

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA



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Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Reforms and Refinements, and Establish Forward Resource Adequacy Procurement Obligations.	R.25-10-003
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**SOUTHERN CALIFORNIA EDISON COMPANY'S**  
**OPENING COMMENTS ON TRACK 1 PROPOSALS**

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Pursuant to the *Assigned Commissioner’s Scoping Memo and Ruling* dated December 12, 2025 (Scoping Memo) and the *Administrative Law Judge’s Ruling on Energy Division’s Transactability Report and Modifying Track 1 Schedule* dated February 24, 2026 (Ruling) Southern California Edison Company (SCE) respectfully submits the following *Opening Comments on Track 1 Proposals*.<sup>1</sup>

**I.**

**INTRODUCTION**

The parties’ Resource Adequacy (RA) proposals offer a path to addressing many of the issues that confront RA in California. SCE, however, cautions that Commission must conclude Track 1 with a

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<sup>1</sup> The following parties filed Track 1 Proposals on January 23, 2026: MN Energy LLC (MN8); Pacific Gas and Electric Company (PG&E); California Environmental Justice Alliance (CEJA) and Sierra Club; The Alliance for Retail Energy Markets (AreM); Sonoma Clean Power Authority (SCPA); Vistra Corp. (Vistra); Calpine LLC (Calpine); Energy Division at the California Public Utilities Commission (ED); the Public Advocates Office at the California Public Utilities Commission (Cal Advocates); American Clean Power-California (ACP-CA); California Energy Storage Alliance, the Large-scale Solar Association, Solar Energy Industries Association and the California Wind Energy Association (collectively, the Joint Parties); California Community Choice Association (CalCCA) AES Clean Energy Development, LLC (AES); California Energy Storage Alliance (CESA); the California Energy Storage Alliance, Form Energy, Hydrostor and Fourth Power (collectively, the Long Duration Joint Parties).

Final Decision by July of this year, and the Commission should therefore be selective in the issues and the corresponding proposals it selects to address in this Track. SCE recommends that the Commission prioritize proposals to ensure that Track 1 comes to conclusion on time with an adopted set of well-thought-out solutions to only those issues that the Commission must address in the near term. That framework should include considerations for reliability and affordability risks as well as pressures due to timing and needs for methodological certainty. SCE offers the comments below on certain of various parties' proposals for Track 1 to assist the Commission in employing this framework to result in a timely Track 1 conclusion.

First, with regard to Reliability Capacity (RC)/Imbalance Reserve (IR) bidding under the California Independent System Operator's (CAISO) Extended Day-Ahead Market/Day-Ahead Market Enhancements (EDAM/DAME), SCE recommends that the Commission adopt a modified version of Energy Division's Proposal "G."<sup>2</sup> The modifications concern (1) eliminating the proposal for a memorandum account and after-the-fact review, (2) clarifying that there is no mandate that Load Serving Entities (LSEs) amend their existing RA contracts; (3) eliminating the zero-dollar bid requirement for both RC and IR products for contracts that do not align with Energy Division's proposal and allowing bidding consistent with the CAISO tariff; and (4) clarifying that all RC revenues, as well as above-opportunity-cost revenues from IR products, are associated with the resource RA capacity attributes and, as such, must be allocated to the RA buyer.

Second, for Energy Only (EO) charging sufficiency matters, while the Commission should adopt SCE's EO proposal for resources behind a deliverable point of interconnection (POI),<sup>3</sup> SCE recommends that the Commission reject parties' proposals at this time that seek broader use of EO resources to meet RA and/or Slice-of-Day (SOD) charging sufficiency requirements, *e.g.*, NP26/SP26 or Study-Area constructs,<sup>4</sup> pending a CAISO study to avoid unintended outcomes.

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<sup>2</sup> Energy Division Track 1 Staff Proposals, p. 25

<sup>3</sup> SCE Proposal, p. 7

<sup>4</sup> Joint Parties Energy Only Charging Sufficiency Proposal; PG&E Track 1 Proposals, p. 6; ACP Track 1 Proposals, p. 3; SCP Track1 Proposals, p. 8.

Third, SCE supports Energy Division’s proposal to implement an unforced capacity (UCAP) methodology for system RA in 2028<sup>5</sup> and recommends that the Commission adopt the Commission-defined “forced outage” standards, utilize resource-specific UCAP with narrow, time limited class averages, and preserve the CAISO’s Net Qualifying Capacity/Must Offer Obligation (NQC/MOO) tariff constructs.

Fourth, SCE supports Energy Division’s proposed update to the RA penalty structure to convert charging sufficiency deficiencies from daily MWh to a 24-hour flat-profile MW equivalent<sup>6</sup> but recommends streamlining implementation by ending the process after the conversion step and adding the MW-equivalent directly to the largest hourly deficiency for penalty assessment.

Fifth, for Long-Duration Energy Storage (LDES), SCE generally supports Cal Advocates’ Multi-Day Energy Sufficiency Requirement (MDESR),<sup>7</sup> although SCE recommends modifying the proposal to have a seven-day rather than four-day Forward Charging Period as well as increasing the assumed initial state of charge (SOC) from 0% to 50%.

Finally, SCE agrees with PG&E that the Commission should eliminate the Central Procurement Entity (CPE) Local Capacity Requirement Reduction Compensation Mechanism (LCR-RCM).<sup>8</sup>

## II.

### **THE COMMISSION SHOULD ADOPT A MODIFIED VERSION OF ENERGY DIVISION’S PROPOSAL “G” REGARDING RC/IR PRODUCT BIDDING RELATED TO THE CAISO’S DAME/EDAM INITIATIVES**

SCE agrees that the Commission should align its RA framework with the CAISO’s upcoming DAME/EDAM initiatives, which includes the introduction of the RC Up/Down (RCU/RCD) as a successor of the Reliability Unit Commitment (RUC) product and IR Up/Down (IRU/IRD) products.

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<sup>5</sup> Energy Division Track 1 Staff Proposals, p. 31

<sup>6</sup> Energy Division Track 1 Staff Proposals, p. 3

<sup>7</sup> Cal Advocates Track 1 Proposal

<sup>8</sup> PG&E Track 1 Proposals, p. 10.

SCE generally supports Energy Division’s Proposal G, including the removal of the zero-dollar bid requirement. However, SCE opposes three elements of Proposal G that are contrary to the statutory procurement framework, would impose unwarranted regulatory risk and could increase costs and risk to customers. Those three elements are: (1) the restriction on resources from making non-zero-dollar bids for RC and IR if their RA contracts do not specify the Commission’s policy outlined in Energy Division’s proposal; (2) the requirement that LSEs undertake efforts to amend all existing RA contracts; and (3) establishment of a memorandum account to track all RC and IR revenue and costs to be reviewed in the Energy Resource Recovery Account (ERRA) Compliance application for three years. Additionally, the Commission should further clarify that all RC revenues, as well as above-opportunity-cost revenues from IR products, are associated with the resource RA capacity attributes and, as such, must be allocated to the RA buyer.

**A. The Commission Should Align its Regulations with the CAISO’s DAME/EDAM Initiative by Removing the Zero-Dollar Bidding Requirement, but only if the RA Buyer Receives Capacity Revenue**

SCE supports Energy Division’s proposal to align its requirements with CAISO’s DAME Transitional Measures<sup>9</sup> by lifting the zero-dollar bidding requirement for RC and IR products, and allocate all RA capacity-related revenues, defined as all revenue received from RC and any revenue from IR identified as above opportunity cost – once generators are made whole for their bid cost recovery, are credited to the RA buyer.<sup>10</sup> While the proposal is harmonious with the CAISO’s DAME Transitional Measures and will ensure that RA buyers, who have already compensated resources for capacity, do not bear duplicative costs, the modifications described in Section B below must be addressed.

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<sup>2</sup> CAISO Tariff Section 11.2.6 DAME Transition Period, Effective May 1, 2026 [All Pending Tariff Language for EDAM/DAME](#)

<sup>10</sup> Energy Division Track 1 Staff Proposals, Proposal G, p. 29.

**B. The Commission Should Not Require a Contract to Specify the Commission Policy for LSE Counterparties Making Zero-Dollar Bids for RC and IR**

SCE opposes Energy Division’s proposal that an RA resource can only bid above zero dollars for IR and RC “[w]hen a RA resource’s contract specifies the Commission policy as outlined in this proposal.”<sup>11</sup> With regard to future agreements, this proposal would direct generators with RA resources that do not specify the Commission’s policy in their contracts to bid zero dollars for these products. As these contracts have MOO, the generators would have to make themselves available to CAISO with the risk of not receiving lost energy revenue or getting their costs recovered. Clearly the Commission does not expect generators to generate at a loss, but this requirement could unintentionally cause RA prices to increase significantly, since generators would account for the fact that they may not recover their costs and lose energy revenue through the energy markets by increasing prices for RA contracts and thereby increasing costs for LSEs and their respective customers.

As for Energy Division’s proposal applying to existing agreements, SCE also opposes the proposal on the same grounds as those discussed in Section II.C below. In short, conforming to Energy Division’s proposed policy would require LSEs to seek to negotiate modifications of existing RA contracts, which is contrary to the purpose of entering into contracts, inconsistent with sound business practices, and could disadvantage customers. Sophisticated business entities who enter into agreements should remain bound by their commitments and the market should drive their business decisions to perform under those agreements and engage in efforts to modify their commitments.

Lastly, RA resellers with upstream contracts may not be able to include these provisions in their resale contracts because they do not know what their upstream counterparties have agreed to in their contracts, resulting in a potentially inadvertent information and compliance gap.

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<sup>11</sup> Energy Division Track 1 Staff Proposals, Proposal G, p. 30.

C. **The Commission Should Not Impose Amendment Obligations on Existing Contracts**

SCE opposes Energy Division’s proposal for LSEs with existing RA contracts to “make a good faith effort to ensure capacity related revenues from Reliability Capacity and Imbalance Reserve products are credited back to the LSE that has procured the RA capacity value of these resources.”<sup>12</sup> If approved by the Commission, this requirement would require LSEs to attempt to amend all existing RA contracts to conform to Energy Division’s proposed revenue allocation structure.

Such a proposal is contrary to basic contracting principles and good business practices. The purpose of contracts is to create a mutual legally binding agreement between parties that defines their rights, responsibilities, and obligations *with certainty*, so those parties can manage risk and enforce commitments. Parties, especially sophisticated business entities in the power procurement industry, commit to contract terms with the full understanding that factual and legal/regulatory conditions may change. Requiring LSEs to make any overture to modify such agreements deprives LSEs of their rights to enforce agreements, manage risk, and have certainty. Reopening negotiations places the LSE in a position of weakness and at risk on all terms, creating exposure – including for SCE’s customers -- to one-sided cost increases without any corresponding benefits. Parties to existing contracts are well aware of what their contracts say and sufficiently sophisticated to assess if their business interest is to perform, seek modification, engage in an economic breach, or terminate, if that is an available contractual remedy. The Commission should therefore not *require* any contracting parties to engage in any negotiations and instead allow market participants to exercise their independent commercial judgment. SCE will continue to assert its rights to RC/IR revenue above opportunity cost but will only seek to negotiate modifications to existing contracts if, in its commercial judgment, doing so benefits customers.

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<sup>12</sup> *Id.*

**D. The Commission Should Decline to Adopt a Memorandum Account and Reasonableness Review Process**

SCE opposes Energy Division’s proposal to require the IOUs to record RC/IR revenues and costs in a new memorandum account that would be subject to an ERRA Compliance after-fact review. This proposal is wholly inconsistent with the AB 57 procurement recovery framework, which provides IOUs with clear authority to procure and obtain cost recovery for its contracts so long as the IOU’s procurement is consistent with upfront standards set forth in its approved AB 57 Bundled Procurement Plan (BPP).<sup>13</sup> More than 20 years ago, AB 57 shifted the prior regulation from an after-fact cost review to an up-front approval of the IOU’s procurement plans. Energy Division’s proposal is contrary to law and unwinding that framework exposes customers to regulatory uncertainty and the IOUs to potential disallowances for procurement that satisfy the BPP’s upfront standards.

**E. The Commission Should Reiterate that All RC/IR Revenue Above Opportunity Cost is Capacity Revenue to Resolve Energy Division’s Double Payment Concern**

SCE agrees with the Energy Division that RA buyers should not pay twice for the same capacity attributes but disagrees with the Energy Division’s proposal to address that concern. The DAME Transitional Measures framework sufficiently addresses the issue, but to support the resolution of the Energy Division’s concern about RA sellers receiving double payment, the Commission should simply reiterate that all RC revenue and IR revenue above opportunity cost is associated with the resource RA capacity attributes.

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<sup>13</sup> Public Utilities Code § 454.5(d)(2) (stating that an approved procurement plan shall “eliminate the need for after-the-fact reasonableness reviews of an electrical corporation’s actions in compliance with an approved procurement plan, including resulting electricity procurement contracts, practices, and related expenses.”) This statutory directive confirms that ERRA proceedings are intended as compliance reviews.

### III.

**THE COMMISSION SHOULD ADOPT SCE’S PROPOSAL TO ALLOW EXCESS ENERGY FROM PAIRED EO RESOURCES UP TO A DELIVERABLE POINT OF INTERCONNECTION CONSTRAINT TO COUNT TOWARD AN LSE’S CHARGING SUFFICIENCY NEED BUT DECLINE TO ADOPT BROADER EO PROPOSALS AT THIS TIME**

SCE appreciates the Commission’s continued work to refine the RA program under the SOD framework. The record shows broad interest in unlocking cost-effective charging energy for storage while preserving reliability. Parties have proposed varying approaches to count EO output toward storage charging sufficiency from limited, behind-the-meter constructs to broader zonal and study area concepts.

SCE supports measured progress, and recommends the Commission adopt two proposals. First, the Commission should adopt SCE’s Point of Interconnection (“POI”)-based proposal to allow excess energy from EO resources, up to the studied deliverable POI constraint, to count toward an LSE’s portfolio charging sufficiency for SOD compliance, without exceeding the POI limit in any hour. This approach captures stranded value already validated by deliverability studies and reduces costs without degrading reliability.

Second, the Commission should not expand charging sufficiency credit to standalone EO beyond the POI (e.g., NP26/SP26, study areas) unless and until CAISO completes study-backed validation of internal deliverability, contingency performance, and system impacts under off-peak charging conditions. Reliability must remain physics-based, not accounting-based. SCE’s proposal is distinguished from the other proposals because it does not seek broader EO usage for charging without transmission validation and rejects the counting of EO resource toward RA capacity obligations, which conflict with the current CAISO RA tariff construct.

Multiple proposals would extend charging sufficiency beyond the POI-via NP26/SP26 regions (PG&E, ACP)<sup>14</sup> or Study Areas (Joint Parties),<sup>15</sup> or through non-summer seasons (SCP).<sup>16</sup> It cannot be guaranteed that EO can charge storage across the grid without first conducting a thorough transmission study of off-peak internal deliverability, contingencies, and dynamic congestion patterns. The prudent approach is to require CAISO analysis and validation first.

Additionally, expanding deliverability studies beyond the single peak hour could reveal hourly internal constraints and curtailment patterns that invalidate assumed EO to storage pathways; even some fully deliverable resources face curtailment in certain charging hours. While some parties suggest EO specific exceedance/QC “haircuts” or must bid constructs to mitigate risk,<sup>17</sup> those are accounting proxies – not substitutes for physics-based network validation to storage pathways.

Accordingly, SCE does not support counting standalone EO toward charging sufficiency outside the POI construct unless and until the CAISO completes an off-peak deliverability/charging sufficiency study and stakeholders can evaluate system impacts.

SCE thus urges the Commission to (1) adopt SCE’s deliverable POI-based charging sufficiency proposal<sup>18</sup> to unlock stranded, reliability-vetted energy and reduce costs, and (2) refrain from expanding EO credit beyond the POI until CAISO completes study-backed validation of off-peak deliverability and system impacts. This approach honors the SOD program’s reliability foundations, aligns with system physics, and provides a prudent path to future enhancements once there is a technical record.

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<sup>14</sup> PG&E Track 1 Proposals, p. 6; ACP Track 1 Proposals, p. 3.

<sup>15</sup> Joint Parties Track 1 Proposals, p. 8.

<sup>16</sup> SCPA Track 1 Proposals, p. 8.

<sup>17</sup> PG&E Track 1 Proposals, p. 4.

<sup>18</sup> SCE Track 1 Proposal, p. 7.

#### IV.

### **THE COMMISSION SHOULD ADOPT A MODIFIED VERSION OF ENERGY DIVISION'S PROPOSED UPDATES TO THE RA PENALTY STRUCTURE**

SCE appreciates Energy Division's continued efforts to refine the SOD RA framework to ensure that compliance requirements and associated penalties align with the respective operational characteristics of resources shown for RA. As the SOD framework matures, SCE supports further enhancements that improve consistency, transparency, and enforceability without introducing unnecessary administrative burden.

SCE supports Energy Division's proposal to convert charging sufficiency deficiencies to a 24-hour flat-profile MW equivalent.<sup>19</sup> As Energy Division correctly observes, the current SOD RA framework lacks a mechanism to assess penalties when an LSE fails to meet its charging sufficiency requirement.<sup>20</sup> Because charging sufficiency deficiencies are calculated in MWh and the existing RA penalty structure evaluates only hourly MW shortfalls, a gap exists in the enforcement framework.

However, one modification to the proposal should be adopted to reduce administrative burden. Rather than applying the 24-hour flat-profile MW equivalent across all hours and recalculating hourly positions, SCE proposes that Energy Division conclude the process after Step 2, "[c]onvert the MWh Deficiency to a 24-Hour Flat-Profile MW Equivalent."<sup>21</sup> Once the daily MWh deficiency is converted to the MW equivalent value, it could be added directly to the current single hour deficit for penalty assessment. By relying on an existing "largest hourly deficiency" penalty construct, this approach avoids recalculating all 24-hourly positions while still ensuring that charging sufficiency shortfalls are enforceable under the RA program. This modification therefore maintains unit consistency, incorporates charging sufficiency penalties into the existing framework, and reduces administrative burden.

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<sup>19</sup> *Id.*

<sup>20</sup> Energy Division Staff Proposals, p. 3.

<sup>21</sup> *Id.*, p. 4.

## V.

### **THE COMMISSION SHOULD ADOPT ENERGY DIVISION'S UCAP PROPOSAL**

SCE supports the Commission's efforts to improve the accuracy and effectiveness of the RA program. Development of a UCAP framework for RA is a necessary step to better align capacity accreditation with actual resource reliability and to reduce reliance on Planning Reserve Margin (PRM) adjustments to manage forced-outage risk. SCE supports implementation of UCAP for System RA beginning with the 2028 compliance year, and urges the Commission to adopt clear regulatory definitions, appropriate validation safeguards, and limited transition mechanisms that preserve procurement certainty and protect customers from unnecessary cost increases.

#### **A. The Commission Should Adopt Energy Division's UCAP Proposal Solely for System RA Accreditation and SOD Compliance Purposes**

SCE agrees with the Energy Division's proposal to implement UCAP solely for RA accreditation and compliance under the Commission's SOD's framework, and not as a vehicle to modify CAISO-tariff constructs.<sup>22</sup> Energy Division acknowledges that UCAP should not redefine or displace NQC, deliverability determinations, MOO, or CAISO backstop procurement processes. SCE agrees that the Commission should retain the existing QC methodology because QC values "interact with CAISO tariff requirements and will remain unchanged," even as UCAP layers into Commission resource counting.<sup>23</sup>

Energy Division explains that UCAP is a Commission planning and accreditation tool intended to reflect forced-outage risk in System RA procurement and reliability modeling.<sup>24</sup> The UCAP design tracks unit performance and assigns forced-outage risk to individual resources, enabling LSEs to target more reliable capacity in procurement and reducing reliance on socialized reserve constructs, but

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<sup>22</sup> Energy Division Staff Track 1 Proposals, p. 31 (stating "Staff proposes to implement UCAP values beginning with the 2028 RA compliance year for resource counting within the Commission's RA program.").

<sup>23</sup> *Id.*, p. 32 (stating "Staff further propose to retain the current methodology for calculating QC for resources subject to UCAP, as QC values interact with CAISO tariff requirements and will remain unchanged.").

<sup>24</sup> *Id.*, p. 33 (stating "Staff propose to apply the UCAP framework to RA capacity accreditation and LOLE reliability modeling using consistent methodologies, with the only distinction being the treatment of ambient temperature derating.").

UCAP's planning function does not change the fact that NQC and MOO remain tariff-based tools for CAISO validation and operational reliability. Blurring those functions would risk unintended conflicts with CAISO market obligations that are outside the scope of this proceeding and would require CAISO tariff changes.

SCE supports Energy Division's intent to implement UCAP in a manner that improves procurement incentives by reflecting forced-outage risk in accreditation and removing the forced-outage component currently embedded in the PRM. At the same time, the Commission should ensure that UCAP implementation does not create a structural misalignment between CPUC compliance requirements and CAISO's backstop assessments that could inadvertently cause LSEs to procure more capacity than is necessary to meet the Commission's reliability objective.

Accordingly, SCE supports adopting UCAP for System RA and pairing it with a commensurately reduced PRM that reflects the UCAP framework for CPUC compliance. At the same time, the Commission should avoid creating a PRM translation problem that effectively forces LSEs to procure "extra" capacity solely to manage differences between the Commission's compliance tools and the CAISO backstop assessments. Energy Division could publish a non-UCAP adjusted PRM for CAISO backstop use, similar to that proposed by Vistra,<sup>25</sup> to prevent unintended over-procurement and cost exposure driven by PRM misalignment rather than actual reliability need.

**B. The Commission Should Adopt Clear Regulatory Definitions of Forced Outages**

As proposed by several parties, the Commission should adopt clear regulatory definitions of "forced outage" for the UCAP framework.<sup>26</sup> Without such definitions, UCAP values risk shifting due to changes to the CAISO Business Practice Manual or outage-reporting conventions when having a firm regulatory definition is critical for contracting and transactability. UCAP values will inform RA

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<sup>25</sup> Vistra Track 1 Proposals, p.13 (stating CAISO will continue to use PmaxRA for evaluating collective system deficiencies under backstop procurement protocols and recommending that "[t]he Commission should produce a PmaxRA-based PRM for CAISO to use for its backstop assessments" to ensure the Commission's PRM continues to inform those assessments).

<sup>26</sup> AES Track 1 Proposals, p.3; CESA Track 1 Proposals, p. 9; Vistra Track 1 Proposals, p. 21 (stating the Commission should define qualifying forced outage types for EFORd/UCAP).

contracts, tolling arrangements, and bilateral negotiations as indicators of dependable capacity. If the underlying forced-outage definitions are subject to unilateral reinterpretation, parties will face uncertainty over whether contractually assumed UCAP values reflect stable regulatory policy or evolving administrative practice. That uncertainty could increase transaction costs, complicate risk allocation, and raise ratepayers' costs. SCE agrees with CESA that the Commission should adopt explicit, technology-neutral regulatory definitions of forced outages for UCAP purposes, grounded in a Commission decision supported by policy objectives rather than by CAISO tariff or BPM terms.<sup>27</sup> Doing so will preserve Commission jurisdiction, stabilize procurement and contracting expectations, and ensure UCAP reflects true reliability performance.

**C. The Commission Should Not Delay Implementation Pending UCAP Data Validation**

SCE supports the Energy Division's proposal<sup>28</sup> – and similar proposals advanced by other parties<sup>29</sup> – to establish a structured, time-limited data validation and review process that allows stakeholders to identify and correct clear errors or misclassifications in preliminary UCAP values. This process should be modeled on existing RA data review practices and conducted transparently. At the same time, the Commission should make clear that validation must proceed in parallel with UCAP implementation planning and should not be used to delay implementation. Continued reliance on PRM adjustments instead of implementing UCAP perpetuates inefficiencies the Commission has already recognized.

**D. The Commission Should Adopt Resource-Specific UCAP as the Long-Term Accreditation Approach, Allowing Only Narrowly Scoped Transitional Accommodations**

SCE supports Energy Division's direction that UCAP should function as a resource-level reliability metric, *i.e.*, a framework that assigns forced-outage risk to individual resources so that LSEs

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<sup>27</sup> CESA Track 1 Proposals, p. 9.

<sup>28</sup> Energy Division Staff Proposal, p. 45 (describing publication of preliminary UCAP values for parties to “review and comment to identify possible errors” before UCAP is included in the Master Resource Database update process).

<sup>29</sup> AES Track 1 Proposals, p. 10.

can better target reliable capacity in procurement,<sup>30</sup> rather than continuing to socialize that risk through broader program constructs. That policy objective is best achieved when UCAP values are resource-specific because resource-specific values preserve performance incentives and more accurately differentiate between reliable and underperforming units.

At the same time, SCE supports narrowly scoped transitional accommodation (*e.g.*, class averages) when resource-level data is not yet available. SCE supports Energy Division’s proposed structured transition for new resources and missing resource-level outage data, using capacity-weighted class average UCAP values until the resource accrues sufficient operational history and then shifting to individually assessed values.<sup>31</sup> SCE also supports AES’s proposal to incorporate a limited UCAP “refresh” mechanism so that resources that undergo significant augmentation or retrofit are not subject to their historical outage data that is no longer representative of post-upgrade operations.<sup>32</sup>

**E. The Commission Should Adopt Narrow, Resource-Specific Accommodations When UCAP Accreditation Does Not Reflect How a Resource Operates**

SCE supports adopting narrow, resource-specific accommodations when strict unit-level UCAP accreditation does not reflect how certain resources actually operate. Calpine explains that a unit-specific UCAP framework can mistake reliability for interdependent, multi-unit resources, such as geothermal facilities with shared inputs, because the facility can reallocate the shared input across units to sustain aggregate output even when a particular unit is unavailable. Accordingly, Calpine proposes maintaining each unit’s existing non-UCAP NQC while imposing a facility-level cap on aggregate showings, implemented through RA compliance tools analogous to POI constraints used for co-located

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<sup>30</sup> Energy Division Track 1 Staff Proposals, p. 31, (stating that “incorporating UCAP into the RA program assigns forced-outage risk to individual resources, enabling LSEs to target more reliable and effective capacity in their procurement strategies,” and describing UCAP as tracking unit performance for resource accreditation).

<sup>31</sup> *Id.*

<sup>32</sup> AES Track 1 Proposals, p. 7.

resources.<sup>33</sup> This same practical concern, *i.e.*, unit-level accounting that can misrepresent operational reality with physically or operationally linked resources, is also reflected in stakeholder concerns raised for co-located and hybrid resources. AES identifies that hybrid solar-plus-storage resources are treated as an integrated unit in CAISO’s market design, and highlights that Outage Management System (“OMS”) curtailment reporting can distort forced-outage rates and UCAP values.<sup>34</sup> CESA similarly cautions that outages reflecting normal operating limitations for storage can convey an incorrect view of unforced capacity and lead to inconsistent treatment for storage components of hybrid/co-located resources where operational constraints and modeling granularity matter.<sup>35</sup>

SCE supports Calpine’s proposal for these types of resources as a narrow, practical accommodation that preserves existing NQC caps and CAISO validation processes while avoiding artificial attrition of dependable RA supply. As with other targeted fixes being discussed for co-located and hybrid resources, this accommodation should apply only where interdependence is demonstrable and where a facility-level constraint is necessary to ensure UCAP reflects actual operational reliability rather than a mechanical artifact of unit-level accounting.

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- <sup>33</sup> Calpine Track 1 Proposals, p. 4 (explaining limitations of unit-specific UCAP for interdependent geothermal units at 2-3; proposing facility-level cap enforced like POI constraints; and stating no CAISO validation changes are required).
- <sup>34</sup> AES Track 1 Proposals, p. 7 (explaining that CAISO OMS curtailment reporting for hybrid solar-plus-storage resources can systematically double-count component outages, inflating forced-outage rates and suppressing UCAP values, and urging correction before UCAP is implemented for hybrids).
- <sup>35</sup> CESA Track 1 Proposals, p. 9 (warning that treating outage cards used to reflect operation within design specifications or CAISO market-model shortcomings as UCAP-assessed forced outages would misstate unforced capacity and create disparate treatment across resource types, with storage/co-located resources particularly affected).

## VI.

### **THE COMMISSION SHOULD ADOPT CAL ADVOCATES' MDESRS PROPOSAL AND DECLINE TO ADOPT THE JOINT PARTIES' LDES CHARGING SUFFICIENCY PROPOSAL**

SCE supports a modified version of Cal Advocates' simple and easy to implement MDESRS requirement for LDES.<sup>36</sup> Since there are few LDES resources currently online, an approach that is not unduly burdensome or complex is important to support the further development of these resources. Cal Advocates' MDESRS proposal, however, underestimates charging energy available to LDES resources in the days and weeks preceding grid stress periods. Two adjustments will allow a more reasonable and fair attribution of SOD RA value to LDES resources without the data and bureaucratic burden of the Joint Parties' approach. Specifically, the Commission should increase (1) the forward charging period (FCP) from four days to seven days, and (2) the initial state of charge (SOC) assumption from 0% to 50%. Thereafter, as more LDES resources enter the system and begin operating in the CAISO, the Commission should revisit and improve the LDES SOD accreditation framework with the incorporation of observed operational data at the higher LDES penetration levels.

#### **A. The Commission Should Modify Cal Advocates' Proposal to Increase the Forward Charging Period from Four Days to Seven Days**

Cal Advocates' proposes an FCP of four days, which may underestimate the charging energy available to LDES in the days and weeks preceding stressed periods.<sup>37</sup> Cal Advocates claims its approach is consistent with the CAISO's exceptional dispatch of long-start resources and issuance of restricted maintenance orders in advance of expected grid stress events, but the CAISO issues energy emergency alerts as early as seven days before the flow date based on expected risks to the grid, including weather, supply reductions, transmission issues, and more.<sup>38</sup> In alignment with the CAISO's

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<sup>36</sup> Cal Advocates Track 1 Proposals, p. 3.

<sup>37</sup> *Id.*, p. 5.

<sup>38</sup> § 3.2.1 in the [CAISO System Emergency Operating Procedure](#).

lookout, LDES will be able to realistically charge over this timeframe, either through bids, self-schedules, and/or exceptional dispatch. The Commission should therefore expand the FCP to seven days because it is reasonable and aligns with expectations of LDES use during periods of stress on the grid.

**B. The Commission Should Modify Cal Advocates' Proposal by Increasing the Initial SOC From 0% to 50%**

Cal Advocates' proposal features an initial SOC assumption of 0%,<sup>39</sup> which underestimates the charging energy available to LDES in the days and weeks preceding stressed periods - both from an LDES operational perspective and from an available charging energy perspective. Although a 0% initial SOC assumption is reasonable for short-duration energy storage in SOD, the unique expected use cases of LDES currently requires a different assumption. LDES resources vary widely in duration and roundtrip efficiency and thus are likely to shift energy from non-stressed to stressed grid conditions over extended periods of time. LDES resources are likely to maintain a moderate level of SOC, both to be well-positioned to take advantage of grid stress periods and to ensure the longevity of their technology.

In addition, the simplified Cal Advocates approach does not consider additional charging energy that will be available for LDES resources. For example, it is unrealistic that load will stay at its peak level and intermittent resources at their assumed conservative exceedance levels for the seven days preceding a grid stress period, meaning there will be a larger portion of excess energy to charge resources than currently considered when duplicating the SOD showing day. Additionally, it is unlikely that all energy that could be available for charging not qualifying for SOD accounting, including standalone EO solar resources that are becoming more prevalent on the grid, will not be available to charge LDES resources.

Given LDES is a technology with minimal current grid penetration, it is not practical to try and account for the operational and available charging insufficiencies with a detailed accounting construct. When looking holistically at the operational characteristics and charging energy available to LDES, SCE

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<sup>39</sup> Cal Advocates Track 1 Proposals, p. 7 (maintain the assumption of zero initial SOC currently applied to intra-day storage).

believes it is reasonable to assume a 50% initial SOC to help offset the underestimation inherent in the Cal Advocates' base assumptions (both in the 0% initial SOC assumption and the SOD-showing-day duplication assumption).

**C. The Commission Should Decline to Adopt the Joint Parties' LDES Proposal**

The Joint Parties' approach, while highlighting key principles that the Commission must account for when developing LDES accreditation, would create data and bureaucratic burdens for Commission staff and LSEs that are unwarranted at the current level of LDES penetration.<sup>40</sup> The Joint Parties' detailed approach to LDES optimization may also be misguided in its reliance exclusively on modeled assumptions. SCE believes that by augmenting the Cal Advocates approach in the way described above, the Commission can address the underestimation inherent in this approach without incurring the burdens of the Joint Parties' approach. The Commission's purpose should be to attribute reasonable SOD value to LDES in a way that helps catalyze LDES adoption in the market. By adopting the Cal Advocates approach with the modifications described above, the Commission will support an LDES SOD accreditation methodology that is reasonable, fair, simple, and adjustable in the future as LDES volumes increase and more real-world operational data is available to be assessed.

**VII.**

**THE COMMISSION SHOULD ADOPT PG&E'S PROPOSAL TO ELIMINATE THE LOCAL CAPACITY REQUIREMENT – REDUCTION COMPENSATION MECHANISM (LCR-RCM) STRUCTURE WITHIN THE LOCAL CENTRAL PROCUREMENT ENTITY FRAMEWORK**

SCE supports PG&E's proposal to eliminate the LCR-RCM structure.<sup>41</sup> This proposal is consistent with the Commission's findings and SCE's recommendations in the previous RA proceeding,<sup>42</sup> and will streamline the CPE framework, reduce administrative burden, avoid unnecessary customer costs, and preserve transparency in local RA procurement.

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<sup>40</sup> Joint Parties Track 1 Proposals, p. 4.

<sup>41</sup> PG&E Track 1 Proposals, p. 10.

<sup>42</sup> SCE Opening Comments on Track 2 PD, p. 2.

As PG&E notes, the Commission’s May 2024 CPE Report identified “*a lack of participation in the LCR-RCM mechanism*” and questioned whether the mechanism provides meaningful incentives for new development in local areas.<sup>43</sup> SCE has the same concerns. The limited use of the compensated self-show option suggests that the mechanism is not driving incremental procurement of preferred or energy storage resources in local capacity areas. Instead, the LCR-RCM adds procedural complexity without a corresponding policy benefit. Adopting PG&E’s proposal would create a unified, streamlined RA implementation framework across CPE service areas and further the Commission’s goal of improving transparency and reducing administrative overhead.

SCE additionally supports PG&E’s proposal that existing compensated self-show agreements remain in place through their contractual end dates.<sup>44</sup> This provides certainty to LSEs and counterparties while allowing the Commission to sunset the LCR-RCM mechanism on a forward-looking basis.

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<sup>43</sup> PG&E Track 1 Proposals, p. 11.

<sup>44</sup> *Id.*

**VIII.**

**CONCLUSION**

For the reasons discussed above, SCE requests that the Commission adopt its proposals and the recommendations on other parties' proposals as discussed above.

Respectfully submitted,

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