide LSEs sufficient time to account for CPE procurement in managing their YA system and flexible RA positions, Energy Division proposes a revised timeline to the one adopted in D.20-06-002.

The revised timeline would allow for a flexible CPE procurement window that would:

- Continue to allow the CPE to conduct more than one CPE solicitation per year
- Continue to allow the CPE to begin procurement prior to the results of the CAISO LCR technical study being filed and adopted by the Commission
- No longer prescribe that LSEs in SCE and PG&E TAC areas commit to the CPE to show self-procured local resources in the April to May timeframe.

Additionally, the revised timeline would modify the current CPE timeline to require compliance showings and CPE CAM allocation distribution as follows:

- **Late July:** CPE and LSEs that voluntarily committed local resources to the CPE make local RA showing to the Commission (this new deadline requires that CPE procurement be finalized by late-July). Initial YA allocations in July will not include CAM credits for this procurement, however, initial allocations will include CPE procurement done in the prior years.
- **Mid-August:** Preliminary CPE allocations are sent to LSE by Energy Division based on initial load forecast load ratios and CPE procurement filings in late July
- **Mid-September:** Final CPE allocations are sent to LSEs as part of the final Year ahead LSE allocations (these allocations would be based on revised load ratios provided by the August LSE load forecast revisions)
- **End of October 2022:** LSEs and CPE make YA showings to the CPUC and CAISO including showings for self-shown resource provided to the CPE as part of the hybrid framework.

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