



California Public Utilities Commission
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PRESS RELEASE

Docket #: R.20-11-003

**CPUC CONTINUES EFFORTS TO HELP
ENSURE GRID RELIABILITY THIS SUMMER**

SAN FRANCISCO, March 25, 2021 - The California Public Utilities Commission (CPUC), in ongoing efforts to ensure safe and reliable electric service to Californians, has ordered utilities to implement a suite of programs to decrease energy demand and increase energy supply during critical hours of the day to ensure reliability in the case of an extreme heat event in the summers of 2021 and 2022.

Today's Decision requires the state's major investor-owned utilities to collectively procure at minimum 1,000 megawatts (MW) of demand- and supply-side resources for this summer. More than 500 MW in supply-side resources have already been contracted for at the direction of previously approved [Decision](#) by the CPUC. Today's Decision will activate approximately 500 additional MW in demand-side resources (such as demand response and batteries) by this summer. By summer 2022, demand-side resources are expected to increase in total to nearly 1,000 MW by way of this decision.

Beyond the new resources being developed through today's Decision, another 2,000 MW of battery storage will be ready to serve the grid next summer and more than 8,000 MW of clean energy resources are already under development to be online over the next three years.

"We are mobilizing the resources required to avoid a repeat of last year's outages and to better protect the safety and wellbeing of Californians for this summer and next," said CPUC President Marybel Batjer. "The acceleration of climate change and the increased intensity and frequency of the extreme weather events we have experienced in California in recent years necessitate a portfolio of solutions to ensure we are prepared for various scenarios."



Today's Decision is the most recent action in a proceeding the CPUC opened in [November 2020](#) in response to the mid-August 2020 extreme heat event that required the California Independent System Operator (CAISO) to initiate rotating power outages to prevent sustained, wide-spread service interruptions. To ensure grid reliability this summer, the CPUC has ordered the following new initiatives and enhancements to existing programs:

- **Increased Overall Utility Procurement Requirements:** To help ensure enough electricity resources are available to serve customers during times of peak and net peak energy use, the CPUC ordered utilities to procure a minimum of an additional 2.5 percent of resources for all customers in their territories, representing an effective increase of the planning reserve margin from the existing 15 percent to 17.5 percent. This change will result in minimum demand- and supply-side resource targets for this summer of 450 MW for Pacific Gas and Electric Company (PG&E), 450 MW for Southern California Edison (SCE), and 100 MW for San Diego Gas & Electric (SDG&E). For supply-side resources, utilities must give preference to storage contracts and upgrades in the efficiency of existing generation resources, and for contract terms that are shorter in duration.
- **New Demand Response Programs:** Demand-side resources, such as demand response, are a critical element of the CPUC's plan to ensure reliability. To lower energy demand during the peak and net peak usage hours during a grid emergency, the CPUC ordered PG&E, SCE, and SDG&E to pilot an Emergency Load Reduction Program that would give demand response providers and other companies providing new services to manage electricity demand, the ability to demonstrate how their innovative programs can support the grid. The pilot program will compensate customers for voluntarily reducing demand on the power system when called upon to do so by the CAISO in the event of a grid emergency. This program will serve as a layer of insurance on top of existing resource adequacy plans and will give grid operators a new tool among the existing demand management programs to address unexpected power system conditions.
- **Improved Rate Plans to Encourage Conservation:** The CPUC ordered utilities to modify their Critical Peak Pricing programs, which charge a higher price for electricity consumption during peak hours on selected days. The CPUC ordered several modifications to the Critical Peak Pricing programs to ensure the program is more effective and responsive to the critical



hours of a grid emergency, including shifting the Critical Peak Pricing event window for residential and non-residential customers to the hours of 4 p.m. to 9 p.m., increasing the maximum number of Critical Peak Pricing events allowed per year, and providing customer education with a focus on increasing participation.

- **Improved Existing Demand Response Programs:** The CPUC ordered modifications to existing demand response programs to expand participation, including temporarily allowing year-round enrollment in utility “interruptible programs” that allow for industrial and large commercial customers to pay a lower rate in exchange for allowing the utility to curtail their energy usage when energy demand is high and the reliability of the electric grid is threatened. The CPUC also increased demand response program enrollment incentives to attract new customers, as well as allow SDG&E to expand and enhance its AC Saver program by allowing residential net energy metering customers to enroll, as well as incentivizing smart thermostat manufacturers to increase the number of participating thermostats.
- **Flex Alert:** The CPUC reinstated the Flex Alert paid media program to educate consumers about the positive impacts of conservation, help customers understand grid conditions, and inform customers of the need to conserve when energy demand is high.

This proceeding follows other actions the CPUC has taken to ensure utilities can reliably serve customers, including:

- In [November 2019](#) the CPUC ordered utilities to procure 3,300 megawatts of new, non-emitting electricity resources, and make 10-year, long-term investments in new in-state generation that maintains reliability and keeps California on its present trajectory toward meeting its greenhouse gas emissions reduction targets.
- In [August 2020](#), the CPUC approved seven clean energy contracts for PG&E to meet its 2021 Integrated Resource Plan incremental procurement requirements of 716.9 MW of resource adequacy capacity, at least 50 percent of which must come online by August 1, 2021. To ensure reliability for customers of SCE, the CPUC authorized the procurement of 770 MW of energy storage to satisfy the procurement requirements ordered by the CPUC in its Integrated Resource Plan proceeding.
- In [February 2021](#), the CPUC ordered utilities to immediately contract for energy resources that can be online in time to serve peak and net peak demand this summer. The Decision focused on utility procurement of incremental capacity from existing resources, setting up



today’s Decision that is focused mainly on increasing the amount of “demand-side resources.”

- Earlier this month, the CPUC implemented a new [microgrid](#) program for PG&E to support local governments and tribes to provide resiliency in the event of utility outages

In mid-August 2020, the western U.S. experienced an unprecedented, prolonged heat wave that ultimately required the CAISO to initiate rotating power outages to prevent sustained, wide-spread service interruptions. On January 13, 2021, the CPUC, CAISO, and California Energy Commission issued a final [Root Cause Analysis](#) on the August rotating outages, which outlined short-term and longer-term actions to mitigate electricity shortages and ensure delivery of clean, reliable, and affordable energy. Among the recommended actions is expediting the regulatory and procurement processes to develop additional resources that can be online by 2021 and ensuring that the generation and storage projects that are currently under construction in California are completed by their targeted online dates.

The proposal voted on is available at

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M373/K321/373321429.PDF>.

More information on the CPUC’s reliability efforts is available at

www.cpuc.ca.gov/General.aspx?id=6442466895.

The CPUC regulates services and utilities, safeguards the environment, and assures Californians’ access to safe and reliable utility infrastructure and services. For more information on the CPUC, please visit www.cpuc.ca.gov.

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