Bundled Procurement Plans (BPP) Workshop (R.25-06-019)

FILED
11/02/26
11:41 AM
R2506019

September 21, 2026

Held in the Courtyard Room at the CPUC headquarters in San Francisco and on-line via Webex

California Public Utilities Commission

Workshop Agenda

	Topic	Presenter	Start	End
1	Welcome and Introductions	Energy Division	10:00 am	10:05
2	Energy Division Staff History of BPPs	Energy Division – Eric Dupre and Allyson DiLorenzo	10:05	10:35
3	RPS in the BPPs	Energy Division – Christian Knierim	10:35	11:05
4	*Stretch break*		*11:05*	*11:10*
5	CRRs in the BPPs	Energy Division – Jordan Miner	11:10	11:40
6	SDG&E RPS Proposal and SDG&E RA Transaction Framework	SDG&E- Gwen Morien and Josh Chasse	11:40	12:10 pm
7	***Lunch***		**12:10**	**1:10**

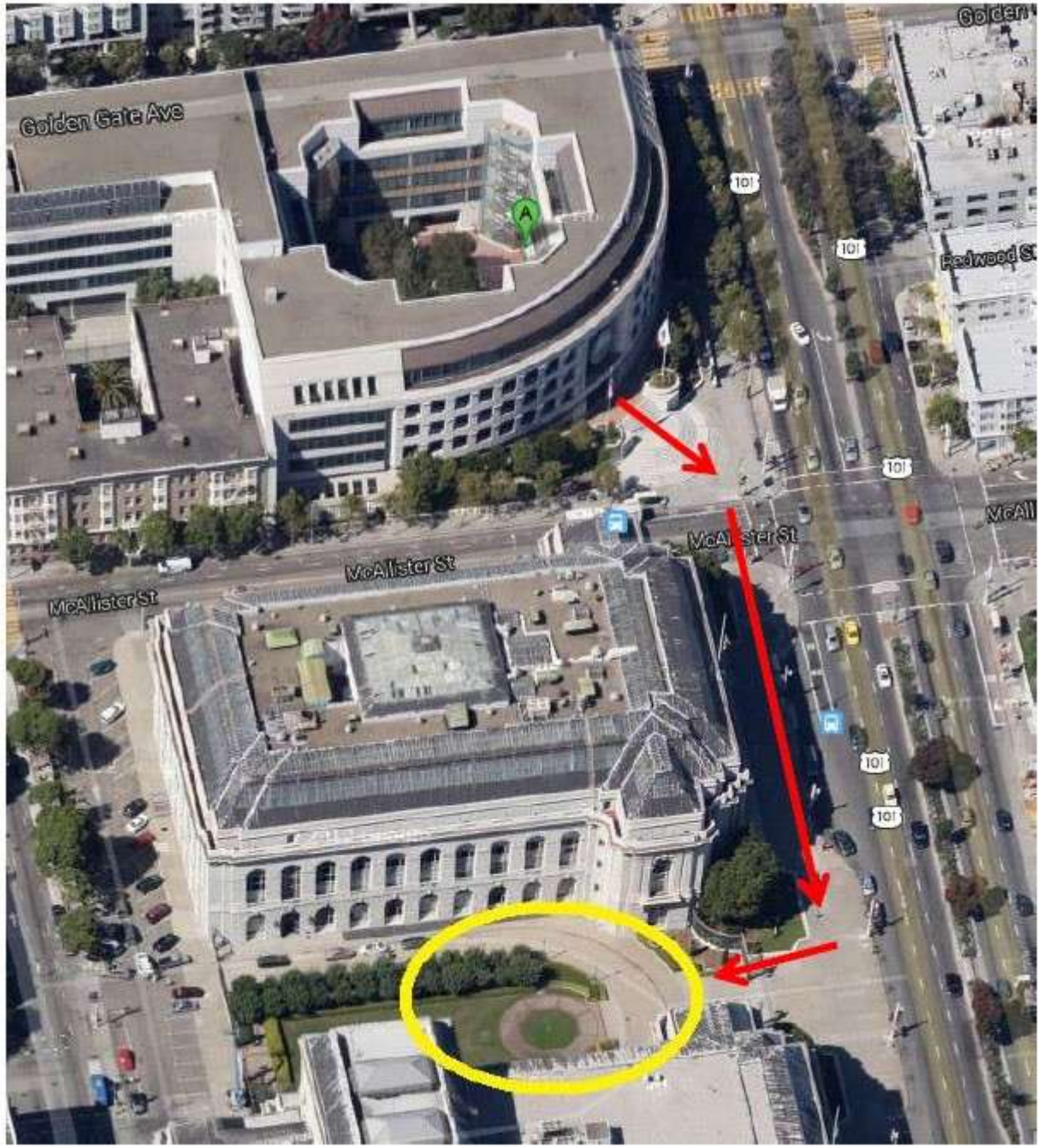
Workshop Agenda, Cont'd

	Topic	Presenter	Start	End
8	• Overview / Background of BPP • RPS and RA Product Proposal • Proposed Changes to RA and REC BPP Limits	SCE - Dan Culhane, Shefali Agarwal, and Virginia Grosz	1:10	1:40
9	Overview / Background of BPP; RPS and RA Product Proposal; Proposed Changes to Capacity Procurement Limits	PGE- Robert Gomez and Dean Yacar	1:40	2:10
10	*Stretch break*		2:10	2:20
11	The proposed pre-approved framework for RPS products; and the excess RA sales framework	CalCCA - Ryan Matley (New Gen) and Alissa Greenwald (Keys and Fox)	2:20	2:50
12	***Discussion***		2:50	3:20
13	Next Steps, Adjourn	Energy Division	3:20	3:30 pm

Emergency Evacuation

- Please sign-in on the attendance sheet.

- In the event of an emergency evacuation, please cross McAllister Street, continue south on Van Ness and gather in the courtyard across from City Hall between the War Memorial Building and the Opera.

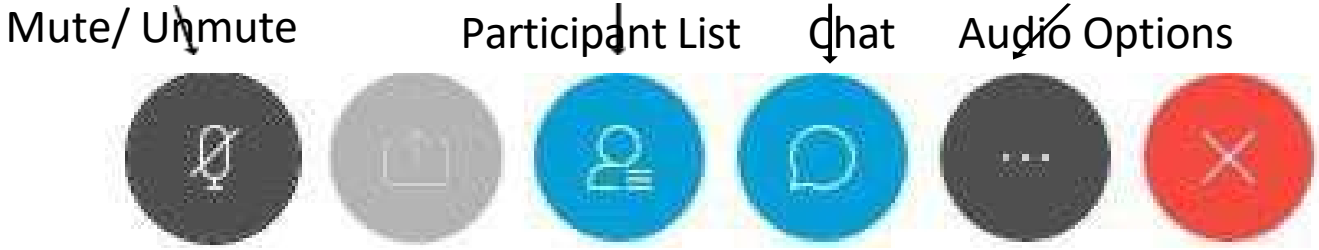


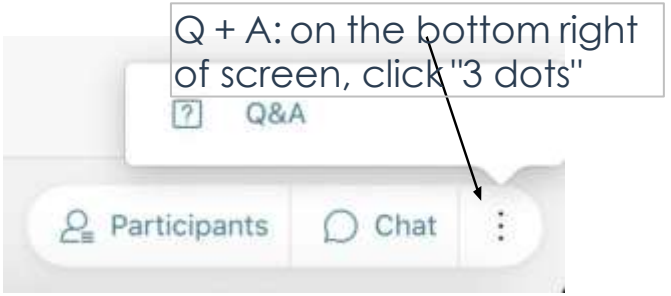
Logistics

- All attendees have been muted.
- To ask questions, please "raise your hand"  and a moderator/presenter will unmute you so you can ask your question.

- If you would rather type, use the Q + A function and send to "all panelists". Q + A questions will be read aloud by moderators/presenters; attendees may be unmuted to respond to the answer verbally.

  *Reminder: Please press mute when done speaking 
- Please silence and remove all AI-generated conversations and notifications to avoid cluttering the chat and Q & A forums
- Use chat only for webinar logistics questions and not substantive comments or questions.





Agenda

- Goals of Workshop
- Introduction to BPPs
- Procedural Background (R.25-06-019)
  - Scoping Memo and Schedule
  - Administrative Law Judge (ALJ) Ruling Overview
- Independent Evaluator Template Update
- UARCD Role in BPP Compliance

Goals of this Workshop

- Review the purpose, statutory basis, and procedural role of Bundled Procurement Plans (BPPs).
- Support parties' understanding of the revised IOU BPPs filed in this proceeding, including major updates and structural elements.
- Provide a forum for clarification and discussion ahead of written comments to ensure parties have a shared understanding of the issues in the Administrative Law Judge's (ALJ) ruling.

Introduction to Bundled Procurement Plans

- **What BPPs Are:**
  A CPUC-approved plan that governs how each IOU procures electricity for its bundled customers. BPPs set out the IOU's forecasting methods, resource selection criteria, solicitation and contracting processes, risk management practices, and coordination with Procurement Review Groups.
- **Statutory Origin and Authority:**
  Public Utilities Code Section 454.5. AB 57 (2002) established the framework through which IOUs resumed electric procurement following the energy crisis, replacing DWR's role. The statute provides IOUs with upfront transaction standards: procurements conducted in compliance with an approved plan are **"presumed reasonable"** for cost recovery.
- **How They Work:**
  BPPs function as the governing rules and procedures for bundled procurement. They give IOUs defined standards for conducting solicitations and managing their portfolios, while giving the Commission and PRGs a structured oversight mechanism.
- **Historic Timing:**
  From the mid-2000s to 2015, BPPs were reviewed roughly every 2 years within the Long-Term Procurement Planning (LTPP) process. **The last comprehensive update occurred in 2015** (D.15-10-031). BPPs have not been formally reconsidered since then due to the transition to the IRP framework and other procurement orders.

BPP – Scoping Memo Guidance

- IRP proceeding **R.25-06-019** stated in the October 28, 2025 Scoping Memo (p.4, 9) that this proceeding was the venue for "updates to the investor-owned utility (IOU) bundled procurement plans (BPPs).
  - "In light of the significant market changes and issues raised since the last BPP update in 2015 and other BPP-related issues that have been raised in other procedural venues, the IOUs are asked to submit revised BPPs in this proceeding by April 1, 2026. ….Prior to filing their updated BPPs, the IOUs are requested to coordinate with each other and their Procurement Review Groups in filing updates that incorporate structural reforms, including measures to enhance streamlining and efficiency. These updates may also include proposals for oversight processes for short-term renewables portfolio standard (RPS) transactions."

R.25-06-019 Procedural Steps and Schedule

Current Procedural Steps and Schedule	
October 28, 2025	Scoping Memo and Ruling
December 30, 2025	IOUs file for an extension of deadlines
January 2, 2026	ALJ grants extensions
June 1, 2026	IOUs file BPP updates
August 17, 2026	ALJ Ruling Seeking BPP Comments + Replies
September 21, 2026	Workshop on Proposed BPP changes
November 13, 2026	Opening Comments from Parties to ALJ Ruling and Workshop
December 18, 2026	Reply Comments from Parties to ALJ Ruling and Workshop
Proposed Decision	90 Days from Submission of Record

Administrative Law Judge (ALJ) Ruling Overview

- On August 17, 2026, the ALJ issued a ruling requesting comments on the IOUs' updated Bundled Procurement Plans, outlining detailed questions and noticing this workshop.
- **Major Themes in the Questions -**
  1. **RPS Procurement Policies-** Questions focus on short-term RPS transaction frameworks, REC volume limits, pricing requirements, and whether IOU proposals support transparency, affordability, and consistent RPS compliance.
  2. **Resource Adequacy & Market Products**
     Addresses IOU authority for RA transactions, integration of new CAISO market products (DAME), UCAP implementation, risk-management approaches, and how RA policies should evolve.
  3. **Procurement Methods & Limits -** Covers procurement mechanics: planning assumptions, ratable-rate formulas, procurement limits, authorized products, transaction methods, and overall reasonableness of IOU methodologies.
  4. **Oversight Processes (PRG & IE)-** Examines proposed updates to PRG and IE roles, reporting templates, and how oversight can become more standardized and adaptable as procurement products change.

ALJ Ruling Overview (Cont.)

- **Major Themes in the Questions (cont.) -**
  5. **Congestion Revenue Rights (CRR)-** Reviews whether current CRR restrictions remain appropriate, potential benefits of expanded IOU participation, and alignment with upcoming EDAM congestion-revenue design changes.
  6. **GHG / Cap-and-Trade Procurement-** Focuses on appropriate limits, reporting requirements, and ensuring BPP frameworks allow cost-effective procurement of GHG compliance instruments.
  7. **Excess RA Sales Framework-** Addresses guidelines for timely resale of excess RA, transparency improvements, and treatment of unsold RA as IOUs manage reliability responsibilities across multiple procurement obligations.
  8. **Consistency Across IOU BPPs-** Requires IOUs to compare and justify differences in their BPPs and identify areas where additional standardization would support comparable review and oversight.
  9. **Miscellaneous Issues-** Allows parties to raise any additional items not covered above.

Role of an Independent Evaluator

- **Independent Evaluator (IE) Overview**
  - Independent third-party oversight to help ensure IOU solicitations are conducted fairly, transparently, and consistent with CPUC rules
  - Participates in PRG meetings and provides objective input to Energy Division
  - Prepares written reports for Commission consideration that document the IE's review and any concerns identified
- **IE Key Responsibilities**
  - Reviews bids, IOU outreach efforts, and the bid-ranking approach
  - Monitor contract negotiations and key terms
  - Flag issues of concern and document findings in written IE reports
- **Where IE Requirements Are Described in IOU BPPs**
  - PG&E – Appendix M
  - SCE – Appendix B
  - SDG&E – Appendix G

IE Report Template Update

- The new IE Report Template will be utilized by IEs overseeing any energy-related procurement conducted via IOU solicitation, regardless of product type.

- Purpose: The new, standalone IE Report Template replaces the multiple versions that were in-use and had not been updated for at least 10 years. As such, this new template integrates additional questions that better facilitate the evaluation according to emerging oversight priorities of the Commission.

- The updated template is derived from the RA and RPS IE templates, which will be retired from use at the release of this new standalone template.

- Major changes to the IE Report Template include:
  - Formatting improvements, re-organization of questions, and inclusion of long and short-form sub-sections
  - A requirement for the IEs to add their response to each question in-line, moving away from narrative-style summary responses
  - Added questions to the Template. The added questions pertain, but are not limited to:
    - Transmission issues and/or upgrades
    - Accuracy of project viability evaluations
    - Right of First Refusal language
  - An added Appendix on the regulatory background of IE processes and requirements

- The template will be released to Independent Evaluators and be publicly accessible via the RPS, RA, and IRP webpages by September 30, 2026

Utility Audits, Risk and Compliance Division (UARCD)

- **<u>UARCD Role with BPP</u>**
  - Utility Audits, Risk and Compliance Division plays an important role with respect to BPP compliance – they review the submitted Quarterly Compliance Reports (QCRs) submitted by IOUs to demonstrate which transactions are presumptively approved under the BPP. UARCD then checks the transactions against the BPP, the Public Utility Code, and prior Commission Decisions to determine if the IOUs QCRs are compliant.
  - As an audit, an agreement setting forth the terms of the audit is drafted and agreed to in advance, which highlights the terms of compliance and the ethics that the auditors must follow as licensed professionals.
  - After UARCD completes the audit, ED initiates its review, and the Advice Letter which filed the QCR is approved or denied.

QCR Audit and Approval

1. Bundled Procurement Plan (BPP)
2. CPUC Decisions and Resolutions
3. Public Utilities Code

QCR Advice Letter Filings Received

Agreed Upon Procedures Engagement Program and Agreement Between ED and Audit Team

QCR Audits Performed



QCR Audit Reports Issued

Audit Result Reviewed by Energy Division

Energy Procurement Costs Included in QCR (e.g., RA, GHG, Electric and Fuel, and CRR)

Not Approved

Approved

Resolution for Commission's vote. The disapproved QCR transactions are reviewed in the ERRA proceedings.

Cost recovered through Energy Resource Recovery Account (ERRA) proceedings

Issues Raised by Audit Team

- Proposals by IOUs would add to Audit Team workload, which would significantly delay the QCR audit and approval process at the current staffing levels due to all the additional transactions that would be covered.
  - One-to-two additional audit staff would be needed to cover additional workload from adding RPS and 10-year RA transactions.
- Standard of Conduct Acknowledgment: Employees should acknowledge the IOUs' Code of Conduct within one calendar month, as adopted in D.02-10-062 and modified in D.02-12-074. The BPPs should include this guideline.
- **D.12-04-046, OP 8(g)**. Audit team seeks clarification as to whether the requirements under OP and Decision, including PRG consultation, apply to **all GHG compliance instruments executed via bilateral and broker transactions**. If not, the BPP should specify the situations where these requirements apply.

Bundled Procurement Plans Workshop

Background on Short-term Renewables Portfolio Standard (RPS) Transactions

Energy Division, Climate Initiatives, Renewables, and Admin. Branch

Renewables Procurement Section

21 Sept 2026



California Public Utilities Commission

Agenda

- Procedural History of Pre-approved Short-term RPS Transactions
- Current CPUC Review Processes for IOU Short-term RPS Transactions

Procedural History of Pre-approved Short-term RPS Transactions

- A typical IOU short-term RPS transaction is a purchase or sale of Renewable Energy Credits (RECs) for contract terms of 5 years or less

- **Decision (D).14-11-042 :** Authorizes IOUs to seek approval of short-term RPS contracts through Tier 1 Advice Letters (AL), instead of through Tier 3 ALs
  - Requirements:
    - Each short-term RPS contract must be filed in a separate Tier 1 AL, does not adopt proposal for quarterly ALs containing all contracts relevant to the time period
    - Requires IOUs to submit their short-term RPS contract pro formas in annual RPS Procurement Plan filings for review and approval
  - Rationales:
    - Tier 1 AL process streamlines the review process while maintaining the appropriate level of oversight for short-term RPS contracts
    - Commission prefers "more current information" on RPS contracting than permitted with quarterly ALs

Procedural History of Pre-approved Short-term RPS Transactions

- **D.23-12-008:** Denies without prejudice the IOU's requests to eliminate the Tier 1 AL approval process for short-term RPS transactions
  - Denies request to include short-term RPS transactions in Bundled Procurement Plans (BPPs)
  - Maintains requirement to seek approval of short-term RPS contracts through Tier 1 ALs
  - Rationale: issue requires more scrutiny….proposal review and implementation involves multiple steps and coordination between CPUC Staff, proposals may require developing additional review standards. Issue may be added to a subsequent RPS Rulemaking
- **D.25-08-009:** Denies IOUs' proposals for pre-approval of short-term RPS transactions based on compliance with upfront & achievable standards in lieu of AL approval
  - Maintains D.14-11-042: IOUs must seek approval of short-term RPS contracts through Tier 1 ALs
  - Rationales:
    - IOUs did not provide sufficient evidence that current Tier 1 AL process puts them at a disadvantage
    - Key elements of IOU upfront standards & criteria lacked info needed for implementation, making it difficult for Audit & ED Staff to determine if short-term transactions comply with upfront criteria
    - Would take time and effort to establish a new review program
    - Commission may consider issue in a new IRP Rulemaking, where necessary modifications to IOU BPPs will be addressed

Procedural History of Pre-approved Short-term RPS Transactions

- **D.25-12-025:** denies IOUs' third request for pre-approval of short-term RPS transactions based on compliance with upfront & achievable standards in lieu of Tier 1 AL approval
  - Rationale: refers the issue to the new IRP Rulemaking, R.25-06-019, as the venue for the Commission to consider the oversight of pre-approved short-term transactions

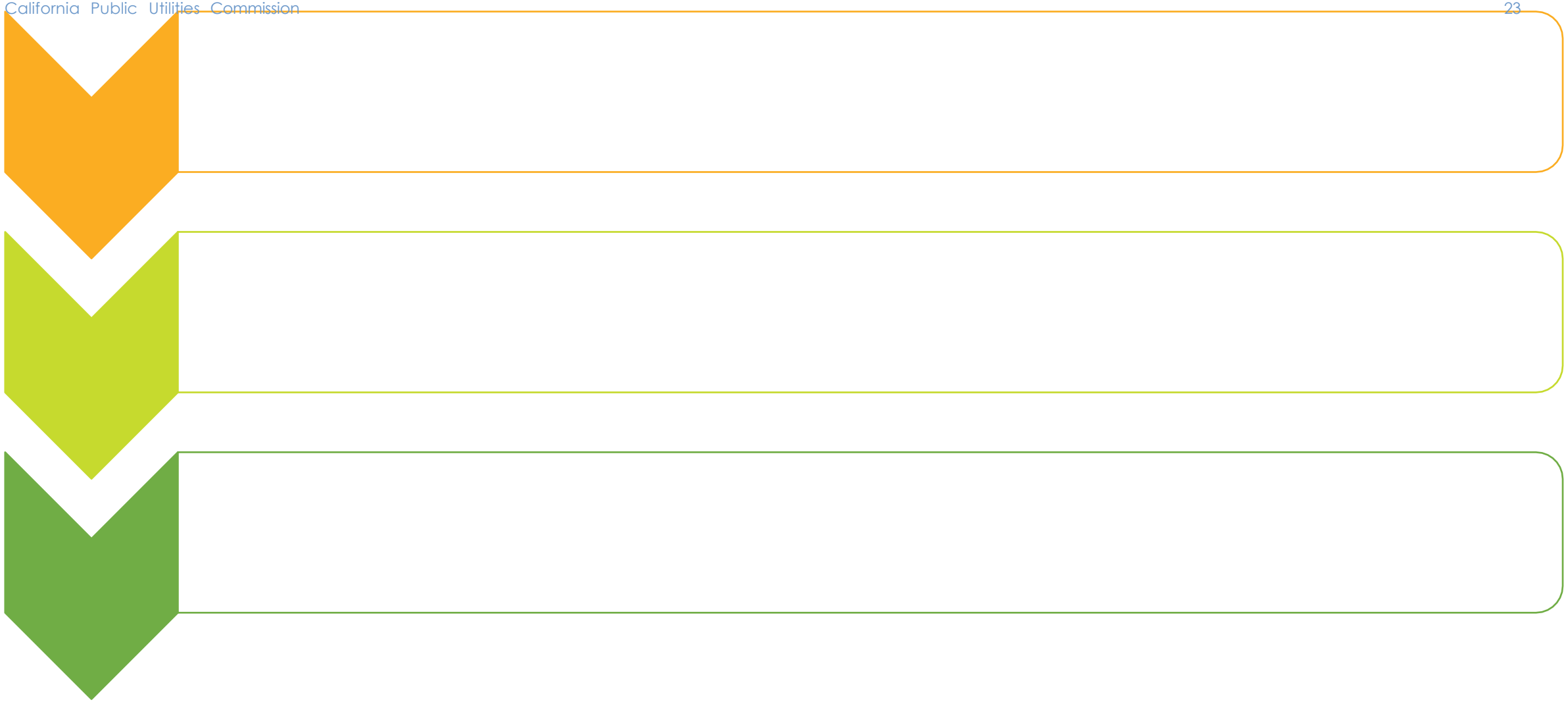
- **R.25-06-019 - Scoping Memo & Ruling (28 Oct 2025):**
  - Scoping Memo includes the issue of review and necessary modifications to IOU BPPs… including proposals for oversight processes for short-term RPS transactions
  - Directs IOUs to file revised BPPs for Commission review by 1 Apr 2026

CPUC Processes for Reviewing Short-term RPS Transactions

- IOUs seek authorization for short-term RPS purchases & sales in annual RPS Procurement Plans
- IOU proposals submitted as short-term RPS transaction "frameworks" that include upfront standards & criteria, for example: delivery term lengths, RPS (REC) product, transaction methods, volume limits methodology, pricing methodology (e.g. price floors & caps)

- Commission reviews short-term RPS transaction proposals for reasonableness and RPS need
- If approved, annual Decision grants authority to transact short-term RPS products in the next year under the approved upfront standards & criteria of the RPS Procurement Plan
- Commission may approve, reject, or modify proposals in framework

- Tier 1 AL – for short-term RPS transactions that adhere to the approved RPS Plans framework
- ALs are reviewed by comparing transactions to approved RPS Plan and frameworks
- Energy Division approves short-term RPS Tier 1 ALs in 30 days
- Contracts that do not adhere to approved short-term framework are submitted via Tier 3 AL



Questions?

Chrisrian.knierm@cpuc.ca.gov



California Public
Utilities Commission

Stretch & Snack Break!













Congestion Revenue Rights in BPPs

September 21, 2026

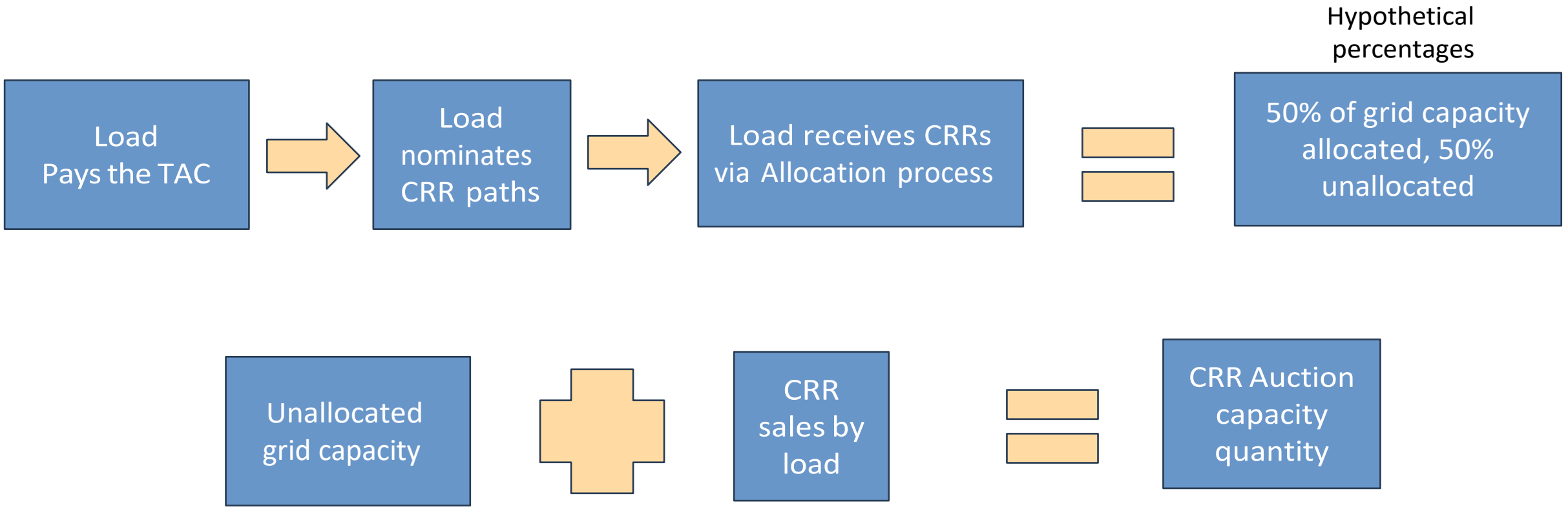
Jordan Miner

California Public Utilities Commission

Background

- Congestion Revenue Rights (CRRs) are a financial hedging instrument intended to be equal to firm transmission rights, allowing entities to protect themselves from differences in Locational Marginal Prices (LMP) and receive the associated congestion revenue.
  - These rights are allocated to load serving entities (LSEs) in an allocation process. LSEs can sell off unwanted CRRs to other market participants in the auction.
  - CAISO offers the residual non-allocated grid capacity into a CRR auction.
- Anyone can participate in the auction if they meet certain credit requirements.
  - Typically: LSEs, Energy Marketers, Generators, and Financial Entities.
  - Energy marketers and generators participate to hedge their congestion risk on their energy schedules.
    - Energy marketers and generators are not allocated CRRs.
  - Financial entities are allowed to participate to provide liquidity and are able to add liquidity to buy a wide array of CRRs.

CRR Processes – simplified



IOU Restrictions

- IOUs are only allowed to optimize their portfolio based on expected grid usage, not speculate.
  - Effectively only able to sell off unwanted CRR positions or buy positions that they need to hedge.
- Restrictions on IOU participation adopted in advance of the Market Redesign and Tariff Update (MRTU). Then recodified in each IOU's BPP, and proposed to be recodified in the BPP drafts.
    - See Resolutions: E-4135, E-4122, E-4134, E-4124, and E-4136
- At the time of the MRTU, the conversion of firm transmission rights to financial transmission rights was a new concept for the CAISO BAA, so a cautious approach to these new market products was warranted.
  - These restrictions do not extend to CCAs or ESPs.
- The Commission at the time was concerned LSEs could speculate and potentially exposure ratepayers to financial risk or deprive another LSE of a hedge they needed.

What has materialized?

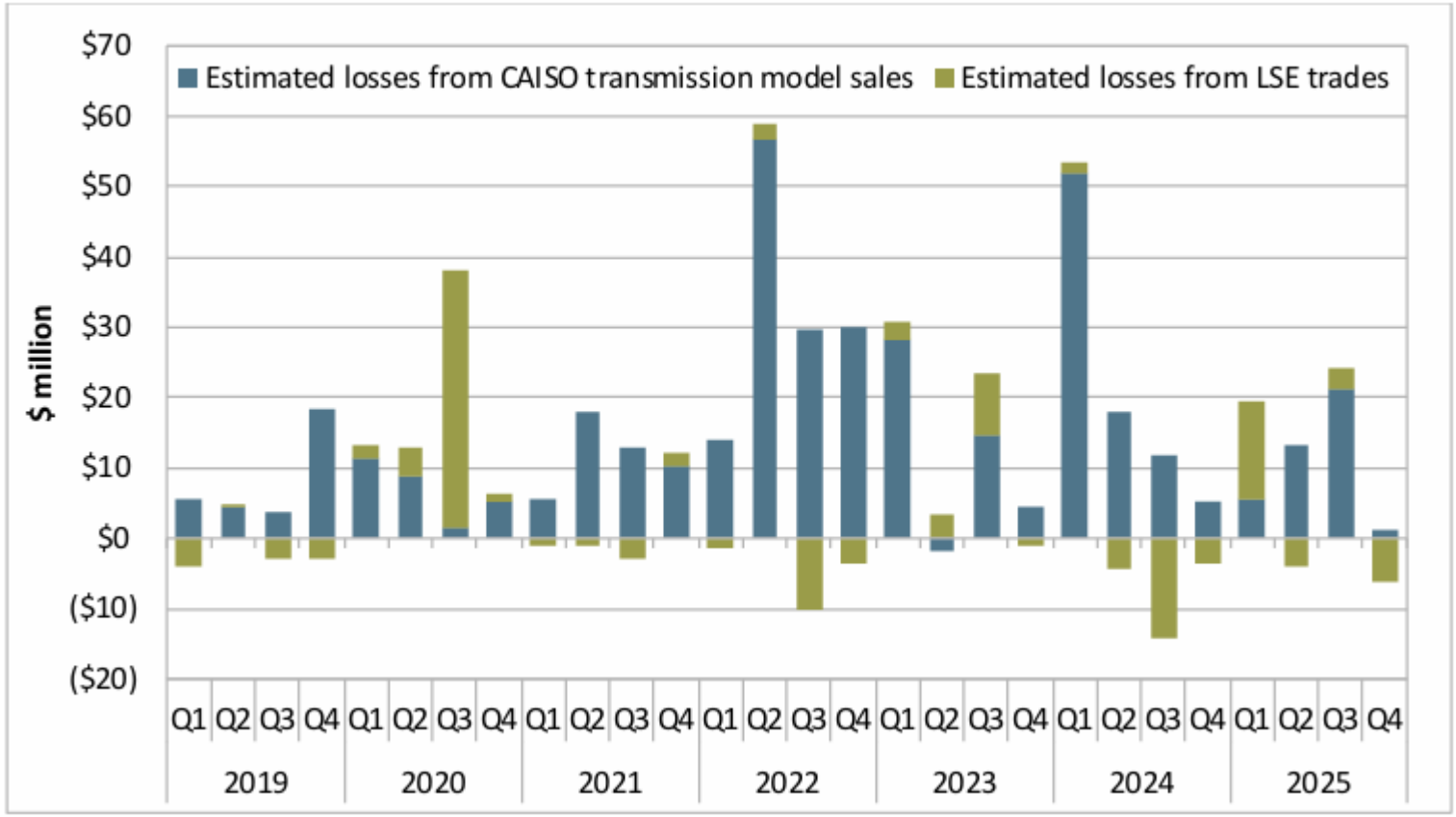
- Ratepayer losses since the launch of the CRR market in 2012 has resulted in **$1 billion dollars** tied to CRR auction losses.
  - *DMM's analysis has shown that "almost all losses due to CRRs bought by financial traders (not by generators or marketers who might use CRRs as hedges)."*
- If the open positions in the CRR auction were not sold off, that congestion revenue would have been pro-rata returned to ratepayers.
- Auction efficiency is the ability for the CRR auction to accurately predict day ahead market congestion. In a perfect world, this would be 1:1.
  - Pre-2019 changes: 50%
  - 2019-6/2025: 67%
    - However, if you remove the 2019 changes this value remains at 50%.
  - Low auction efficiency allows entities to buy up open positions at cheaper prices then the resulting CRR payouts.

What has materialized?

- Hedging via CRRs is an attempt to minimize exposure to DAM congestion, by buying the right to the resulting congestion revenue collected.
- There are valid reasons why one would discount their auction bids if they were hedging.
  - Risk premiums tied to revenue inadequacy that devalues the resulting hedge.
  - Product misalignment in time of use periods.
- However, if one is engaging in CRR auction speculation you have a pervasive incentive to bid as low as possible, to maximize the spread between CRR bid and CRR payout.
  - Auction inefficiency is less of a concern for speculators, because speculators generally are more concerned with revenue inadequacy, because payouts are capped at what is collected.
- Often, low priced CRRs are low priced, because there is no other demand on them. Low clearing prices indicate there is little to no hedging need for these CRR paths – so hedgers have no interest in these CRRs.
  - These CRR paths have low liquidity, since there is no hedging interest in them.
  - Entities with sufficient capital can buy up these cheap positions with little risk, and extract residual rents or sometimes get lucky and receive large payouts. These residual rents from paths with no hedging need are diverted from being returned to load.
    - Outages can cause a seemingly low-priority path to become quite valuable.

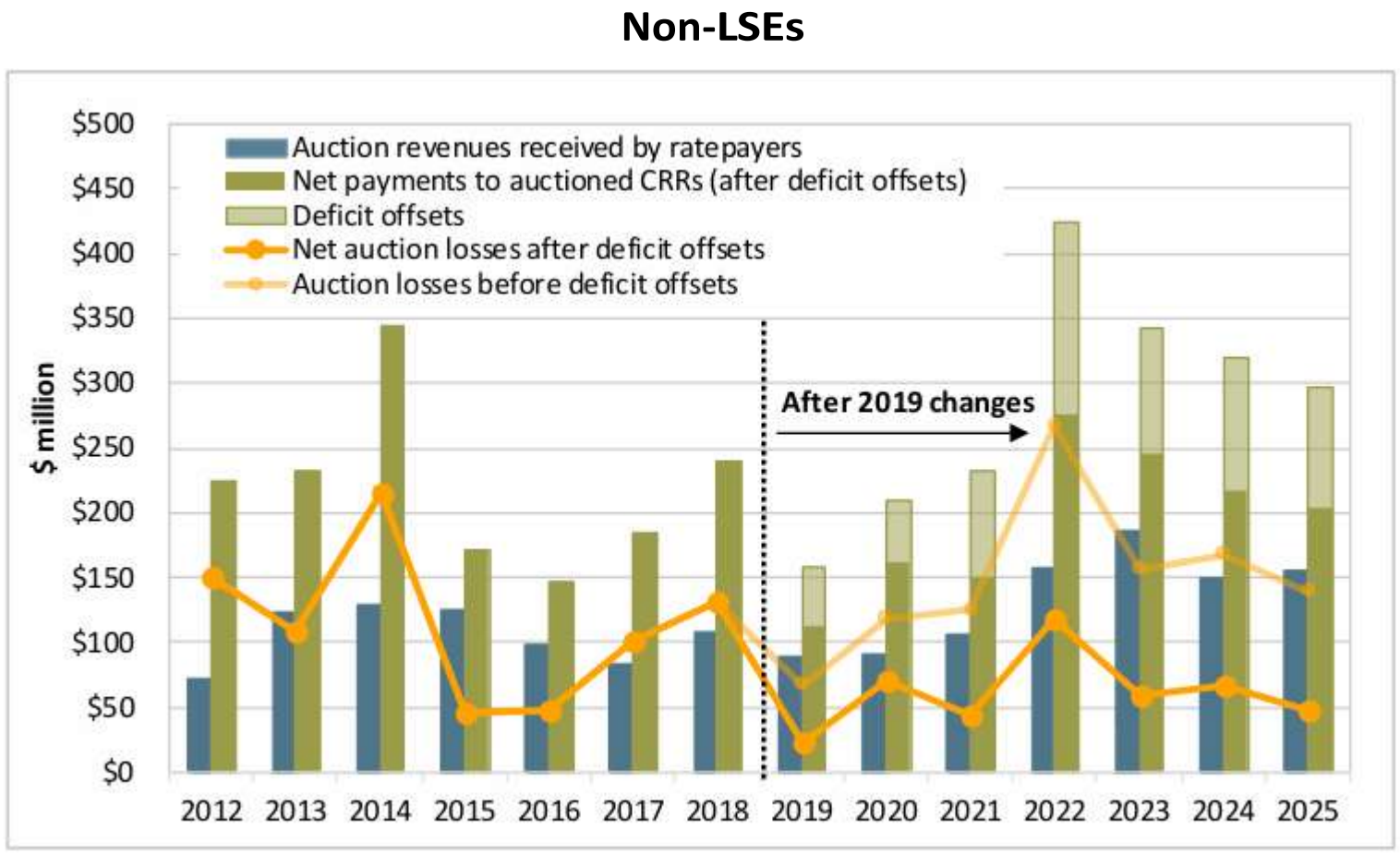
Exposure to transmission model sales

Figure 15.5 Estimated auction losses from CRRs offered by ISO and CRRs sold by LSEs



The unallocated portion of the grid is represented in the blue bars, which has been the overwhelmingly source of auction losses – not LSEs selling off unwanted positions.

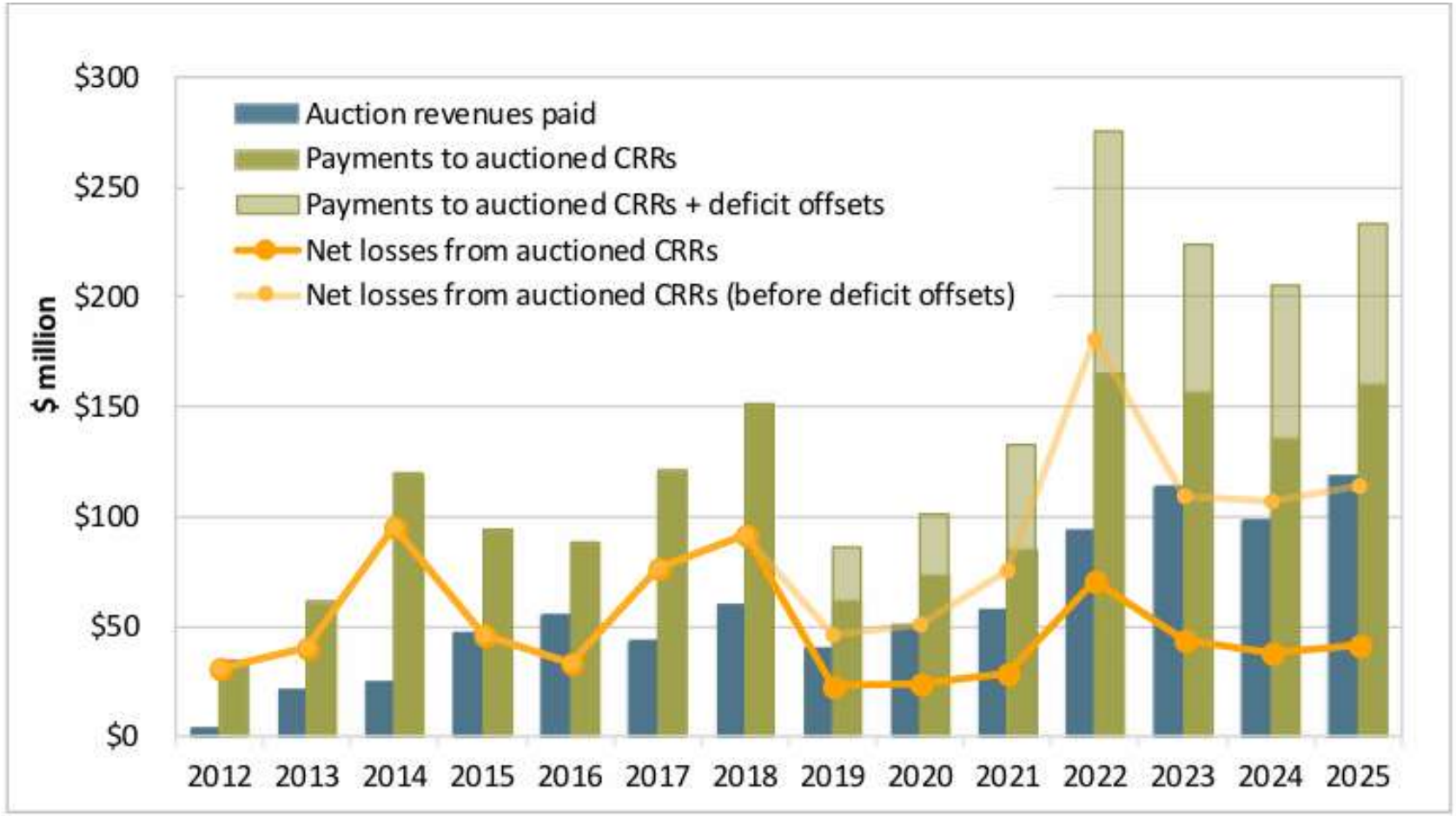
Auction Revenue and Payments



CAISO's CRR auction sales have consistently sold at a lower value then the resulting payouts since the market's inception.

Auction Revenues and Payments

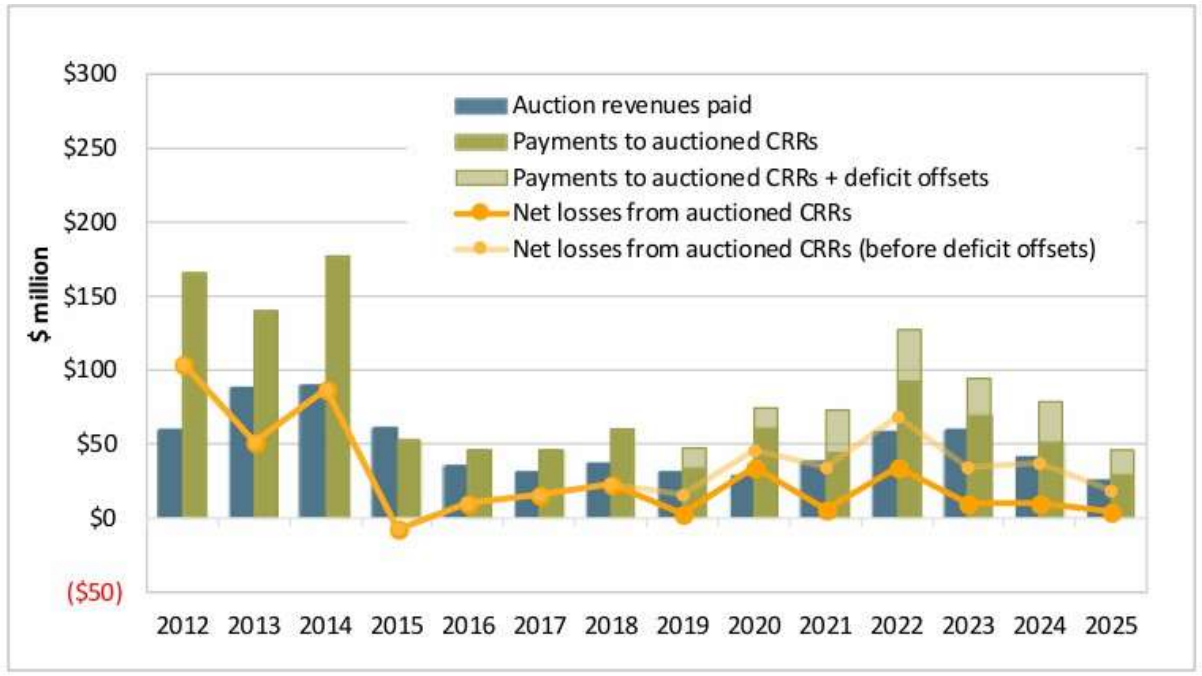
Financial Entities



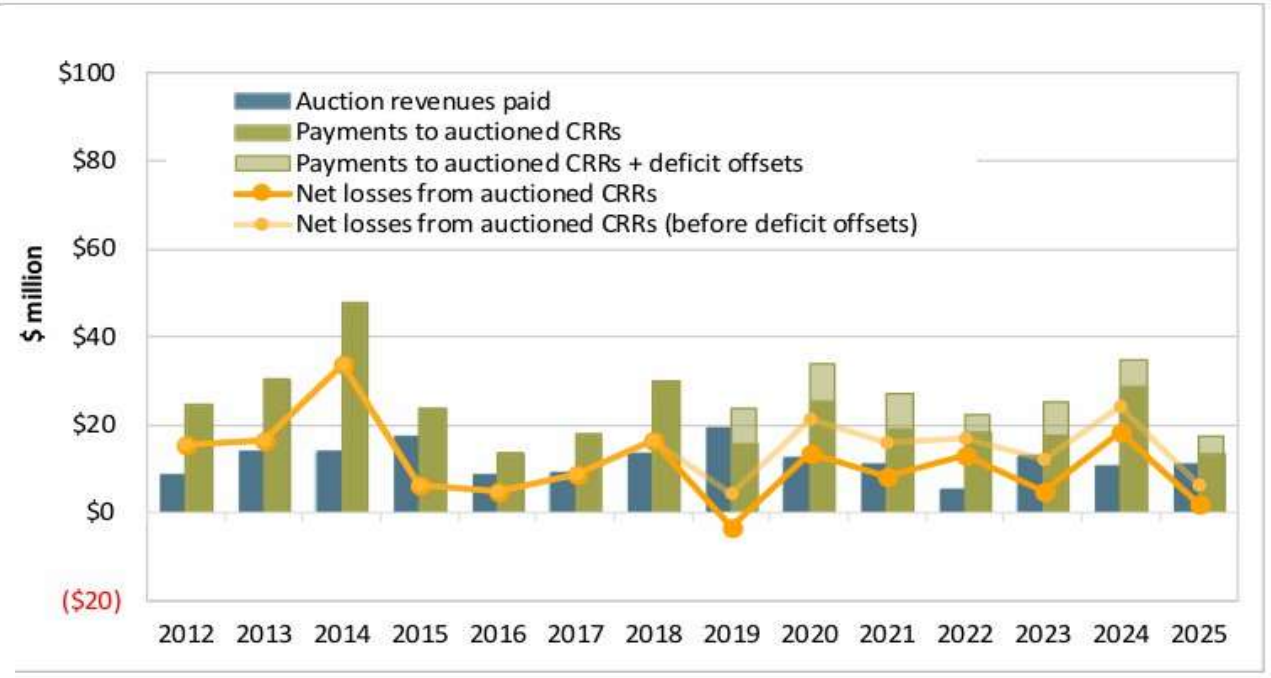
The majority of CRR auction losses have consistently gone to financial entities – who have no energy schedules to hedge. This share has only grown since 2012.

Auction Revenues and Payments

Marketers



Generators



Generators and marketers do have physical energy schedules to hedge, and therefore are willing to pay more then financial entities for these positions. These entities have congestion risk they are trying to mitigate, rather then simply profit maximizing.

Solution?

- ED staff along with other stakeholders have advocated for years at CAISO to pursue reforms that would modify the CRR auction and return it to a more hedging based construct.
  - The most impactful of these reforms as recommended by DMM has been repeatedly punted.
- Eliminating the CRR auction restrictions could allow the ratepayers to have a larger role in the CRR auctions if IOUs decide to pursue that.
  - Increased participation by load could potentially increase clearing prices in the CRR auction which would improve the rate of auction efficiency. Entities would therefore have more competition on these low demand paths.
  - Increased participation is likely to improve the ability for CRR auction to act as a price-discovery mechanism of DAM congestion.
- At the upper bounds of possibilities is increased participation by load could allow load to capture more of these residual congestion rents.

Solution?

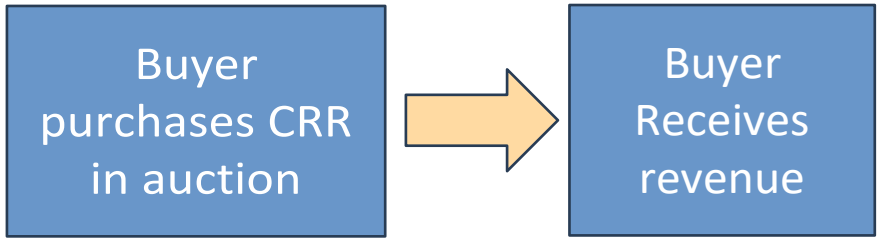
- The Commission itself in 2006, realized there could be value to participation by load in the CRR auctions, but choose not to pursue this path out of potential risk.
  - *"While valuable CRRs that do not reflect the LSE's actual grid use may supply a stream of income to the LSE that would ultimately accrue to the benefit of ratepayers, such CRRs may also become negatively valued over time, leaving ratepayers at a loss."*
- This more prudent approach was understandable with no experience with CRR auctions.
- Almost 15 years of CRR auction activity – has shown that non-IOU participation in the CRR auction has resulted in load leaving money on the table that could be used to reduce rates.
- Expanded IOU participation would be on the benefit of ratepayers – not shareholders, so all revenues and potential losses would be resolved in the ERRA process.

Potential Concerns with IOU Expanded Participation

- There is little risk to expanded CRR participation, but at times CRRs can result in charges rather than payouts. A CRR is an obligation regardless if procured via allocation or auction.
- There is also a high degree of circularity in this process if auction participation is allowed to expand. To the extent there are CRR losses tied to load's CRR positions, load would be responsible for paying for those. However, that revenue is returned to the ISO.
- If the entity implements a go-wide strategy to the CRR auctions, CRR losses are mitigated with revenues.

CRR Processes – simplified

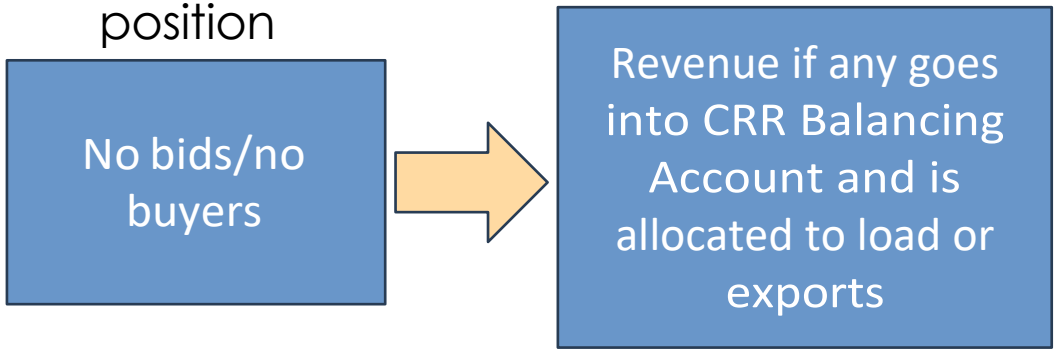
Positive CRR



Negative CRR



Open CRR position



Losses collected flow into the CRR balancing account are redistributed to load, which refunds the ratepayers.

Addressing Concerns with Expanded Participation

- One concern raised in the 2006 CRR resolutions was LSE auction participation could deprive another LSE of a hedge they need.
  - The IOUs are allowed to participate in the auction today in a limited capacity.
- Eliminating the CRR restrictions is not a requirement to expand participation. If an LSE chooses not to, that is their decision.
- Eliminating CRR restrictions would level the playing field – load would no longer be forced to blindly fund payouts to financial entities. If load wants those residual rents, then they can try to get themselves.
- Remember **load pays for the entirety of the grid via the TAC** – why shouldn't load try to capture back all the congestion revenue for the grid that they pay for?
- CRR hedging is typically in the context of expected grid usage, but is not every CRR position a hedging opportunity when you are paying for the entirety of the grid?

Review of Questions

- How have the CRR restrictions adopted in Resolutions E-4135, E-4122, E-4134, E-4124, and E-4136 impacted ratepayers who fund the construction, upkeep, and maintenance of the grid?
  - Are congestion revenues paid in full to ratepayers or are some of those congestion revenues paid to non-ratepayer entities who are purchasing CRRs in the auction? If so, why does this occur?
  - Would liquidity and competition be improved on CRR paths in the auction by reducing or eliminating the restrictions imposed on the IOUs adopted in the previously mentioned resolutions? Why or why not?
- Would expanded CRR market participation by IOUs increase CRR revenues that could reduce rates for customers? Why or why not?
- Are the current restrictions on CRR auction speculation necessary? Why or why not?
- Would authorization of CRR market participation for IOUs and their ratepayers address or create any cost-recovery or ratepayers concerns? Please explain.
- Are modifications to the draft BPPs needed to address future revisions of the Extended Day-Ahead Market (EDAM) Congestion Revenue Allocation design? If so, how should any potential modifications be incorporated into the BPP?

Next Steps, Adjourn

(R.25-06-019) BPP Schedule	
Energy Staff Workshop	September 21, 2026
Opening Comments in Response to ALJ Ruling and Workshop	November 13, 2026
Reply Comments in Response to ALJ Ruling and Workshop	December 18, 2026
Proposed Decision	90- Days from Submission of Record



California Public Utilities Commission