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

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| Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes. | Rulemaking 20-05-003 |

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# OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) ON ADMINISTRATIVE LAW JUDGE RULING SEEKING COMMENTS ON RELIABLE AND CLEAN POWER PROCUREMENT PROGRAM STAFF PROPOSAL

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# OPENING COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 E) ON ADMINISTRATIVE LAW JUDGE RULING SEEKING COMMENTS ON RELIABLE AND CLEAN POWER PROCUREMENT PROGRAM STAFF PROPOSAL

## I. INTRODUCTION

Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission ("CPUC" or "Commission"), the *Administrative Law Judge's Ruling Seeking Comments on Reliable and Clean Power Procurement Program Staff Proposal* issued by Administrative Law Judge ("ALJ") Julie Fitch on April 29, 2025 ("ALJ Ruling"), and ALJ Fitch's email ruling extending the comment filing deadline issued on May 14, 2025, San Diego Gas & Electric Company ("SDG&E") submits these opening comments regarding the *Commission Staff Proposal for a Reliable and Clean Power Procurement Program* ("RCPPP" or "Staff Proposal").[1/]

The Staff Proposal builds on an earlier Staff Options Paper[2/] and related stakeholder feedback to propose alternatives for establishing a programmatic approach to electric generation procurement by investor-owned utilities ("IOUs") and other load-serving entities (together, "LSEs"). This approach would replace the "order-by-order" approach historically used by the Commission to direct procurement of new electric generation resources. The Staff Proposal focuses broadly on two procurement-related objectives – ensuring system reliability and

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[1/] ALJ Ruling, Attachment A.

[2/] *See Administrative Law Judge's Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement* (September 8, 2022).

reducing greenhouse gas ("GHG") emissions. It includes proposals developed in accordance with five guiding principles: effectiveness, affordability, fairness, feasibility, and predictability.[3/] The Staff Proposal identifies two options to address reliability-related procurement. It also proposes adoption of a new Clean Energy Standard ("CES") to address GHG emissions reduction goals. The Staff Proposal poses a series of questions to solicit stakeholder feedback regarding the recommendations it offers.

As discussed in more detail below, SDG&E shares the Commission's commitment to developing a durable, forward-looking procurement framework that ensures long-term grid reliability and achieves the state's ambitious decarbonization goals in a manner that is efficient, achievable, and affordable for customers. SDG&E recognizes and appreciates Energy Division ("ED") Staff's dedication to developing the RCPPP. The consolidation and incorporation of feedback from dozens of parties over several years has been a significant undertaking. The resulting Staff Proposal establishes a strong conceptual foundation for a programmatic approach to electric procurement that can be further refined through collaboration between the Commission and stakeholders. In its responses below to the questions set forth in the Staff Proposal, SDG&E offers its initial reaction to the proposals presented, as well as suggestions for critical improvements to the proposed RCPPP framework.

As a threshold matter, SDG&E submits that the Commission must prioritize affordability as a key consideration in designing and implementing the RCPPP. While achieving reliability and clean energy goals is crucial, the Commission must balance these objectives against their impact on customer rates and bills. Rising energy costs disproportionately affect vulnerable communities and can undermine public support for California's clean energy transition. Thus,

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[3/] Staff Proposal at 2.

while each of the five guiding principles outlined in the Staff Proposal is important, maintaining customer affordability must be paramount.

More broadly, SDG&E notes that the RCPPP represents a major restructuring of LSEs' procurement obligations and compliance processes. The Staff Proposal offers a starting point for creation of a new RCPPP that will enhance reliability, further clean energy objectives, and protect customer affordability, but it is just that – a starting point. The Commission should not rush the development of this new conceptual framework nor seek to implement it prematurely. While the Staff Proposal addresses to some degree the relationship between the RCPPP and existing procurement programs such as the Commission's Resource Adequacy ("RA") and Renewables Portfolio Standard ("RPS") programs, many questions remain regarding the impacts of adoption of this new regulatory construct on LSEs' existing procurement activities and compliance obligations.

In order to allow the Commission and stakeholders adequate time to work through the many issues involved in constructing this new compliance framework, the Commission should issue an interim procurement order to ensure that LSEs remain on track to meet clean energy goals through 2030 while it continues to develop the RCPPP for implementation in 2031. SDG&E's suggestions below are designed to contribute to the development of a sound and fully-developed RCPPP that will benefit all Californians. Given the evolving nature of the Commission's and stakeholders' thinking on issues related to the RCPPP, SDG&E reserves the right to revise its recommendations as new information and proposals become available through this collaborative stakeholder process.

## II. THE COMMISSION SHOULD PRIORITIZE AFFORDABILITY IN DEVELOPING THE RCPPP FRAMEWORK

The Staff Proposal lists five guiding principles, among them "affordability," which it describes as ensuring that "the Program establishes predictable requirements in sufficient time for LSEs to procure resource options that are least cost by benefit from competition."[4/] SDG&E supports each of the five guiding principles set forth in the Staff Proposal, but submits that affordability must be given highest priority. Moreover, affordability is not impacted solely by the timing and predictability of procurement requirements; several elements of the RCPPP design could have a significant impact on affordability. Thus, *every* aspect of the RCPPP's design and implementation should be examined to understand the impact on affordability.

For example, the resource eligibility criteria adopted by the Commission will determine what resources LSEs may use for compliance – *i.e*., how large the resource pool will be – which has a direct bearing on competition and pricing, and the costs borne by customers. Likewise, the RCPPP's mechanism for dealing with load departure will affect an IOUs' obligation to procure additional resources at the same time that it is losing customers, which complicates cost recovery and could result in cost shift and exacerbate affordability concerns for remaining bundled service customers. These (and other) important issues are not addressed in the Staff Proposal, which makes it impossible to understand with any degree of certainty what the affordability impacts would be of adoption of the Staff Proposal.

At the same time, elements of the Staff Proposal that *are* more fully developed create significant concern regarding the potential cost impact on customers. For example, the Staff Proposal would use the GHG reduction targets adopted by the Commission in developing its

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[4/] Staff Proposal at 2.

Preferred System Plan ("PSP") to calculate binding LSE-specific procurement obligations.[5/] While this approach might be workable in theory, it would necessitate a change in mindset concerning the purpose of the GHG reduction targets adopted in the PSP. In past PSPs, including the most recent PSP adopted in 2023, the Commission has established extremely aggressive GHG emission reduction targets for long-term resource planning purposes. However, the GHG reduction targets used to set *enforceable* requirements must be reasonable and achievable. In other words, adopting aspirational targets for long-term resource planning purposes in order to establish a trajectory that supports the state's clean energy goals is one thing; adopting targets for use in setting binding procurement obligations is quite another. GHG reduction targets that are overly ambitious could impose unreasonable costs on customers.

For example, the 2023 PSP adopted GHG reduction goals (30 MMT $CO_2e$ in 2030 and 25 MMT $CO_2e$ in 2035) that far exceed what is necessary to achieve Senate Bill ("SB") 100[6/] and SB 1020[7/] goals. Converting these highly ambitious long-term planning targets into enforceable procurement obligations would have significant affordability impacts. The cost increase to customers arising from over-procurement of resources would be exacerbated by the increase in cost resulting from competition between LSEs to procure from a limited pool of resources to comply with a 2028 enforcement timeline. This is particularly true since the 2023 PSP is rooted in assumptions about resource viability, particularly regarding offshore wind, which do not align with current, real-world project development constraints.

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[5/] *Id*. at 41-42.

[6/] SB 100 (Stats. 2018, Ch. 312).

[7/] SB 1020, (Stats. 2022, Ch. 361).

Thus, SDG&E is concerned that while the Staff Proposal gives passing consideration to the impact of the RCPPP design on affordability, it is not a major focus of the document. The Staff Proposal is correct in pointing out that "[b]y giving LSEs more advanced notice of their specific share of future reliability and GHG reduction procurement obligations on an ongoing basis, RCPPP provides LSEs extensive and predictable lead time to enter into procurement contracts at reasonable cost," and further that "contracting further out in time may provide greater market predictability and opportunities for increased supply, which in turn would reduce costs . . .."[8/] However, while SDG&E agrees with these observations, it submits that the cost impacts of the Staff Proposal – both in the general design of the program and in the near-term compliance requirements it proposes – have largely been overlooked. Accordingly, the Commission must undertake further evaluation of the affordability impacts of the proposed RCPPP before it can be adopted or implemented.

## III. THE COMMISSION SHOULD ISSUE AN INTERIM PROCUREMENT ORDER TO ALLOW ADEQUATE TIME TO CONTINUE TO DEVELOP THE RCPPP

### *A. Several Issues Arising from the Staff Proposal Require Further Examination and Resolution*

While SDG&E supports the RCPPP in concept, the Staff Proposal presents many issues that must be addressed before the RCPPP could be implemented by the Commission. First and foremost, as discussed above, the Commission must consider the impacts of the RCPPP on affordability. In addition, a number of key concerns regarding the proposed RCPPP construct have yet to be resolved. A handful of these open issues could potentially be considered in other Commission proceedings – for example, SDG&E recommends that certain Zero-Emission Credit ("ZEC")-specific implementation issues, such as Power Cost Indifference Adjustment ("PCIA")

8/ Staff Proposal at 1.

treatment, be addressed in a separate, dedicated proceeding once the RCPPP is finalized – but most issues key to RCPPP implementation must be resolved through the instant proceeding before the RCPPP can be adopted. The Staff Proposal addresses some of these issues but fails to consider others. SDG&E details its concerns with the Staff Proposal more fully in Sections IV and V below.

### *B. To Allow Adequate Time to Address Issues with the Staff Proposal, the Commission Should Issue an Interim Procurement Order for 2029-2030 Procurement*

Given the many remaining open issues related to the RCPPP, and the risk of unintended negative consequences if these issues are not addressed prior to implementation, the Commission should establish an RCPPP implementation timeframe that provides an adequate opportunity for consideration and resolution of all key issues related to the Staff Proposal. During the RCPPP workshop held June 23-24, ED Staff solicited stakeholder input regarding the possibility of the Commission issuing an interim order to allow the Commission and stakeholders more time to work through the issues presented by the Staff Proposal. SDG&E supports this approach; the Commission should issue an interim order to ensure LSEs remain on track to meet clean energy goals through 2030 and, at the same time, establish a schedule for further consideration and development of the RCPPP. Alternatively, if the Commission declines to undertake an interim procurement order for 2029-2030, it should use the first compliance period as a test period since this would offer an opportunity to evaluate the RCPPP design and, if necessary, make critical adjustments before full implementation. SDG&E submits, however, that the better approach would be to fully develop the RCPPP and then implement it, rather than implementing it prematurely and then attempting to address problems after the fact. Thus, it supports the proposal for Commission issuance of an interim procurement order for 2029-2030.

A Commission procurement order for 2029-2030 would need to be carefully designed to balance reliability and clean energy objectives with ratepayer cost protections, and should incorporate lessons learned from prior procurement orders. First, any procurement order should be "need-based" and should take into account an LSE's existing portfolio. LSE-specific procurement orders should be designed to address the risk of an LSE's actual, articulable reliability or clean energy resource deficiency. Procurement orders should not be inefficiently applied to all LSEs uniformly based solely on load share. Second, to minimize upward rate pressures, any interim order must provide LSEs with flexibility; the Commission should avoid issuing any orders that target specific resources, thereby creating, either intentionally or inadvertently, technology-specific carveouts. Lastly, any interim procurement order must provide a waiver process to avoid associated penalties where an LSE has made a demonstrable, good-faith effort to procure under the order but was unable to do so for reasons outside of its control. As mentioned below, SDG&E recommends that the process outlined in the forthcoming RCPPP citation program resolution be modeled after the process adopted in Decision ("D.") 21-06-035 ("MTR Decision"). This balanced approach to an interim procurement order for 2029-2030 would provide a reasonable path forward while stakeholders continue to work on designing and implementing a final RCPPP framework.

To develop the specifics for an interim procurement order, the Commission should rely on the most recently available LSE-specific data, which is contained in LSEs' 2022 Integrated Resource Plan ("IRP") filings and adopted 2023 PSP. Although the 2022 filings and PSP contain outdated data and the adopted portfolio is based on the extremely aggressive 30 MMT in 2030 and 25 MMT in 2035 goals, which must be moderated in the near term given affordability issues, there is no other readily available more recent source of LSE-specific information. Using

LSEs' 2022 IRPs to develop procurement targets would enable the Commission to expedite the issuance of an interim procurement order without the need to create a new baseline or gather LSE-specific information. The Commission should model this order after MTR Decision and build a compliance structure using the 2023 PSP + MTR resource baseline, since the interim procurement order would require resources to be incremental to the PSP and MTR. Practically speaking, using the 2022 IRPs is the most efficient way for the Commission to assess a needs-based interim procurement order. If the Commission declines to use the most recent IRP filings, it would be required to undertake additional time-consuming analysis, which would divert limited resources and could further delay development of the RCPPP.

While the 2023 PSP shows a need for both reliability and clean energy resource types, the state has been successful in bringing an impressive amount of energy storage online since the time the 2023 PSP was adopted. The Commission reports that 7.3 GW of batteries/storage have been added since 2023.[9/] Additionally, over 12 GW of nameplate capacity of additional energy storage resources are under contract and expected to come online between 2025 and 2028.[10/] The 2023 PSP showed an incremental need of 12.8 GW of energy storage by 2030.[11/] Thus, this need has likely been filled by recent LSE procurement. By contrast, the 2023 PSP planned for 14.8 GW of solar and 10.3 GW of wind in 2030.[12/] The Commission reports that approximately

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[9/] *CPUC Resource Tracking Data* (May 2025), New MWs Online – Nameplate as of May 6, 2025. Available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/summer-2021-reliability/tracking-energy-development/resource-tracking-data-april-2025-release.pdf

[10/] *Id*., Slide 10.

[11/] D.24-02-07 at 68, Table 4. Li-ion Battery (4-hr) 11.6 GW + Li-ion Battery (8-hr) 1.2 GW.

[12/] *Id*.

4.8 GW of solar and 0.5 GW of wind have been procured since 2023,[13] and an additional 2.5 GW of solar and 1.8 GW of wind are expected to come online by 2028. This leaves a gap of 7.5 GW of solar and 8.1 GW of wind between known procurement and 2030 resources in the 2023 PSP, as shown in the table below. Hybrids are not shown in the table below due to aggregated numbers in ED Staff presentations, meaning there are some additional solar and energy storage resources that have come online or are expected to come online by 2028 that have not been accounted for.

**FIGURE 1**

**Nameplate Capacity of 2023 PSP, Online, and Expected Solar, Wind and Battery Storage Resources (2023-2028)**

| | A[14] | B[15] | C[16] | D = A - B - C |
|---|---|---|---|---|
| **Resource Type** | **2023 PSP Target in 2030 (GW)** | **2023-2025 Online Resources (GW)** | **2025-2028 Contracted (GW)** | **Net Position (GW)** |
| Solar | 14.8 | 4.8 | 2.5 | 7.5 |
| Wind | 10.3 | 0.5 | 1.8 | 8.1 |
| Battery Storage | 12.8 | 4.3* | 11.2 | -2.7* |

**While ED Staff reports 7.3 GW of storage that came online between 2023-2025, this includes 3 GW of resources that were included in the PSP baseline as in development, as reported in Footnote 1 of D.24-02-047. Column B has been adjusted from 7.3 GW to 4.3 GW to exclude the 3 GW of storage that was not yet online but included in the PSP baseline (and therefore not incremental).*

As shown in Figure 1 above, generally the system resources still needed by 2030 that have not already been procured or contracted consist of emissions-free generation. This need is consistent with SDG&E's own: in its 2022 IRP, the majority of SDG&E's modeled procurement by 2030 was renewable generating resources, driven by state climate goals. Since there has

[13] *CPUC Resource Tracking Data* (May 2025), New MWs Online – Nameplate as of May 6, 2025, *supra*, note 9.

[14] D.24-02-07, Table 4 at p.68.

[15] *CPUC Resource Tracking Data* (May 2025), New MWs Online – Nameplate as of May 6, 2025, *supra*, note 9.

[16] *Id*., New MWs Expected – Nameplate, as of April 10, 2025 (Slide 14).

already been significant reliability procurement in the state, SDG&E recommends that the interim procurement order focus on renewable/zero-carbon generation resources.

Specifically, SDG&E recommends that the Commission require LSEs to procure by 2030 a minimum of 25% of the clean energy resource need for 2030 that is reflected in their 2022 IRP, while accounting for any resource additions (MTR and supplemental MTR) that have come online since the last IRP. In other words, the Commission should base its procurement order on the amount of 2030 incremental need beyond previous procurement orders – essentially the "Net Position" shown above in Figure 1. The Commission should not order LSEs to procure the specific resource mix in their most recent IRP, as the cost assumptions are stale and modeling would likely select a different portfolio of resources after updating inputs and assumptions such as build costs. Instead, LSEs should use data they (and the Commission) already have to identify their clean energy target volumes.

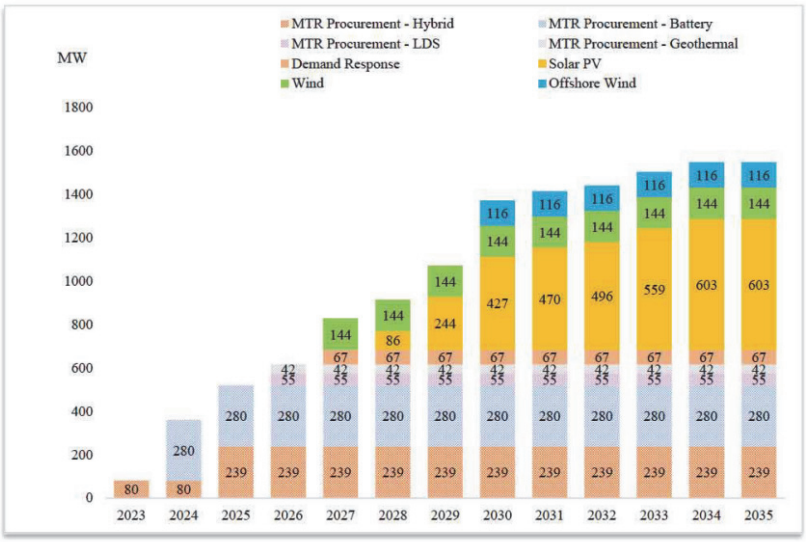
Based on inputs in the 2022 IRP Clean System Power ("CSP") tool, the Commission and LSEs already know the volume of clean generation (in MWh) planned for 2030. LSEs' procurement obligations should be based on the volume of MWhs/year needed by 2030 that will fulfill this requirement, less any generation from MTR resources. For example, if an LSE's 2022 IRP showed that it needed an additional 40,000 MWh/year of clean generation in 2030, and the LSE has procured resources that produce 10,000 MWh/year through MTR orders, the interim procurement order should require the LSE to procure new renewable resources that will generate a minimum of 7,500 MWh by 2030 ([40,000 MWh – 10,000 MWh] x 25%) using the resource-specific capacity factors in RESOLVE. A minimum 25% target is reasonable; it effectively balances affordability concerns with the need to keep LSEs on track to meet state clean energy goals while stakeholders continue developing the RCPPP.

Targeting estimated generation using the capacity factors in RESOLVE will give LSEs the flexibility to procure the resource types needed, while allowing them to adjust their procurement strategies for resources that may not be available at this time. For example, SDG&E's 2022 IRP included 116 MW of Offshore Wind (see Figure 2 below), which is unlikely to be available by 2030, as shown in Figure 2 below.[17/]

**FIGURE 2**

**SDG&E 2022 IRP Preferred Conforming Portfolio**

***Figure 2* – Preferred Conforming Portfolio Cumulative Capacity Additions by 2035**




Targeting contracted generation volumes will also ensure that LSEs are not all ordered to procure the same type of resource(s). Such an order could create compliance challenges and negatively impact affordability – there might be inadequate technology-specific resources in the California Independent System Operator ("CAISO") queue and/or compliance pressure could cause scarcity pricing and market volatility for certain types of resources. A technology-neutral clean generation volume target will, by contrast, allow LSEs to tailor their portfolios to their

[17/] *See* SDG&E's 2022 IRP filing conforming portfolio.

specific needs. This is especially important given the Slice-of-Day ("SOD") framework and the monthly 24-hour generation profiles of different resource types. A 25% target with resource type flexibility will ensure that LSEs are procuring and that new resources are being built without overcommitting LSEs to their 2022 IRP. SDG&E estimates that this interim order would result in LSEs contracting for an incremental 1.9 GW of solar and 2.0 GW of wind, or an equivalent generating portfolio of each resource. However, this estimate does not account for: 1) hybrid solar and wind capacity that may have come online since 2023 under MTR; and 2) incremental procurement of clean energy resources undertaken under a different authority (*e.g.* RPS, the 2023 PSP, or local municipal approval). The latter should be able to fulfill the incremental procurement order compliance requirements.

Compliance under this framework should be demonstrated through a contracting requirement. Compliance should be modeled on the MTR framework adopted in D.21-06-035 and the same penalty structure should apply. There should be no penalties for failing to contract resources if there is a demonstration of good faith effort to procure; LSEs should not be penalized for construction delays and should not be expected to procure expensive "bridge" capacity if they have met their RA requirements for the relevant month. The Commission should leverage its existing MTR compliance process for LSEs to show compliance with the requirements of the interim procurement order. The Commission is currently aware of which resources are used for MTR compliance – it should require LSEs to continue filing MTR reports and to add to their MTR report all new resources that are procured to comply with the interim procurement order. If an LSE has undertaken resource procurement under different authority than MTR that is eligible to meet the 25% requirement, those resources should be eligible to be counted toward the contracted generation volumes target established in the interim order. The

Commission should also consider whether one compliance filing per year, rather than two, is adequate. This would reduce the administrative burden for both ED Staff and LSEs.

## IV. RELIABILITY PORTION OF RCPPP

### *A. Overview*

As noted above, SDG&E supports the RCPPP in concept and appreciates the effort that has gone into development of the Staff Proposal. While the Staff Proposal offers a helpful starting point for the development of an RCPPP, further work is necessary before the RCPPP could be adopted by the Commission. SDG&E discusses the shortcomings of the Staff Proposal in its responses to the reliability-related questions in the ALJ Ruling below, and emphasizes the following areas of concern:

- **Lack of Alignment with Slice-of-Day Methodology**

The recent full implementation of the SOD methodology has created a more stable foundation for reliability assessment and compliance. However, the Staff Proposal would introduce new parallel compliance requirements with different resource accreditation methodologies. This dual-track approach creates unnecessary complexity and potentially conflicting signals for LSEs attempting to plan their portfolios efficiently.

- **Failure to Account for Load Departure and/or Lack of Need**

In designing the Reliability component of the RCPPP, the Commission should remedy an issue identified in the Staff Proposal: the failure of past procurement orders to fully account for load departure. SDG&E is uniquely positioned among the IOUs as having the highest level of load departure; currently, SDG&E's bundled customers represent approximately 20% of load within its distribution service territory. While SDG&E does not currently anticipate additional load departure in its service territory, it notes that any permanent programmatic approach to electric procurement adopted by the Commission must account for potential load departure since

imposing additional LSE-specific procurement obligations at the same time that an LSE is losing load makes little sense and serves only to exacerbate affordability concerns for the customers who remain with such LSE.

The same is true for LSEs that have no near-term reliability needs. The RCPPP should seek to allocate procurement responsibility based on need, taking into account each LSE's existing portfolio, rather than strictly on the basis of load share. While SDG&E supports the Collective Capacity Reserve ("CCR") proposal, which involves IOU procurement on behalf of all customers in the service territory to enhance reliability on a regional basis,[18/] it does not support procurement mandates that would require it to procure additional resources *solely* for its bundled service customers. The public interest is not served by a procurement approach that imprecisely spreads the need determination across all LSEs. Requiring SDG&E to procure additional resources only for its bundled service customers would not provide additional reliability benefits to those customers, but would impose significant additional cost.

- **Eligibility of Utility-Owned Resources to Meet Procurement Requirements**

In its past several procurement orders, the Commission has expressly addressed the eligibility of utility-owned resources ("UOR") to count toward procurement mandates imposed on the IOUs. UOR is an important tool for driving resource development and can also serve to protect customer affordability. Accordingly, The Commission should confirm that the IOUs may continue to rely on UOR to meet the procurement obligations established under the RCPPP, including those imposed through the CCR mechanism. In addition to generally authorizing reliance on UOR to meet procurement obligations, the Commission should establish an efficient contract approval process for UOR to ensure timely contract approvals. Specifically, the

[18/] *See* Staff Proposal at 20-21.

Commission should find that the Tier 2 advice letter ("AL") approval framework established in D.21-12-015 applies to UOR procurement undertaken to meet procurement obligations established pursuant to the RCPPP.[19/] The Commission should make clear that UOR will continue to be an essential and eligible compliance pathway to help drive the development of new resources cost-effectively.

### *B. Reponses to Reliability Questions in ALJ Ruling*

#### 1. Which reliability option (*i.e.*, Option I or Option II) should the CPUC adopt? Please explain the justification for the recommended option in detail.

SDG&E cannot endorse either Option I or Option II as they are currently proposed. Establishing two competing accreditation methodologies – one for short-term planning and another for long-term planning – is an ill-conceived approach that is likely to cause difficulty in portfolio optimization and could lead to over-procurement at the system level. Additionally, the Staff Proposal's need allocation process for both Option I and Option II is flawed, as it fails to account for load departure. SDG&E's last IRP filing indicated that much of SDG&E's future procurement will be driven by clean energy mandates, not reliability. SDG&E's bundled customers will already be bearing the expense of procuring new renewable resources; they should not be doubly saddled by reliability expenses given the existing resources in SDG&E's portfolio. While all customers benefit from a reliable system, allocating system needs based strictly on load will create structural advantages or disadvantages for LSEs, depending on the current makeup of their respective portfolios. The Commission must ensure that its reliability allocation methodology is designed to avoid building structural disadvantages into RCPPP for LSEs that already have a robust reliability portfolio.

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[19/] *See* D.21-12-015, Ordering Paragraph ("OP") 80.

Rather than seeking to implement the inadequate and unsound procurement approach outlined in the Staff Proposal, the Commission should direct ED Staff to continue working with stakeholders to develop an integrated framework for near- and mid-term reliability compliance showings that is based on the SOD methodology, and that addresses the shortcomings present in both Option I and Option II. A SOD-based approach will better serve the public interest as it will provide clear and stable market signals for near-term procurement and compliance, thereby reducing unnecessary administrative complexity and leading to more efficient and affordable reliability outcomes for customers.

A single accounting framework for compliance would provide clearer market signals than relying on marginal effective load carrying capability ("mELCCs") for long-term signals and SOD for shorter-term signals. Requiring LSEs to satisfy two moving targets, using different and potentially diverging values, would introduce significant additional complexity into the compliance process. A single unified accounting methodology for compliance would enable LSEs and developers to make procurement and investment decisions with a higher degree of confidence, thereby fostering a more efficient and competitive market. SOD accounting methods provide a stable foundation for reliability compliance, allowing LSEs to plan for their specific portfolios without being significantly impacted by the procurement choices of other LSEs.

An SOD-based framework with showings in critical months would provide timely and predictable market signals for LSEs to procure a diverse portfolio of resources. Its granularity would offer a clear indication of shifting reliability conditions, such as growing needs for energy sufficiency and potentially shifting net-peak periods. While mELCC is a valuable tool for long-term planning, its potential volatility limits its effectiveness as a near-term planning tool for LSEs and developers; this limitation must be acknowledged and accounted for in the final

RCPPP design. A stable, longer-term SOD-based framework for compliance would help avoid these issues. Further, creating and managing a second, parallel compliance framework represents a massive administrative burden for LSEs and Commission Staff alike.

For these reasons, the most effective path forward for the RCPPP is to build upon the existing SOD framework and extend it into a multi-year-ahead compliance structure. Doing so will still require that the Commission and stakeholders work to address other elements of the RCPPP design. To enhance the effectiveness, predictability, and efficiency of the RCPPP framework, SDG&E proposes that stakeholders address the issues, including the following, through a longer stakeholder process:

- ***LSE-Specific, Need-Based Allocation Methodology***: Both Option I and Option II involve a simplistic *pro rata* allocation of system reliability needs based on a generic load metric. This approach fails to recognize the current composition of an LSE's resource portfolio and its specific, demonstrable reliability needs (or lack thereof), and ignores concerns regarding over-procurement and the resulting cost impacts to customers. Likewise, the Staff Proposal disregards the impacts of load migration, a deficiency of the current order-by-order approach called out in, but not resolved by, the Staff Proposal.[20/] For an LSE like SDG&E, whose

[20/] *See* Staff Proposal at 11 ("The current approach of issuing individual procurement orders is somewhat unpredictable for LSEs and presents barriers to efficient procurement and reliability by failing to address load migration, facilitate proactive LSE self-provision of required resource attributes, or expressly address existing resource retention. Any of these barriers to efficient procurement may put reliability at risk. Further, factors such as the increased role of community choice aggregators, reduced options for capacity contracts, limited new resource supply, uncertain load growth due to data centers and electrification, and more ambitious GHG reduction goals have created an urgent need for procurement."); *see also* Staff Proposal at 11, FN 6 ("Currently, LSE procurement obligations do not modify as LSEs gain or lose load in the years after a procurement order. The three IRP procurement orders [D.19-11-016, D.21-06-035, and D.23-02-040] assigned procurement allocations to LSEs according to the load ratio share in place at the time of each order.").

bundled service customers now constitute approximately 20% of the load in its distribution service territory, the primary procurement drivers are clean energy mandates rather than incremental reliability needs. This circumstance calls into question the logic of a system-level allocation. It would force SDG&E's bundled service customers, who are already funding a portfolio in excess of their reliability requirements, to bear additional, duplicative costs for system resources. This creates inequitable cost shifts and builds in structural disadvantages for any LSE that has already prudently managed its reliability position.

- ***Scope of Showings***: The Commission should consider whether compliance showings should be required for all 12 months of the year or should instead be focused on the most critical months, and whether to require showings for all 24 hours of the day. Requiring compliance showings only in critical months would help to reduce the administrative burden for LSEs and ED Staff.
- ***Forward Showing Percentages***: The specific declining percentage showings for each forward year must be clearly defined to provide LSEs with sufficient predictability for long-term contracting, while accounting for process misalignment between the CAISO and Commission for issues like import allocation rights.
- ***Penalty Structure***: A clear and predictable penalty structure must be designed to incentivize compliance without being unduly punitive.
- ***Resource Eligibility***: Clear rules are needed to outline which resources are eligible for compliance, including imports, energy-only resources, and those in

development. These rules must also include a pathway for nascent technologies to become eligible to contribute to California's energy mix.

Creating a long-term process to address these and other issues related to the RCPPP will allow the Commission to craft a robust, predictable, and practical framework that achieves the stated goals of the RCPPP in an efficient, stable, and ultimately more cost-effective manner.

**2. Currently, Option I and Option II have not explicitly considered imports. How should imports be considered, if at all, in Option and Option II?**

Imported energy is a valuable reliability resource that should be incorporated into the RCPPP. As a practical matter, however, the structure of any forward procurement requirement must acknowledge the operational realities of securing import rights. The current CAISO process, which does not allocate firm import rights to LSEs beyond one year, creates a direct conflict with a multi-year compliance framework that would require LSEs to demonstrate access to specific import resources within the T+2 or T+3 timeframe. It is unreasonable to hold an LSE to a compliance obligation for a resource category where the necessary rights cannot be secured on a similar timeline.

Although this incongruity is clearly problematic, it would be the wrong approach to exclude energy imports from the RCPPP. Doing so would discount the significant potential reliability contribution that imported resources can offer to California's grid. If the RCPPP were to require LSEs to procure 100% of their T+2 system needs from in-state resources – even though imports will meet a substantial portion of California's reliability portfolio – the result would be systemic and costly over-procurement, which would impose an unreasonable cost burden on customers.

To resolve this issue, SDG&E recommends a balanced approach. The Commission should use historical import data to develop a reasonable forecast of the expected reliability

contribution of imported resources to system reliability in the outer time horizon. This forecast should then be used to reduce the total Reliability Procurement Need ("RPN") before that need is allocated to individual LSEs. This approach acknowledges the material contribution to reliability of energy imports at a system level without imposing an infeasible multi-year showing requirement. LSEs would then be responsible for procuring their allocated share of the adjusted RPN from other eligible resources for which they can execute firm commitments. Such a solution would protect ratepayers from systemic over-procurement while aligning LSE compliance obligations with achievable procurement actions.

For any imports that an LSE uses for near-term compliance (within the T+1 timeline after CAISO has awarded firm import rights), the Commission should require LSEs to adhere to the following requirements for qualifying energy imports:

- Imported energy must be provided through an executed, firm, and financially binding contract;
- Firm contracts must include commitments that are non-recallable for economic reasons; and
- LSEs claiming imports for compliance must demonstrate secured firm transmission rights from the source to the California border and verify CAISO deliverability, which would be feasible in the T+1 timeline.

These requirements are necessary to ensure that reliance on and accounting for imported energy is based on actual contributions to California's reliability. If the RCPPP aims to ensure reliability, it must minimize reliance on uncommitted or speculative import supplies. Allowing unverified imports to satisfy RCPPP obligations would undermine program reliability, potentially incentivizing reliance on less certain resources and increasing risks or costs for ratepayers. Accordingly, these requirements should be incorporated into the RCPPP.

**3. In what ways should Option I or Option II be modified prior to CPUC adoption? Are there relevant considerations that are currently not captured in both options?**

Please see SDG&E's response to Reliability Question 1 above.

**4. How should Option I or Option II incentivize re-powers?**

Any adopted RCPPP framework must recognize repowered resources as vital contributors to system reliability. Incentivizing the cost-effective repowering of resources can defer or avoid new greenfield development, offering environmental and land-use benefits and potentially expediting the commercial operation dates of needed capacity resources. For re-powered resources to be integrated effectively, their valuation must be consistent with that of all other resource types. Upon completion and commissioning, repowered resources should be evaluated using methodologies equivalent to other existing and new resources. This ensures a technology-neutral and economically rational assessment of their capacity contribution, efficiency, or emissions profile.

The primary incentive for repowers under any RCPPP framework should be their ability to compete effectively based on their reliability contribution and their cost-effectiveness. By allowing repowered resources to count fully towards an LSE's Reliability Procurement Requirement ("RPR"), the framework would naturally encourage consideration of cost-effective repowering opportunities. No special carveouts beyond fair valuation should be necessary if the repowering results in a genuinely competitive and reliable resource.

**5. Should demand response count towards RCPPP compliance? If so, should it be included in Option I, Option II, or both?**

SDG&E supports the eligibility of Demand Response ("DR") resources to count towards RCPPP compliance. Excluding DR as an eligible resource would represent a missed opportunity to leverage a potential source of cost-effective reliability. Such an exclusion would also be

inconsistent with California's broader energy policy objectives, which promote the development and utilization of demand-side solutions as integral components of a resilient and clean energy system.

For DR to effectively contribute to RCPPP compliance, its accredited capacity must be determined using a methodology consistent with that of other resource types. This ensures a level playing field and a rational economic basis for resource comparison. The Commission should also continue to allow for aggregation of DR resources to meet compliance obligations, as these smaller aggregation schemes increase equitable access to distributed energy resources to traditionally underserved communities. All resource availability requirements applied to DR to qualify for the RA program should apply equally in the context of the RCPPP.

The benefits of fully integrating DR into the RCPPP framework are numerous. Doing so would enhance overall system reliability by leveraging a critical set of resources that can respond rapidly to grid needs and potentially compete on a cost basis with other grid resources. It would also empower electricity customers by encouraging their active participation in grid management and provide them with opportunities to benefit economically from their operational flexibility. Finally, incorporating DR into the Commission's primary reliability compliance framework avoids the creation of artificial distinctions or unnecessarily separate compliance pathways for DR, thereby streamlining LSE planning, procurement, and Commission oversight.

**6. Is the proposed timeline for reliability procurement reasonable, or are there alternate timelines that should be considered?**

SDG&E has no comment at this time but reserves the right to provide comments on this topic in the future.

### 7. Should compliance filings occur once or twice a year?

The Staff Proposal contains a biannual compliance filing structure, with a non-binding December filing and a binding June filing. SDG&E strongly recommends that the Commission eliminate the December filing in favor of a single, annual binding compliance filing each June. The Staff Proposal fails to provide a compelling rationale for the necessity of an interim December filing, yet the disadvantages of such a requirement are clear.

A biannual filing schedule imposes a duplicative and unnecessary administrative burden on both LSEs and Commission Staff, effectively doubling the workload of all involved. This additional workload would compound the already substantial reporting obligations associated with the existing RA, RPS, and IRP programs. Furthermore, the purpose of the non-binding December submission is unclear. Imposing a reporting requirement that carries the risk of a penalty but offers little to no clear regulatory value is unreasonable. Absent a compelling justification for its imposition, the Commission should remove the December compliance filing from the final RCPPP design to promote efficiency.

### 8. Should enforcement of contracting sufficiency occur once or twice a year?

Consistent with the recommendation for a single annual compliance filing, SDG&E submits that penalties for contracting sufficiency should be assessed only once per year. A single, yearly enforcement cycle creates a transparent and predictable process. However, a rigid enforcement mechanism can be counterproductive for multi-year forward requirements where LSEs face significant risks that are entirely beyond their control, such as developer delays, supply chain disruptions, permitting issues, or the whims of unpredictable government actors.

As such, the annual enforcement process must be coupled with a clear, transparent, and flexible waiver or deferral process, modeled after the successful mechanisms used in

implementation of the MTR Decision.[21/] Such a process would allow an LSE to demonstrate that a contracting sufficiency shortfall is due to factors outside its reasonable control. The Commission could then grant a waiver or a time-limited deferral of the penalty, contingent on the LSE demonstrating a plan to cure. This approach would maintain strong accountability while providing necessary flexibility, ensuring that penalties are reserved for cases of imprudent or deficient planning, not for unavoidable market and project development issues. Ultimately, given the fact that the proposed penalty's structure is designed to persist until an LSE cures the underlying deficiency, there is also no reliability or compliance benefit to assessing penalties more frequently than once per year following the binding June compliance filing.

**9. Should enforcement of online sufficiency occur once or twice a year?**

The logic applied to contracting sufficiency penalties applies equally to online sufficiency penalties. Enforcement should be assessed annually, based on the binding June filing. This provides a sufficient incentive for LSEs to fulfill their obligations without introducing unnecessary complexity and administrative churn associated with a biannual enforcement cycle. The Commission must also pair annual enforcement with a robust waiver and deferral mechanism to account for the often unforeseen challenges associated with bringing a new resource online.

**10. Should marginal ELCCs be bound? What are the advantages or disadvantages to doing so, if any, in addition to those described in Section 3.1.6.4?**

To the extent that marginal ELCCs are used in the final RCPPP design, SDG&E does not support imposing artificial bounds on marginal ELCCs. As the Staff Proposal correctly points out, "bounding ELCCs effectively socializes the risk of the impact of shifting scarcity periods on

[21/] D.21-06-035.

LSE capacity positions, instead of having LSEs manage that risk."[22/] This socialization of risk is fundamentally inefficient and inequitable. It mutes the price signals that are essential for driving forward-looking portfolio management and for holding individual LSEs accountable for their procurement decisions. An LSE that fails to anticipate and procure resources that align with an evolving system should bear the consequences of that risk. Conversely, an LSE that efficiently manages its portfolio should reap the benefits. Bounding marginal ELCCs severs this crucial link between actions and outcomes, creating the potential for cost shifts between LSEs. The use of unbounded ELCCs provides better accuracy, whereas artificially constraining them negates the analytical value of marginal ELCCs and leads to inefficient and distorted market signals.

**11. If marginal ELCCs are to be bound, should the degree of bounding differ between Option I and Option II?**

SDG&E opposes the use of bounded ELCCs under any framework. The principle that using artificial bounds creates market inefficiencies and undermines LSE accountability applies universally, regardless of the final RCPPP design.

**12. How many months, and which months, should forward contracts include to ensure reliability while minimizing costs if resources can sell to other non-CPUC jurisdictional LSE buyers in other months?**

The Staff Proposal notes that RPR compliance will require resources to have a Must-Offer Obligation ("MOO") for the months with the most significant loss of load hours, which ED Staff currently identifies as May through September.[23/] SDG&E supports this initial designation as it is grounded in current system realities. However, the more critical issue for a durable, long-term framework is establishing a predictable and transparent process for managing future changes to this "critical months" period.

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[22/] Staff Proposal at 40.

[23/] *Id*. at 25.

As California's resource portfolio and load profiles evolve, the months of greatest reliability risk are expected to shift. The RCPPP framework must be adaptive to this reality. For LSEs to plan and procure efficiently and cost-effectively, the Commission must establish a formal and forward-looking process for identifying and signaling future changes to the "critical months." Abrupt, short-lead-time changes to these core compliance parameters would introduce significant planning uncertainty, undermining the value of long-term contracts, and could lead to inefficient, last-minute, emergency procurement activities at a higher cost to ratepayers.

To mitigate the possibility of this outcome, SDG&E recommends that the Commission commit to a clear mechanism for managing these changes. Any forecasted adjustments to the "critical months" period must be identified and communicated to LSEs as part of the indicative RPRs provided for future years. This approach ensures that changes to a core compliance obligation are not a surprise for LSEs in the near term. By providing a multi-year advance signal before any such changes to the "critical months" period become binding, the Commission would provide the regulatory predictability necessary for LSEs to adjust their procurement strategies, negotiate contracts that align with future system needs, and cost-effectively manage procurement risk.

**13. How much more reliable should the system be compared to the 1-day-in-10-year LOLE? Is a buffer of 2.5% a reasonable value? If not, what is an appropriate percentage value for the buffer?**

SDG&E submits that applying a fixed percentage buffer is an economically inefficient, poorly targeted, and ultimately duplicative mechanism. The proposal erroneously conflates two distinct types of reliability risk: planning risk and operational risk. It fails to acknowledge that mechanisms to address planning uncertainty are already embedded within the existing reliability framework.

The proper venue for addressing foreseeable planning risks, such as project development delays or load forecast variance, is within the primary RPN determination itself. A truly robust reliability analysis, such as that conducted in the RA program, already incorporates a Planning Reserve Margin ("PRM"). The PRM is the established tool explicitly designed to ensure the system has sufficient capacity to account for planning contingencies and to achieve the widely adopted 0.1 Loss of Load Expectation ("LOLE") standard.

The RPN, being derived from modeling that *already includes* the PRM, is therefore inherently "buffered" by its nature. Applying a fixed 2.5% buffer on top of the RPN is fundamentally duplicative. It forces ratepayers to fund yet another generalized insurance policy for risks that are already quantified and addressed by the PRM. This not only imposes unnecessary and unjustifiable costs on customers but also implies a structural lack of confidence in the Commission's primary planning models and the efficacy of the PRM for supporting reliability. The more prudent and cost-effective approach is to ensure the accuracy and robustness of the RPM and underlying PRM calculations, rather than layering on a costly and redundant buffer that socializes planning risk.

**14. How should the affordability impact of the buffer be weighed against its reliability benefit?**

The negative affordability impact of the proposed buffer is direct and significant, compelling LSEs to procure and ratepayers to fund capacity above what the primary reliability analysis deems necessary to achieve the 0.1 LOLE standard. The purported "reliability benefit" of this buffer is questionable if it is merely correcting for known uncertainties that should have been incorporated into the base RPN calculation. The principle of just and reasonable rates[24/]

[24/] *See* Public Utilities Code § 451. All statutory references herein are to the Public Utilities Code unless otherwise noted.

necessitates a more targeted approach to managing planning risks than a fixed buffer provides, as it imposes substantial costs for an undefined and potentially redundant level of incremental reliability.

**15. Should the buffer apply to both Option I and Option II? Why or why not?**

SDG&E opposes the application of the proposed buffer regardless of the final RCPPP reliability framework. The buffer's function as a hedge against planning-phase uncertainty is fundamentally flawed and counterproductive for affordability concerns. The focus should be on improving the RPN calculation, not on requiring ratepayers to fund a guard against potential inaccuracies in that plan. The buffer becomes a redundant and costly layer of over-procurement if the underlying reliability analysis is performed correctly.

**16. Should the buffer percentage differ between Option I and Option II? Why or why not?**

Please see SDG&E's response to Reliability Question 15 above.

**17. At what percentage should the CCR be set?**

In contrast to the proposed buffer, SDG&E supports the conceptual basis of the CCR as a distinct and necessary tool for ensuring grid reliability. The critical distinction between the CCR and the buffer lies in their purpose: whereas the buffer addresses planning and forecasting uncertainty, the CCR addresses unexpected, near-term operational challenges. The CCR provides a valuable backstop against unforeseen operational events, such as LSE procurement shortfalls that only become apparent with short lead times. The CCR is not intended to correct for inaccuracies in the multi-year RPN forecast; rather, its purpose is to provide the system operator with an additional reliability tool to manage real-time operational difficulties that can and do occur despite the best planning efforts. The concept of a CCR also comports with traditional Commission practice. The concept of a centralized backstop procurement entity is

well-established, with IOUs having historically served in this capacity.[25/] The CCR would formalize and bring this concept into the RCPPP.

Furthermore, this centralized procurement framework could provide a crucial secondary backstop for the procurement of long-lead-time ("LLT") resources. The Commission has requested the Department of Water Resources ("DWR") to procure a significant portfolio of LLT resources, including 7.6 GW of offshore wind, 1 GW of multi-day energy storage, 1 GW non-lithium ion long-duration energy storage, and 1 GW geothermal, with solicitations beginning in 2026 and resources online as early as 2031.[26/] While DWR is best positioned to act as the CPE for these types of LLT resources that benefit all LSEs within the state, in the event the DWR faces operational challenges or is unable to secure these types of LLT resources, the Commission could, as a secondary backstop, instruct IOUs acting as RCPPP Central Procurement Entities ("RCPPP-CPEs") to target any identified gaps through a mechanism similar to the proposed CCR design. While there may be practical challenges associated with individual IOUs procuring on behalf of the state, the CCR mechanism could function to support LLT resource procurement targets in the event that no other option is available. This demonstrates the strategic value of the CCR mechanism beyond its primary insurance function.

**18. Is the range of 1.5% to 3% of the initial RPN appropriate? If not, what is an appropriate range?**

The specific percentage for the CCR should be established through a transparent, data-driven analysis that quantifies specific operational risks. The goal should be to size the CCR appropriately to mitigate these high-impact, low-probability events without leading to systemic

[25/] *See e.g.* D.06-07-029, D.19-11-016; D.20-12-044; D.21-06-035.

[26/] *See* D.24-08-064; *see also* President Reynolds' February 24, 2025, Letter to DWR regarding the Commission's Assembly Bill ("AB") 1373 Procurement Request.

over-procurement. The Staff Proposal's suggested range of 1.5% to 3% of the initial RPN for the CCR appears to be a reasonable starting point for discussion. It should be evaluated on a regular cycle, perhaps as part of the IRP inputs and assumptions process. However, the final determination requires analytical justification that balances the cost of procuring this "insurance" against the tangible benefits of mitigating specific, high-impact, short-term reliability risks that are not otherwise addressed by individual LSE RPR obligations. SDG&E recommends an initial 3% buffer level, which could potentially be revisited in future IRP cycles.

**19. Should the CCR percentage differ between Option I and Option II? Why or why not?**

Under the RCPPP design, the CCR will serve as a near-term operational reliability backstop to support the RA program and state reliability goals. The fundamental rationale for adoption of the CCR – to act as a safeguard against unanticipated operational difficulties – exists independent from the broader RCPPP framework structure. The types of acute, short-term operational contingencies that the CCR is designed to mitigate will arise regardless of the final program design. Thus, the CCR percentage should not be dependent upon the final program design.

**20. Which option, as presented in Table 11, is better for incorporating new eligible centrally procured resources into RCPPP? What are the additional pros and cons of each option?**

The Staff Proposal presents two options for incorporating centrally procured resources into the RCPPP framework. SDG&E supports Option A, which allocates credits to LSEs after the need determination has been made. The primary virtue of Option A is its adherence to the fundamental regulatory principle of cost causation. This approach ensures that the LSEs whose customers bear the costs of centrally procured resources are the same LSEs who receive the corresponding compliance credits.

Option A achieves this by first assigning all LSEs their full RPR and then transparently applying credits derived from the centrally procured resources. This direct alignment would provide consistency with the cost allocation methodology ("CAM"), and will help to prevent cost shift between LSE customers.

In addition, Option A provides superior transparency. An LSE can identify its reliability obligation and the specific capacity credit it receives from the centrally procured resources. This contrasts with Option B, where the contribution of the centrally procured resource is embedded within a reduced system-wide need determination, making it difficult for an individual LSE to verify that it is receiving the appropriate benefit relative to its cost burden.

## V. GHG REDUCTION PORTION OF RCPPP

### *A. Overview*

SDG&E greatly appreciates ED Staff's work in addressing the complex issue of GHG emissions reductions and commends ED Staff on its openness to stakeholder input on how best to achieve this goal through the RCPPP. The state's strategy for achieving GHG emissions reductions has evolved over the past two decades to encompass a suite of overlapping clean energy goals, including: 1) reducing GHG emissions pursuant to the electric sector mass-based target range (measured in million metric tons or "MMT") established by the California Air Resource Board ("CARB") (the "electric sector target" or GHG reduction target);[27/] 2) serving 60% of California's retail sales with renewable resources by 2030 (the "RPS target");[28/] and 3) serving 90%, 95%, and 100% of California's retail sales with renewable and zero-carbon resources by 2035, 2040, and 2045, respectively (the "SB 1020 goals").[29/] Managing the

[27/] § 454.52(a)(1)(A).

[28/] §§ 399.11 and 454.52(a)(1)(B).

[29/] § 454.53(a).

procurement and compliance activities for these interrelated goals is a complicated and challenging undertaking. The Staff Proposal suggests the CES as the means of incorporating these clean energy goals into the RCPPP.

Under the CES approach, the Commission would translate the electric sector target into an annual clean energy target as a percentage of retail sales for LSEs, with compliance established through backward-looking three-year compliance periods aligned with RPS compliance periods. LSEs would demonstrate compliance though contractual commitments for eligible resources, including RPS-eligible resources and GHG-resources that generate eligible "Zero-emission Credits" ("ZECs"). The ZEC concept is helpful in that it builds on the RPS framework that LSEs are already familiar with. SDG&E supports the use of this proposed mechanism to measure compliance with SB 1020 goals.

SDG&E also appreciates the cautious approach taken by ED Staff in creating new obligations related to GHG emissions reduction. As ED Staff correctly points out, "[c]reating a new GHG reduction framework such as CES could be a large administrative undertaking and may add a new layer of complexity, and its impacts and costs must be carefully considered."[30/] CES is appropriately presented as a starting point for further stakeholder discussion and development; it is clear that more work is necessary to ensure that the final RCPPP framework will incentivize a balanced portfolio of resources while ensuring affordability.

As discussed in more detail below, while SDG&E supports the CES approach in concept, there are several aspects of the proposal that must be refined before the RCPPP could be adopted by the Commission. For this reason, and because establishing binding requirements on the basis of aspirational planning targets would create significant affordability issues, the Commission

[30/] Staff Proposal at 41.

should not seek to implement the CES framework for the 2028-2030 compliance period. Instead, the Commission should issue an interim procurement order for 2029-2030, as discussed in Section III above. If the Commission declines to adopt an interim order, it should make the 2028-2030 compliance period a "test" period and not seek to enforce the adopted CES procurement targets. SDG&E highlights its key concerns below, and provides further details in its responses to the Staff Proposal's CES-related questions.

### 1. Highly Aggressive GHG Emission Reduction Targets Create Affordability Concerns

Under the Staff Proposal, each LSE's CES percentage targets for each compliance period would be set three years prior to the relevant compliance period.[31/] Since the Staff Proposal contemplates that the new CES framework will be implemented starting in 2028, the CES percentage targets adopted for the 2028-2030 compliance period would be based on the 2023 PSP. However, using the highly aggressive emission reduction targets that were adopted solely for long-term planning purposes in the 2023 PSP in order to establish binding CES targets is unreasonable and would have a significant negative impact on customer affordability.

The Commission has flexibility in setting the electric sector GHG emission reduction targets using the range provided by CARB. As part of the IRP process, it has consistently accelerated the targets applicable to Commission-jurisdictional LSEs. The initial (2018) IRP filing guidelines adopted an electric sector target of 42 MMT (equivalent to 46 MMT) by 2030,[32/] which accelerated to 30 MMT by 2030 for the most recent completed (2022) IRP filing –

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[31/] *Id*. at 42-43. If the CES is implemented for compliance period 2028-2030, the need determination schedule would be slightly different. *Id*. at 43.

[32/] D.18-02-018 at 3, FN 1 (noting that 42 MMT "is comparable to 46 MMT utilizing the GHG accounting methodology from CARB to develop its Scoping Plan Update, due mainly to differences in accounting for emissions from on-site combined heat and power.").

a reduction of approximately 35% in just three short cycles. Indeed, ED Staff acknowledged the Commission's aggressive approach in its April 29 presentation: "CARB established a range of 30-46 MMT for the 2030 GHG target. *The CPUC has adopted the low end of this range for its jurisdictional entities* ([a reduction to] 30 MMT in 2030 and 25 MMT in 2035)"[33/] (the "25 MMT case"). The Commission's selected GHG targets outstrip all other targets for the electric sector, ultimately requiring 99% of retail sales to be served by renewable and zero-carbon resources by 2036 – this is nine full years ahead of the SB 1020 goals established by statute and far exceeds where the electric sector is required to be. Transforming these targets from theoretical long-term planning goals to enforceable near-term requirements that are subject to compliance penalties would impose a tremendous additional cost burden on customers of Commission-jurisdictional LSEs.

Imposing requirements based upon the 2023 PSP would, first, move the costs of statewide decarbonization efforts from other sectors of the economy to the electric sector and, then, shift the cost of electric sector decarbonization from LSEs not subject to the Commission's authority to the customers of Commission-jurisdictional LSEs (since LSEs not subject to the Commission's authority would not be required to meet these accelerated targets). This would force customers of Commission-jurisdictional LSEs to pay far more than their fair share of the costs of decarbonizing the state, which, in addition to being unreasonable, would also significantly exacerbate affordability concerns.

In setting its aggressive GHG emission reduction targets in the 2023 PSP, the Commission offered the rationale that the additional cost of accelerating reduction levels is negligible: "[t]here are minimal cost impacts of reducing the GHG target trajectory from 30

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[33/] *See Procurement Framework & Options for PSP Action* at Slide 4 (emphasis added).

MMT in 2035 [(the "30 MMT case")] to 25 MMT in 2035."[34/] It concluded, "[i]n modeling results . . . cost differences between the 30 MMT and 25 MMT Core portfolios were relatively small, driven in part by additional incentives from the federal [Inflation Reduction Act]."[35/] However, this assertion is based on a cost forecast that extends to 2065. Practically speaking, a 40-year forecast is so conceptual that it cannot form the basis of near-term compliance requirements. Moreover, contrasting the costs of the 25 MMT case and the 30 MMT case is the wrong comparison. The Commission should instead compare the cost of each case to the cost of achieving RPS and SB 1020 compliance in 2030, 2035, 2040, and 2045. There is a demonstrable and significant difference in procurement volume between what is necessary to comply with RPS and SB 1020 targets and what would be required if the "low end" of the range provided by CARB were to become binding – the requirements of both the RPS and SB 1020 would be far exceeded in every year.[36/]

In addition to erroneously assuming that enforcement of highly aggressive GHG reduction targets will have minimal cost impacts, the assumptions underlying the adopted 2023 PSP do not reflect the current reality of the electric procurement landscape. The 2023 PSP fails to account for several material concerns that make the 25 MMT case infeasible to implement, including project delays, supply chain impediments, and a lack of available transmission. These

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[34/] See *2023 Proposed PSP & 2024-2025 TPP Resolve Modeling Results with updated slides* at 25.

[35/] *See* D.24-02-047 at 63.

[36/] The 25 MMT by 2035 portfolios were used to design the 2023 PSP, which was then used to create the 2025-26 Transmission Planning Process ("TPP") portfolio. The draft 2025-26 TPP base case portfolio formed the basis of the proposed CES percentages. See *Attachment B: Staff Proposal: Reliable and Clean Power Procurement Program* footnote at 51; *2023 Proposed PSP & 2024-2025 TPP Resolve Modeling Results with updated slides* at 48.

issues were identified at the time the 2023 PSP was under consideration[37/] and continue to be present today, along with new challenges related to federal tax credit availability and waning policy support for offshore wind. Given the continuing impact of these issues on project viability and resource availability, it would be unreasonable and contrary to the public interest to establish enforceable compliance requirements that fail to account for these factors.

Finally, making the clean energy portion of the RCPPP binding in 2028 would create significant new and, more to the point, *near-term* procurement compliance obligations that would likely force LSEs into competition for the same resources. This would drive up prices, further intensifying affordability concerns. Accordingly, the Commission should wait until 2031 at the earliest to make the clean energy portion of the RCPPP enforceable. This will better enable LSEs to plan for and prudently procure the resources needed to meet the 60% RPS by 2030 mandate.

SDG&E strongly supports the objective of lowering GHG emissions, but achieving this objective cannot come at the expense of reliability and affordability. Notably, in its decision adopting the Reference System Plan ("RSP") for the 2019-2020 IRP cycle, the Commission found that the *high* end of CARB's electric sector target range (30-46 MMT by 2030), was not insignificant, supported state goals and, indeed, would place the electric sector at the forefront of GHG reduction efforts: "[t]he 46 MMT 2030 GHG target for the electric sector keeps LSEs on the trajectory to meet the state's goal to supply 100 percent of retail electricity sales with renewable and zero-carbon resources by 2045. It also represents a disproportionate share of the overall state emissions reductions coming from the electric sector compared to other sectors."[38/]

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[37/] *See 2022 Individual Integrated Resource Plan of San Diego Gas & Electric Company* (November 1, 2022) at 5.

[38/] D.20-03-028 at 2.

This makes clear that the Commission can take a more measured approach to GHG emission reduction and still further the state's clean energy goals, while at the same time avoiding imposition of an unreasonable cost burden on customers.

Thus, if the Commission embraces the proposal to establish binding GHG reduction targets based upon the PSP, it should not seek to implement the RCPPP framework for the 2028-2030 compliance period. Instead, it should reevaluate the GHG emissions reduction targets within the 2024-2026 IRP cycle, and adopt targets within the range set by CARB that are feasible and appropriate for use in establishing enforceable compliance targets. These targets would then become the basis for the LSE-specific procurement orders included in the RCPPP to be implemented in 2031. More broadly, if the Commission adopts the RCPPP framework, it must revise its approach to setting the GHG targets used in the IRP process, as discussed above. Rather than establishing highly aggressive – in effect, aspirational – GHG emission reduction goals for long-term planning purposes, the Commission should select targets from within CARB's range that are feasible to implement in the near-term through the RCPPP framework. In other words, the Commission should aim to set realistic GHG emission reduction targets that preserve LSEs' ability to manage customer costs while incentivizing meaningful GHG emissions reductions.

### 2. GHG Reduction Targets Should be Mass-Based

SDG&E submits that the Staff Proposal's recommendation to establish percentage-based GHG reduction targets would not incentivize LSEs to procure the optimal mix of resources. The targets should instead be mass-based. There is an inherent mismatch between the qualitative nature of emission reductions and the quantitative nature of a percentage. The IRP process currently allocates mass-based electric sector targets to all LSEs and then measures compliance using the CSP tool. The CSP calculates resource emissions on an hourly basis, allowing LSEs to

evaluate the emissions profile of their proposed IRP portfolios.[39/] This granularity enables the Commission and LSEs to determine the types of portfolios that will achieve meaningful emission reductions. A percentage requirement simply cannot provide this insight and therefore should not be used to incentivize progress towards state goals.

A mass-based target, measured by the CSP, links resource procurement with anticipated GHG emission reductions. However, taking the additional step to translate the mass-based target into a percentage, as contemplated in the Staff Proposal, would sever that connection. Both methods aim to achieve the same result, but the mass-based approach more effectively incentivizes meaningful GHG emission reductions. For example, although energy storage plays a vital role in achieving decarbonization of the electric sector, setting GHG reduction targets as a percentage of retail sales does not incentivize the development of, or give credit to, energy storage resources. However, under a mass-based approach with hourly emissions accounting, the CSP tool could be further developed to allow for an LSE's excess hourly renewable generation to count as charging power that can be dispatched later in the day to abate emissions in evening hours.

SDG&E understands that the intent behind the Staff Proposal's recommendation to convert the mass-based targets into a series of percentages is to measure progress towards both the electric sector targets and SB 1020 goals, however this is unnecessary. Even under the 30 MMT case, the electric sector target markedly exceeds SB 1020 goals.[40/] This means that an LSE that meets the mass-based electric sector target will by definition meet SB 1020 goals and RPS goals. Moreover, utilizing a mass-based target does not preclude the creation of ZECs;

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[39/] *See Greenhouse Gas and Criteria Pollutant Accounting Methodology for use in Load-Serving Entity Portfolio Development in 2022 Integrated Resource Plans* at A-1.

[40/] *See 2023 Proposed PSP & 2024-2025 TPP Resolve Modeling Results with updated slides* at 48.

ZECs can be tallied and reported to the Commission, and used to measure clean energy procurement progress on a percentage basis.

Thus, mass-based GHG reduction targets better align the setting of GHG emission reduction targets with the procurement actions taken to achieve them, ensuring prudent management of customer costs. Accordingly, the RCPPP GHG reduction targets set for LSEs should remain mass-based (*e.g.*, measured in MMT) and the CSP or a CSP-like tool should be utilized to determine compliance. Otherwise, the resources procured on behalf of customers would not align in the most meaningful way with the state goals they are paying to achieve, which is contrary to the public interest. In addition, if the Commission establishes an interim procurement order to allow additional time to develop the RCPPP (see Section III above), it should re-evaluate the broad range provided by CARB and adopt mass-based GHG reduction targets that uses the 30 MMT case (38 MMT by 2030 and 30 MMT by 2035) as the indicative target for the electric sector while the RCPPP is being further developed. As noted in SDG&E's 2022 IRP, "[t]he 30 MMT target provides greater flexibility to facilitate [the] transition to clean alternative fuels on a timeline that does not threaten reliability and will also prevent shifting of the burden of decarbonizing from the transportation sector to the electric sector, which aligns with the State's policy in favor of multi-sector responsibility for achieving GHG reductions."[41/] Adopting a mass-based GHG reduction target that translates to the 30 MMT by 2035 case on an indicative basis would support affordability while providing LSEs with directional guidance to help keep them on track to meet their proportionate shares of the electric sector target.

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[41/] *2022 Individual Integrated Resource Plan of San Diego Gas & Electric Company* (November 1, 2022) at 6.

### 3. The Commission Should Establish a Timeline for Development of the GHG Reduction Portion of the RCPPP that Allows for Resolution of Outstanding Concerns

SDG&E has significant concerns regarding the GHG reduction framework detailed in the Staff Proposal. As discussed above, in order to allow the Commission and stakeholders adequate time to work through the many issues involved in constructing a new compliance framework, the Commission should issue an interim procurement order to ensure that LSEs remain on track to meet clean energy goals through 2030, while at the same time continuing to develop the RCPPP for implementation in 2031. SDG&E's concerns with the proposed GHG reduction framework are summarized below, and are addressed in its discussion herein as well as in its responses to the CES-related questions in the ALJ Ruling:

- The Commission should use the 30 MMT case (38 MMT by 2030 and 30 MMT by 2035) as the indicative target for the electric sector while the RCPPP is being further developed;
- The RCPPP should establish a mass-based target for each LSE;
- The Commission should align issuance of the IRP's PSP as close to each T-3 year as possible to enable its use;
- If the Commission does not issue an interim procurement order, it should utilize the 2028-2030 CP as a test period;
- The RCPPP should measure LSE compliance with the GHG reduction target on a forward-looking basis using the IRP's existing CSP tool (or a CSP-like tool);
- The RCPPP should require each LSE to provide a CSP calculation prior to the CP that demonstrates that the LSE's portfolio meets its goals for that CP;
- The RCPPP should incorporate a citation program resolution consistent with the process adopted in the MTR Decision;
- The RCPPP should measure SB 1020 compliance by calculating total Renewable Energy Credits ("REC") plus ZECs as a percentage of retail sales;
- LSEs should be permitted to bank ZECs;

- Resource eligibility should be technology- and location-neutral;
- The RCPPP should not include procurement restrictions such as long-term contracting requirements;
- The RCPPP should include UOR within the scope of eligible projects and adopt an efficient contracting process for UOR;
- The RCPPP should establish a clear and efficient pathway to evaluate and qualify new technologies for ZECs;
- The RCPPP should consider partial ZEC eligibility for a facility that yields some portion of zero-carbon generation to allow ZECs to be created for that portion;
- The Commission should reexamine consolidation of RPS and IRP plans; and
- The Commission should address the overlap between this proceeding and the RPS and the PCIA proceedings.

### *B. **Reponses to GHG** Reduction Questions in ALJ Ruling*

#### 1. Should existing IRP and RPS processes be used or modified to achieve the electric sector's GHG emissions reduction goals instead of a new CES framework? If so, why?

Rather than adopting a new CES framework, SDG&E recommends leveraging established frameworks to drive the long-term planning and new resource development needed to meet GHG emission reduction targets. Specifically, the GHG reduction component of the RCPPP can be most effectively and efficiently managed through consolidation of the existing RPS and IRP processes.

The GHG reduction element of the RCPPP focuses on three specific clean energy goals: 1) achievement of CARB's electric sector mass-based GHG emission reduction targets; 2) compliance with RPS requirements; and 3) satisfaction of the directives set forth in SB 1020. The RPS and IRP programs already include the mechanisms needed to facilitate LSE progress towards these goals. Section 454.52(d) requires that the IRP "incorporate, and not duplicate, any other planning processes of the commission," and further directs state agencies, including the

Commission, to "use programs authorized under existing statutes to achieve [SB 1020] policy." Thus, the CES proposal should be adopted *only if* existing programs cannot effectively achieve the intended outcomes, which is not the case here. The Commission can achieve the goals of the CES through combination of, and minor adjustments to, the existing stand-alone RPS and IRP processes.

A consolidated IRP-RPS program would obviate the need for a new CES construct and could provide greater efficiency than the existing approach of having two separate compliance frameworks, as ED Staff pointed out in its 2020 *Staff Proposal for Alignment and Integration of RPS Procurement Planning and Integrated Resource Planning* ("Consolidation Proposal").[42/] Indeed, the Consolidation Proposal notes that IRP-RPS coordination is a priority of parties to the RPS proceeding and is *required* by SB 350, which includes language "intended to address the overlap between filings in the IRP and RPS proceedings."[43/] The Commission has also signaled its intent to further explore consolidation in the context of the RPS and IRP rulemaking proceedings; it included the issue of "coordinating with the integrated resource planning proceeding, or its successor proceeding, as mandated by SB 350" in the scope of the current RPS rulemaking.[44/]

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[42/] See Rulemaking ("R.") 18-07-003, *Administrative Law Judge's Ruling Requesting Comments on Staff Proposal* (September 18, 2020), Attachment. At a high level, this proposal creates an "On-Year" and "Off-Year" process, with "On-Year" referring to the years in which the IRP is filed, and "Off-Year" referring to the years in which the IRP is not filed. For On-Year filings, the proposal addresses the statutory requirements for both programs by mapping the RPS Plan contents to the corresponding sections of the IRP (if existing) and creating one new section of the IRP to capture any items not already addressed elsewhere in the narrative. For the Off-Year filing, when only RPS Plan contents are required, the proposal would substantially limit filing obligations to only those sections required by statute. *See id*. at 6-11.

[43/] Consolidation Proposal at 2.

[44/] R.24-01-017, *Order Instituting Rulemaking to Continue Implementation and Administration, and Consider Further Development, of California Renewables Portfolio Standard Program* (February 1, 2024) at 7.

Given the existing momentum behind consolidation of these two compliance frameworks, the Commission should undertake combination of the IRP and RPS processes as part of the RCPPP effort. Staff and stakeholders should review the contents of the RPS Plan to identify what elements are legislatively required, and determine which aspects of the RPS Plan can be eliminated and which must be incorporated into the IRP process. Significantly trimming the RPS Plan and merging it with the IRP would reduce the administrative burden for the Commission and stakeholders, and would facilitate the tracking of progress toward state goals. The combined RPS-IRP construct should be used to implement the GHG reduction element of the RCPPP. Plainly, it makes more sense to focus on distillation of a single, combined GHG reduction compliance mechanism than it does to focus on creating a ***third*** compliance scheme that overlaps with RPS and IRP requirements and significantly increases the complexity of what is already an onerous undertaking.

Accordingly, SDG&E recommends that the Commission direct parties to revisit the Consolidation Proposal and develop proposals for how to integrate a combined RPS-IRP compliance process into the RCPPP to achieve GHG emission reduction objectives rather than adopting a new and duplicative CES framework. Whatever approach the Commission ultimately settles on, it should incorporate the modifications to the GHG-related element of the Staff Proposal detailed above, including establishing GHG reduction targets within the range set by CARB that are feasible and appropriate for use in establishing enforceable compliance targets, as well as adoption of a mass-based target for GHG reductions. In addition, the Commission should modify the RCPPP proposal in accordance with the below recommendations:

### a) Alignment of IRP and RCPPP timelines

The Commission should work to align the issuance of the IRP's PSP as closely as possible to each T-3 year to ensure that when LSEs receive their share of the GHG reduction target, it is based on the most up-to-date information available. This will avoid the problematic scenario evident in the Staff Proposal where GHG reduction targets are based on data that will be six or more years old when the targets are to take effect.[45/]

### b) Compliance measurement

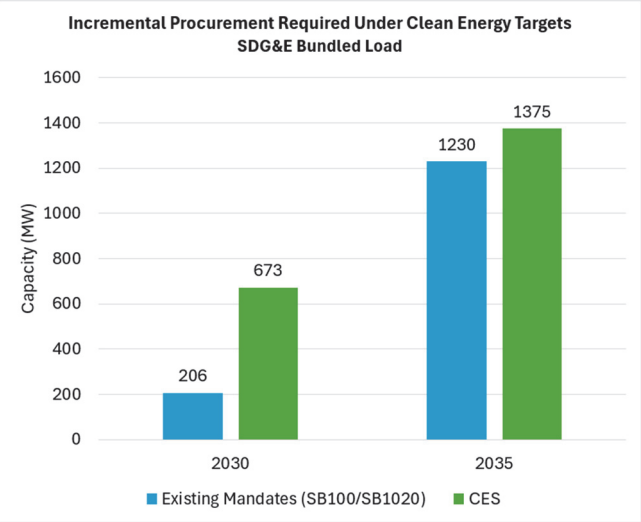
If the Commission does not issue an interim procurement order, as discussed in Section III above, the first CP (2028-2030) should serve as a test period for the GHG reduction target, similar to the Commission's approach in implementing the RA SOD methodology. The only procurement requirements within this compliance period are those associated with RPS and RA, and there are already processes in place to manage those programs. LSEs have likely not exceeded RPS and RA requirements in any meaningful way given the lack of need combined with affordability concerns. Treating the 2028-2030 CP as a test period if the Staff Proposal is adopted and implemented in the near-term is consistent with affordability objectives. The alternative – *e.g.*, all LSEs rushing to procure significant amounts of generation in time for compliance with the proposed CES values for the 2028-2030 CP – would undoubtedly increase

[45/] The compliance period ("CP") targets listed in the Staff Proposal are based on the "draft 25-26 TPP base case portfolio released in September 2024," and the draft 2025-2026 TPP base case "is designed to be similar to the 2024-2025 TPP base case, with the same policy assumptions. It incorporates the 25 MMT by 2035 GHG emissions target, includes the resources included in the individual load-serving entity (LSE) IRPs submitted in November 2022, and uses the same resource baseline and modeling inputs and assumptions (with the exceptions noted above in Section 1 of this ruling, including updating to the most recent CEC IEPR load forecast assumptions)." The first year in the first CP is 2028, thus the underlying data is, in part, 6 years old. See *Attachment B: Staff Proposal: Reliable and Clean Power Procurement Program* footnote at 51; *Administrative Law Judge's Ruling Seeking Comments on Electricity Resource Portfolios for 2025-2026 Transmission Planning Process* at 5.

market prices and impose an unreasonable cost burden on customers. It is also unlikely as a practical matter that all LSEs would be able to procure adequate resources within the compliance timeframe. On a system level, approximately 40 GW of capacity (incremental to the 2023 PSP baseline) would need to be added by 2030, according to Commission modeling.[46/] In SDG&E's case, as shown in Figure 3 below, the Staff Proposal would require incremental procurement above statutory targets of approximately 467 MW in 2030 and 145 MW in 2035.

**FIGURE 3**

**Incremental Procurement Required Under Clean Energy Targets: SDG&E Bundled Load[47/]**




Implementation of the RCPPP will involve a learning curve, thus LSEs must have a reasonable runway to gain experience. This will enable them to become familiar with the compliance requirements of the program and to procure more effectively to meet them. A rushed

[46/] *See 2023 Proposed PSP & 2024-2025 TPP Resolve Modeling Results* at 59. Note that this data is from 2023 and is the most recent estimate available. The 40 GW estimate comes from the 2030 column (37.9 GW total plus 2.1 GW of gas capacity not retained).

[47/] Assumes incremental procurement of solar resources with a 30% capacity factor. For assumed CES percentages, see *Attachment B: Staff Proposal: Reliable and Clean Power Procurement Program* at 51.

implementation, on the other hand, will serve only to increase customer costs and hinder LSEs' ability to achieve compliance with program requirements.

In terms of measurement of compliance with the three GHG reduction targets – 1) achievement of CARB's electric sector mass-based GHG emission reduction targets; 2) compliance with RPS requirements; and 3) satisfaction of the directives set forth in SB 1020 – existing processes, combined with the newly proposed ZEC product, should suffice. LSE compliance with the electric sector target should continue to be measured on a forward-looking basis using the IRP's existing CSP (or a CSP-like tool). Progress towards RPS goals would continue to be measured by calculating RECs as a percentage of annual retail sales. Progress towards SB 1020 goals should be measured in the same way, by calculating total RECs and ZECs as a percentage of annual retail sales. To facilitate SB 1020 tracking, which would be the only new LSE data point added to the current processes, ZECs should simply be added to the already-occurring annual REC WREGIS report.

**c) Compliance assessment**

The approach for assessing compliance should be specific to each procurement target. For electric sector targets, the focus should be on ensuring that LSEs bring new resources online on time. The compliance framework will need to be flexible to account for those factors that are outside of an LSE's control, including but not limited to load departure/return, project success rates, the types of resources that bid into an LSE's solicitation, and how CAISO dispatches the LSE's contracted resources. This need for flexibility can be addressed in two ways – through the measurement process and through robust waiver criteria. Regarding the measurement process, SDG&E recommends that compliance with the mass-based GHG reduction targets be measured

on a forward-looking basis as discussed above and similar to Southern California Edison Company's ("SCE") presentation at the June 24 workshop.[48/]

To accomplish this, each LSE should provide a CSP calculation prior to the CP that demonstrates that the LSE's portfolio meets its goals for that CP, for example, by meeting the goal set for the final year of the CP, or by meeting the average emissions goal for the CP. This would ensure that LSEs are not penalized for factors outside of their control, such as CAISO dispatch decisions. As explained in SDG&E's 2022 comments on the topic of RCPPP, a backwards-looking assessment would expand the scope of IRP activities far beyond what is supported by statute.[49/] Additionally, SDG&E appreciates that the Staff Proposal acknowledges that a waiver process is needed.[50/] SDG&E recommends that the process outlined in the forthcoming RCPPP citation program resolution[51/] be modeled after the process adopted in the Commission's MTR Decision, D.21-06-035.[52/] There should be no penalties for failing to contract resources if there is a demonstration of good faith effort to procure; LSEs should not be penalized for construction delays and should not be expected to procure expensive "bridge" capacity when their RA requirements are met.

For RPS targets, SDG&E proposes no changes to the RPS compliance measurement process. Finally, for SB 1020 targets, compliance should be measured by calculating total RECs plus ZECs as a percentage of retail sales, as discussed above. However, ED Staff's proposal

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[48/] *See* CPUC Energy Division Presentation, *Integrated Resource Planning 2nd Workshop: Reliable and Clean Power Procurement Program Staff Proposal* (June 24th, 2025), Slide 122.

[49/] *San Diego Gas & Electric Company Opening Comments on Staff Paper on Procurement Program* (December 12, 2022) at 12.

[50/] Staff Proposal at 49.

[51/] *Id*. at 48.

[52/] *See* D.21-06-035 at 74-76.

regarding ZECs falls short in that it does not allow banking. There are factors outside of LSEs' control, as noted above, that cause changes in both demand and generation forecasts, ultimately impacting procurement results. To the extent an LSE has excess ZECs due to these or other factors, it should be able to use them. Without the ability to bank, there is a clear affordability impact – the value of excess procurement would be lost, needlessly increasing customer costs.

Using the RPS program as an example, to account for factors outside of their control, LSEs generally must procure some margin of renewable resources (measured by RECs) above their compliance targets to ensure the greatest probability of compliance. The RPS program employs a commonsense approach to ensure that ratepayers receive the value of procured generation that exceeds their LSEs' compliance targets. Namely, it allows LSEs to bank excess RECs (to the extent permitted by statute) for use in future CPs, thereby protecting LSE customers by preserving the value of the resources procured on their behalf. Staff's proposal to exclude ZEC banking to "ease administrative assessment of compliance"[53/] would unfairly deprive LSE customers and impose costs with no corresponding benefit. Put simply, banking is an integral aspect of the RECs framework; it is unreasonable to borrow the procurement credit concept to measure compliance with SB 1020 targets but omit this key customer protection measure.

All LSEs will likely need to procure some margin of zero-carbon procurement above their targets to account for market uncertainty and establish the best opportunity for compliance with their procurement targets. If an LSE accumulates excess ZECs but cannot bank them, the value of the procurement would be lost and the cost burden borne by customers would increase. While the concerns regarding administrative burden are valid, a more reasonable solution for

[53/] Staff Proposal at 48.

reducing the administrative burden would be to consolidate compliance mandates where possible (*e.g.,* RPS and IRP) and streamline the associated reporting processes. The Commission should pursue these measures and retain program features such as banking that protect LSE customers and help to ensure affordability.

**d) Defining eligible resources**

The Commission should take a broad view in defining resource eligibility, and should provide contracting flexibility and an efficient approval process. As several parties correctly noted at the June 24 workshop, the more restrictive a procurement program is, the greater the associated cost. Thus, not only should the Commission take a technology- and location-neutral (internal and external to CAISO) approach towards resource eligibility, as discussed in the response to Question 4 below, but it should also decline to adopt procurement restrictions such as long-term contracting requirements. The RCPPP procurement process should prioritize least-cost, best-fit resources that meet needed attributes – broad resource eligibility paired with contracting flexibility will help LSEs develop the optimal compliance solutions for their customers. Similarly, an efficient contract approval process, as referenced above, is necessary for UOR projects, as it will help facilitate compliance with state goals. SDG&E recommends that the Commission adopt the same process as approved in the Summer Reliability Decision, D.21-12-015.[54/]

In addition, while SDG&E appreciates that the Staff Proposal references a stakeholder process to determine resource eligibility for ZECs,[55/] this must be an ongoing effort rather than a one-time exercise. Over the past 20 years, a host of technological innovations have emerged,

[54/] *See* D.21-12-015, OP 80.

[55/] Staff Proposal at 47.

and SDG&E anticipates that this trend will continue throughout the next 20 years as the state approaches 2045. As such, SDG&E recommends that the Commission design a framework that includes a clear and efficient pathway to evaluate and qualify new technologies for ZECs, allowing them to participate in the clean energy transition. This pathway should be incorporated into the IRP's annual Inputs and Assumptions process so that ZEC eligibility can keep pace with the speed of innovation.

Finally, SDG&E recommends that the Commission consider partial ZEC eligibility. Partial eligibility would apply to a facility that yields some portion of zero-carbon generation and would allow ZECs to be created specifically for that portion. This would increase the pool of available resources, which could help LSEs manage affordability for their customers.

**2. Should the CPUC adopt the Clean Energy Standard and create Zero-Emission Credit (ZEC) instruments as proposed by Staff with or without modifications?**

As explained in SDG&E's response to Question 1 above, ZEC banking must be permitted to ensure that customers realize the full value of the procurement undertaken on their behalf. In addition, the Commission and stakeholders must consider the relationship of ZECs to the RPS and the PCIA frameworks. With respect to RPS, the Staff Proposal notes that "[s]taff would work to address additional key compliance considerations that may overlap with the RPS program to ensure alignment between the CES requirements and the RPS program, where appropriate."[56/] Although SDG&E does not support adoption of a new and separate CES framework, it does support the goal of alignment. RPS overlap with the use of ZECs should be considered. SDG&E recommends that, among its alignment actions, the Commission ensure a clear delineation between resources that qualify for RECs and those that qualify for ZECs. This

[56/] *Id*. at 48.

clarity will facilitate resource certification and LSE reporting. The Commission must also consider PCIA impacts, as the use of ZECs will need to be addressed in a separate proceeding. Issues include ZEC vintaging, ZEC valuation as part of an LSE's portfolio, and how to ensure indifference between bundled and unbundled customers.

**3. What considerations should be taken into account to ensure that all RECs and ZECs used for CES compliance would align with how CARB regulates GHG emissions in its Mandatory Reporting Regulation (MRR) and GHG Emissions Inventory?**

SDG&E has no comment at this time but reserves the right to provide comments on this topic in the future.

**4. Which zero-carbon resources should be eligible for the CES?**

For the reasons discussed herein, this question should be reframed to ask which zero-carbon resources should be eligible towards compliance with the mass-based GHG reduction targets.[57/] Renewable generation that counts towards RPS compliance should clearly be eligible. Beyond this, the Commission should take a technology-neutral approach to defining resource eligibility – *i.e.*, resource eligibility should be based on resource characteristics rather than resource types – which recognizes the role that new technologies will have in meeting the state's clean energy goals.

Extensive electrification and increased reliance on weather-dependent renewable energy sources could create new reliability challenges. California currently relies on natural gas power plants during periods when intermittent renewable energy generation is unavailable, but a net-zero-carbon economy will need to utilize new solutions that are both affordable and reliable, and

[57/] Note that meeting the mass-based GHG reduction targets will require a portfolio of resources that align with an LSE's resource attribute needs, not all of which may be REC or ZEC-eligible. RECs would be used to track the RPS-eligible portion for RPS compliance, and ZECs would be used to track the zero-carbon-eligible portion, which together with RECs, would track SB 1020 compliance.

that are not yet commercialized or widely deployed today. Facilitating new clean technologies is critical to protecting reliability, and also to ensuring affordability. Indeed, an estimate developed by Environmental Defense Fund ("EDF"), Stanford University, Princeton University, and others found that "wholesale electricity rates would *increase by about 65% over today* if currently available renewable energy and storage technologies alone were to be utilized to meet demand in 2025."[58/] The study suggests that a potential solution could be for gas power plants to be "converted to burn clean fuels, such as hydrogen. Clean firm power sources (and perhaps others) would provide critical reliability, which could prevent a Texas-sized tragedy."[59/]

Thus, generation from all clean technologies of any capacity, internal or external to CAISO, including but not limited to nuclear facilities, energy storage facilities, hydroelectric facilities, facilities outfitted with carbon capture utilization and storage technologies, facilities that employ hydrogen, and any new clean technologies that may be designed in the future should be eligible. In addition to being technology-neutral, eligibility criteria should be designed to encourage development of new resources by all capable market participants, including the IOUs. To this end, the Commission should expressly provide that UOR is eligible to meet RCPPP compliance requirements. In addition, the Commission should establish an efficient contract approval process for UOR to ensure timely contract approvals.

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[58/] JCS Long, *et al.* "California needs clean firm power, and so does the rest of the world" at 4 (emphasis added). Available at https://www.edf.org/sites/default/files/documents/SB100%20clean%20firm%20power%20report%20plus%20SI.pdf

[59/] *Id.* at 2.

**5. Are there alternative approaches to GHG reductions that should be considered and why?**

Please see SDG&E's response to GHG Reduction Question 1 above.

**6. Should the CPUC further develop a GHG reduction approach through a certain forum (e.g., workshops)? How could guardrails be implemented so that LSEs continue to procure toward future GHG targets while gathering more stakeholder input on an effective and efficient GHG framework?**

Workshops are the optimal means of resolving the issues raised herein. As discussed above, the Commission should issue an interim procurement order for 2029-2030 to ensure that LSEs continue to procure toward future GHG targets while the Commission and stakeholders continue development of the RCPPP.

## VI. CONCLUSION

For the reasons set forth above, the Commission should act in accordance with the above-provided comments.

Respectfully submitted this 15th day of July 2025.

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