Decision 22-03-034 March 17, 2022

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Oversee the Resource Adequacy Program, Consider Program Reforms and Refinements, and Establish Forward Resource Adequacy Procurement Obligations.	Rulemaking 21-10-002

DECISION ON PHASE 1 OF THE IMPLEMENTATION TRACK: MODIFICATIONS TO THE CENTRAL PROCUREMENT ENTITY STRUCTURE

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DECISION ON PHASE 1 OF THE IMPLEMENTATION TRACK: MODIFICATIONS TO THE CENTRAL PROCUREMENT ENTITY STRUCTURE

Summary

This decision adopts modifications to the central procurement entity (CPE) structure adopted in Decision (D.) 20-06-002 and D.20-12-006, including revisions to the requirements for self-shown local resources, revisions to the CPE's solicitation selection criteria, and revisions to the CPE procurement timeline.

This proceeding remains open.

1. Background

1.1. Procedural Background

On October 7, 2021, the Commission issued the Order Instituting Rulemaking (OIR) to oversee the Resource Adequacy (RA) program, consider program reforms and refinements, and establish forward RA procurement obligations applicable to Commission-jurisdictional load-serving entities (LSEs). This proceeding is the successor to Rulemaking (R.) 19-11-009, which addressed these topics over the preceding two years. Additional information on the procedural history of this proceeding is provided in the OIR.

A Scoping Memo and Ruling (Scoping Memo) for this proceeding was issued on December 2, 2021. The Scoping Memo identified the issues to be addressed in this proceeding, and set forth a schedule and process for addressing those issues. In addition, the Scoping Memo established two tracks for this proceeding: the Implementation Track and the Reform Track. Under the Implementation Track, the Scoping Memo divided the track into Phases 1, 2, and 3. Phase 1 of the Implementation Track was scoped to consider critical modifications to the central procurement entity (CPE) structure and outlined a series of issues that may be addressed in Phase 1.

Initial Phase 1 proposals were submitted on December 13, 2021 by: Alliance for Retail Energy Markets (AReM), California Community Choice Association (CalCCA), Calpine Corporation (Calpine), Pacific Gas and Electric Company (PG&E), and Southern California Edison Company (SCE). Energy Division's Phase 1 proposal was filed and served by an Administrative Law Judge (ALJ) ruling on December 13, 2021.

A workshop on Phase 1 proposals was held on December 14, 2021. New or revised Phase 1 proposals were submitted on December 23, 2021 by: California Independent System Operator (CAISO), Middle River Power (MRP), PG&E, and Western Power Trading Forum (WPTF).

Comments on proposals and the workshop were filed on January 4, 2022 by: AReM, CAISO, CalCCA, Calpine, California Environmental Justice Alliance (CEJA) and Union of Concerned Scientists (UCS), jointly, MRP, PG&E, Public Advocates Office (Cal Advocates), SCE, and Shell Energy North America (US), L.P. (Shell). PG&E filed a Motion for Leave to File Confidential Materials in Opening Comments Under Seal. The motion was granted on January 6, 2022.

Reply comments were filed on January 13, 2022 by: AReM, CAISO, CalCCA, Cal Advocates, Green Power Institute, Independent Energy Producers Association, MRP, PG&E, SCE, and WPTF.

1.2. Background on CPE Framework

In Decision (D.) 20-06-002, the Commission adopted the CPE structure for procurement of local RA resources in PG&E's and SCE's transmission access charge (TAC) areas. PG&E and SCE were identified as the CPEs for their respective distribution areas beginning in the 2023 RA compliance year.[1] The

[1] D.20-06-002 at 35.

CPE framework was not adopted for the San Diego Gas & Electric Company (SDG&E) TAC area.

In D.20-06-002, the Commission adopted a hybrid procurement structure in which the CPE would "secure a portfolio of the most effective local resources, use its purchasing power in constrained local areas, mitigate the need for costly backstop procurement in certain local areas, and ensure a least cost solution for customers and equitable cost allocation."[2] The hybrid framework allowed LSEs to voluntarily procure local resources to meet their system and/or flexible RA needs and count them towards the collective local RA requirements. An LSE that procures a resource that meets a local RA need may: (1) self-show the resource to the CPE to reduce the CPE's overall local procurement obligation and retain the resource to meet the LSE's system or flexible RA needs, (2) bid the resource into the CPE's solicitation, or (3) elect not to show or bid the resource to the CPE and only use the resource to meet its own system and flexible RA needs.[3] The Commission also provided that the CPE shall have discretion to defer procurement of a local resource to the CAISO's backstop mechanisms, rather than through the solicitation process, if bid costs are deemed unreasonably high.[4]

D.20-06-002 directed the CPEs to begin procurement in 2021 for 100 percent of the 2023 local requirements and 50 percent of the 2024 local requirements.[5] In 2022, the CPE is responsible for procuring 100 percent of the three-year forward local requirements for 2023 – 2024 and 50 percent of the three-year forward local requirement for 2025.

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2 D.20-06-002 at 26.

3 *Id*. at 91.

4 *Id*. at Ordering Paragraph (OP) 26.

5 *Id*. at 45.

On November 1, 2021, PG&E and SCE, acting as the CPEs, submitted their first Annual Compliance Reports via Advice Letter 6386-E and Advice Letter 4626-E, respectively. The Annual Compliance Reports summarized the CPEs' local RA purchase contracts and self-shown agreements. On November 19, 2021, PG&E's CPE filed a Supplemental Annual Compliance Report that provided aggregate procurement for the 2023 and 2024 RA compliance years. PG&E's Annual Compliance Report revealed that for the 2023 RA compliance year, the CPE's monthly procurement in PG&E's TAC area was below the 100% local requirement by as low as 4,264 MW (or 37.6% of the local requirement) and up to 6,049 MW (or 53.4% of the local requirement). SCE's Annual Compliance Report reflected only a small short position for a few months of the 2023 compliance year.

2. Issues Before the Commission

The Scoping Memo identified the following issues as within the scope of Phase 1 of the Implementation Track:

1. Implementation details of the "shown" resource component of the hybrid framework;

2. Whether the CPE should be permitted to procure local resources outside of the annual all-source solicitation process set forth in D.20-06-002;

3. Changes to the CPE timeline; and

4. Whether modifications are needed to the requirements that SCE and PG&E (acting on behalf of their bundled load) bid their utility-owned generation and contracted resources into the CPE solicitation at their levelized fixed costs.

All proposals and comments submitted by parties were considered but given the number of parties and issues, some proposals and comments may

receive little or no discussion in this decision. Phase 1 was scoped to "consider critical modifications" to the CPE structure and therefore, the Commission has limited this decision to issues deemed critical modifications to the CPE framework. Issues within the scope of the proceeding that are not addressed here, or only partially addressed, may be addressed in a later phase of this proceeding.

3. Discussion

3.1. Requirements for Self-Shown Resources

Under the hybrid procurement framework adopted in D.20-06-002, if an LSE procures a resource that meets a local RA need, the LSE may elect to: "(a) show the resource to reduce the CPE's overall local procurement obligation and retain the resource to meet its own system and flexible resource adequacy needs, (b) bid the resource into the CPE's solicitation, or (c) elect not to show or bid the resource to the CPE and only use the resource to meet its own system and flexible resource adequacy needs."[6] In D.20-12-006, the Commission also adopted a financial credit mechanism - called the Local Capacity Requirement Reduction Compensation Mechanism (LCR RCM) – to incentivize LSE development of new preferred or energy storage resources in local areas to meet system or flexible RA requirements.[7] The LCR RCM applies to new preferred or energy storage resources selected by the CPE.

In Phase 1, some parties raise concerns about the lack of incentives for LSEs to self-show local resources to the CPE for no compensation. In D.20-12-006, the Commission ordered that "[a] shown resource shall be documented on an agreement as determined by the CPE, which may include the

[6] D.20-06-002 at 27.

[7] D.20-12-006 at 20.

Edison Electric Institute Master Agreement."[8] PG&E and SCE argue that requiring LSEs to take on a contractual obligation with the CPE discourages self-showing for no compensation due to the time-consuming and costly nature of contractual agreements.[9] SCE and Calpine add that this is especially true if an LSE is outside the CPE's service area and the LSE receives no benefit from self-showing via reduced CPE procurement costs.[10]

PG&E expresses concern about the lack of consequences for an LSE with a self-shown local resource that fails to perform according to the established timeline.[11] PG&E asserts that the CPE has no control over whether a self-showing LSE will submit the resource to the Commission and CAISO, or whether the resource will be available to CAISO when necessary. Without assurances that the resource will perform, PG&E states that the CPE cannot have an accurate picture of available resources, which impacts reliability and the success of the CPE construct. SCE believes the potential liability associated with backstop procurement costs for a resource's failure to perform further disincentivizes LSE self-showing.[12]

Parties raise several proposals to address these issues.

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8 *Id*. at OP 3.

9 PG&E Revised Proposal, December 23, 2021 (PG&E Revised Proposal), at 4, SCE Initial Proposal, December 13, 2021 (SCE Initial Proposal), at 2.

10 Calpine Proposal, December 13, 2021 (Calpine Proposal), at 4, SCE Initial Proposal at 2.

11 PG&E Initial Proposal, December 13, 2021 (PG&E Initial Proposal), at 2.

12 SCE Initial Proposal at 2.

3.1.1. PG&E's Proposal

PG&E proposes a Cost Allocation Mechanism (CAM)-based credit approach to address the issue of a self-shown resource's failure to perform, summarized as follows:[13]

- Step 1 – LSEs commit self-shown resources to the CPE by May 31 through submission of a binding notice of intent.
- Step 2 – CPE submits its RA plan by September 15, including self-shown resources. The submission will be used to determine CAM-based credits to allocate to LSEs.
- Step 3 – LSEs and/or suppliers must submit matching CAISO supply plans, with the CPE as the benefiting entity.
- Step 4 – If a self-showing LSE does not perform, the LSE's CAM credits will be revised. The CPE will notify the Commission of an LSE's failure to perform based on the binding notice.
- Step 5 – Costs associated with CAISO backstop procurement can be directly allocated to the non-performing LSE.

PG&E recommends that a self-showing LSE submit a binding notice of intent to the CPE, which eliminates the need for contractual agreements with the LSE. In addition, executed contracts would include termination provisions triggered upon submission of a binding notice by the LSE.

AReM supports PG&E's proposal.[14] Cal Advocates states that the binding notice proposal, or SCE's attestation proposal, may mitigate concerns about contractual risks for self-shown resources and lead to more self-showing offers.[15]

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[13] PG&E Initial Proposal at 4.

[14] AReM Opening Comments at 4.

[15] Cal Advocates Opening Comments at 10.

CalCCA opposes PG&E's proposal as further disincentivizing self-showing since the LSE could face backstop costs if the resource goes on outage.[16] CAISO and MRP oppose changes to CAISO's cost allocation rules in a Commission proceeding, which requires changes to the CAISO tariff.[17]

3.1.2. SCE's Proposal

SCE offers several proposals to address potential disincentives for LSE self-showing. SCE first proposes that any backstop costs due to non-performance of self-shown resources from a planned outage should be charged to the CPE and paid evenly by all LSEs in the CPE's service area.[18] SCE believes that LSEs need to account for planned outages without being charged backstop costs because generator contracts typically allow generators to take planned outages without being in default. Further, LSEs are only required to replace system outages with system resources, which is much easier than a like-for-like resource in a local area, which may not exist in some local areas. SCE posits that the benefit of increased self-showing and reducing overall CPE procurement costs, outweighs any backstop costs spread to all LSEs' customers. For deficiencies in the month-ahead process due to non-performance, other than planned outages, SCE recommends that CAISO charge backstop costs to the non-performing LSE or its scheduling coordinator.

SCE recommends that for an LSE outside the CPE's service area, the LSE should not be subject to backstop costs for a self-shown resource's non-performance, due to planned outage or otherwise. SCE believes this is necessary

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16 CalCCA Opening Comments at 6.

17 CAISO Opening Comments at 2, MRP Opening Comments at 16.

18 SCE Initial Proposal at 3.

because the LSE is already disincentivized to self-show outside of its service area and being subject to backstop costs further deters the LSE.

SCE also proposes that if an LSE elects not to self-show a local resource but shows on its year-ahead filing for system or flexible RA, the LSE should file a justification to explain why it did not bid or self-show to the CPE. SCE reasons that it is important to understand why local resources are not being bid or self-shown and make adjustments to the process as needed. SCE notes that the justification is not intended as an enforcement mechanism but to improve the CPE framework.

In addition, SCE recommends that the requirement for a contract between the CPE and self-showing LSE be eliminated. Instead, prior to the CPE solicitation, LSEs would submit an attestation to the CPE and the Commission, providing that: (1) the LSE has the rights to the local RA for the period it is self-showing, (2) the LSE plans on self-showing the resources on annual and monthly RA plans to satisfy system and/or flexible needs, and (3) the LSE agrees to provide the CPE with a notice of a planned outage at least 60 days prior to the showing month in which the outage is to occur. If an LSE procures additional local capacity after the date it commits to self-show and elects to self-show the additional resource, SCE proposes the LSE notify the Commission and CPE by August 1 through an attestation. SCE states that this process can also be used for LSEs that bid into the solicitation but indicate that if the bid is not selected, they will self-show for no compensation.

Lastly, SCE recommends that an LSE's self-shown resource for Year 1 should be firm but that LSEs may replace self-shown resources with other local

resources in the next year's RA showing.[19] For example, if an LSE self-shows a resource in 2022 for 2024, it could replace the local resource with another local resource in 2023.

AReM supports SCE's proposal.[20] Calpine states that SCE's proposal partially addresses a disincentive for self-showing by eliminating exposure to backstop costs.[21] Calpine asserts that the proposal does not address when an LSE may not be contractually permitted to self-show capacity procured for system RA as local RA but acknowledges the proposal may eventually encourage LSEs to renegotiate contracts to allow a self-showing. CalCCA believes SCE's proposal creates fewer disincentives for self-showing compared to PG&E's and CAISO's proposals.[22] CalCCA states that SCE should clarify if outages between annual and monthly RA showings without replacement, other than planned outages, would be charged to the LSE since CAISO accepts planned outages after monthly showings until seven days before the outage if substitute capacity is provided. Cal Advocates supports SCE's attestation proposal.[23]

PG&E suggests modifying SCE's proposal by requiring a justification from an LSE that either does not self-show or bid into the CPE solicitation.[24] PG&E points out that in its TAC area, for the May – October 2023 period, 70% of available local RA capacity participated in the CPE's solicitation, while a minimum 85% of the available local RA is needed to meet allocated

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19 SCE Initial Proposal at 5.

20 AReM Opening Comments at 4.

21 Calpine Opening Comments at 3.

22 CalCCA Opening Comments at 6.

23 Cal Advocates Opening Comments at 10.

24 PG&E Opening Comments at 13.

requirements.[25] For the August and September 2023 period, the participation rate was 69% and 63% with a minimum 84% and 88% needed, respectively. PG&E states that the modified justification from LSEs would help address the participation issue.

CAISO and MRP oppose changes to CAISO backstop cost allocation rules in a Commission proceeding, which require changes to the CAISO tariff.[26] MRP states that SCE does not address why backstop costs due to non-performance unrelated to planned outages should be allocated differently and recommends workshops to develop a standard self-shown contract. MRP adds that allowing LSEs to replace self-shown resources in future years' showings requires further discussion, including considering changes to effectiveness for replaced resources.

3.1.3. CAISO's Proposal

CAISO notes that if it identifies a deficiency and procures additional capacity under the Capacity Procurement Mechanism (CPM), CAISO allocates the costs of local CPM designations to deficient entities based on their ratio of local capacity area deficiency.[27] Under the CPE framework, the Commission assigns local obligations directly to the CPEs and therefore, CAISO would assign CPM costs for an individual deficiency to the CPE, which would be responsible for the costs. CAISO proposes the Commission assign local obligations to self-showing LSEs with the amount of local capacity they agreed to show. This allows CAISO to assign CPM costs to the LSE if the LSE failed to show a local resource it agreed to self-show.

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[25] *Id.*, Appendix A.

[26] CAISO Opening Comments at 2, MRP Opening Comments at 16.

[27] CAISO Proposal, December 23, 2021 (CAISO Proposal), at 4.

CalCCA, SCE, PG&E, and MRP oppose CAISO's proposal. PG&E and MRP contend that assigning local obligations to LSEs transforms the CPE structure into a residual procurement model, which is not permitted by the hybrid framework.[28] CalCCA opposes the proposal because it may further disincentivize LSEs from self-showing if the LSE can face backstop costs if a resource goes on outage.[29] SCE opposes the proposal unless it is modified to state that LSEs in the TAC area are charged for non-performance, except for failure due to a planned outage, and that LSEs outside the TAC area are exempt from all backstop procurement.[30] AReM supports this proposal.[31]

3.1.4. Discussion

Based on the CPEs' Annual Compliance Reports, the Commission recognizes that a limited amount of local resources were self-shown to the PG&E CPE for no compensation. In addition, in PG&E's TAC area, a lower-than-expected amount of the local resources were bid into the solicitation. By self-showing local resources, LSEs can lower the overall amount of the CPE's local RA obligation, which reduces the amount of local resources the CPE must procure and thus lowers procurement costs for ratepayers in the CPE's service area. Thus, it is important to address and eliminate barriers that may be unnecessarily disincentivizing LSEs from self-showing local resources to the CPE for no compensation. The Commission agrees with parties that some disincentives for self-showing may include the burden and cost of executing a

[28] PG&E Opening Comment at 10, MRP Opening Comments at 15.

[29] CalCCA Opening Comments at 6.

[30] SCE Reply Comments at 4.

[31] AReM Opening Comments at 4.

contract between a self-showing LSE and the CPE, and the exposure to backstop procurement costs if a self-shown resource fails to perform.

Considering the benefits and concerns of the proposals, the Commission finds that SCE's proposal, with modifications, mitigates several potential disincentives to LSE self-showing. The proposal requires backstop costs to be covered by ratepayers in the CPE's service area if the resource fails to perform due to a planned outage, or for any reason if the self-showing LSE is outside the CPE's service area. By removing the potential exposure to backstop procurement costs, we are persuaded that the potential for increased self-showing by LSEs will further reduce overall CPE procurement costs, and outweigh the potential risk of backstop costs being spread to all LSEs' customers.

In comments to the proposed decision, CalCCA recommends that for an LSE in the CPE's service area that fails to perform for reasons other than a planned outage, any backstop costs should be allocated pro-rata to all LSEs. CalCCA states that when an LSE self-shows a local resource, the LSE only receives a reduction in CPE costs pro-rata based on its load share in the local area. However, if the self-shown resource fails to perform under SCE's proposal, the LSE would take on 100% of the CPM cost risk, introducing additional disincentives to self-showing. The Commission finds CalCCA's modification to SCE's proposal to be reasonable in that it reduces a potential disincentive to self-showing.

CalCCA also recommends that a self-showing LSE should be allowed to substitute non-performing self-shown resources with another resource as the like-for-like local resource, and if there is no substitution, the CPE should be allowed to replace the non-performing resource. It is unclear how the CPE can replace a non-performing resource, as the CPE makes its procurement ahead of

the year-ahead filing and does not manage replacement throughout the year. The Commission, however, finds it reasonable to allow an LSE to substitute for a non-performing local resource.

We recognize parties' concerns regarding changes to CAISO's backstop allocation costs in this proceeding. Therefore, any CPM costs associated with local RA deficiencies in the CPEs' service areas will be allocated directly to the CPE, and the CPE will distribute those costs evenly to ratepayers through the CAM mechanism. Any backstop procurement costs allocated to the CPE should be allocated to all LSEs in the TAC area on a load ratio share basis.
For existing executed self-shown resource contracts, the Commission finds it reasonable to adopt a modified version of PG&E's proposal to require such contracts to include a provision that results in automatic termination of the contract upon submission by the LSE to the CPE of a compliant attestation.

In response to Calpine's comments that capacity procured as system RA may not be contractually allowed to show as local RA, we note that local RA is based on the location of the resource, not based on whether the LSE contracted to use the resource to meet local requirements. In D.20-06-002, the Commission determined that RA attributes should remain bundled and LSEs should receive credits for any system or flexible capacity procured during the local RA or backstop processes.[32] Therefore, we find it reasonable to modify SCE's attestation proposal to require that an LSE attest that it has the capacity rights to the RA resource, generally, not that the LSE has the capacity rights to the local RA resource, specifically.

[32] D.20-06-002 at OP 9(c).

Further, given the shortfalls in the PG&E CPE's procurement process and the low participation rates in the CPE solicitation process, it is critical to better understand why LSEs are electing not to bid or self-show resources to the CPE. We agree with PG&E's modification that LSEs that decline to self-show or bid shall submit a justification with their year-ahead RA filing explaining their rationale. We concur that this is not meant as an enforcement mechanism but to improve the CPE framework and make adjustments as necessary.

SCE recommends that while an LSE's self-shown resource for Year 1 should be firm, LSEs can replace self-shown resources with other local resources in the subsequent year's RA showing. Because the CPE's procurement amount is 100% for Years 1 and 2, we find it appropriate that LSEs' self-showing commitment should be firm for two years, but LSEs may replace local resources shown for Year 3 with other local resources located in the same local capacity area and at least equal to the capacity of the local resources being replaced in the subsequent year's showing.

Accordingly, we adopt SCE's proposal with CalCCA's modifications. The following requirements are adopted for non-performance of self-shown local resources:

(1) Self-showing LSEs shall be allowed to provide a substitute resource as the like-for-like local resource to replace non-performing self-shown local resources.

(2) If the CAISO makes a local CPM designation for an individual deficiency, the CPE shall be charged any associated CAISO backstop procurement costs, including for the non-performance of self-shown resources. Any backstop procurement costs allocated to the CPE shall be allocated to all LSEs in the TAC area on a load ratio share basis.

For purposes of the above requirements, "non-performance" is defined as the failure to provide: (a) the Commission with an RA plan with the self-shown resource, and (b) the CAISO with a matching supply plan for the self-shown resource.

In accordance with the CPE timeline adopted in this decision, an LSE that elects to self-show a local resource to the CPE shall execute an attestation that provides that:

(1) The LSE has the capacity rights to the RA resource for the period it is self-showing;

(2) The LSE intends to self-show the RA resource on annual and monthly RA plans to satisfy its system and/or flexible RA needs; and

(3) If applicable, the resource that the LSE intends to self-show for compensation under the LCR RCM meets the eligibility requirements pursuant to D.20-12-006.

The attestation requirements, adopted here, replace the previous requirement that a shown resource must be documented on an agreement as determined by the CPE, as provided in Ordering Paragraph 3 of D.20-12-006.

This attestation process shall also apply to an LSE that bids a local resource and states that if the bid is not selected, the LSE will self-show the local resource for no compensation. This attestation shall be submitted at the time the LSE submits its bid into the CPE's solicitation.

For compensated self-shown resources under the LCR RCM, the CPE shall have discretion to require a self-showing LSE to either: (a) execute an agreement between the CPE and self-showing LSE that provides payment information and other relevant terms, or (b) submit an attestation that identifies the resource as a preferred resource and provides the LSE's payment information. For the latter, the CPE will then provide acknowledgement to the LSE with payment terms.

For any existing self-shown resource contracts, the contract shall include, or be amended to include, a provision resulting in automatic termination of the self-shown contract without any further action of the parties upon submission by the LSE to the CPE of an attestation, provided that the attestation complies with the relevant requirements and conforms to the self-shown commitment originally entered into through the contract between the CPE and LSE. Amendment and/or automatic termination of any existing self-shown resource contract for which a qualifying attestation is submitted is deemed reasonable and shall not require contract management review as part of a regulatory proceeding.

If an LSE either: (a) declines to self-show a local resource to the CPE, or (b) declines to bid a local resource into the CPE's solicitation process, the LSE shall file a justification statement in its year-ahead RA filing explaining why the LSE declined to self-show or bid the local resource to the CPE.

Lastly, an LSE's self-shown commitment must be firm for Years 1 and 2. LSEs may replace their self-shown local resources for Year 3 with other local resources located in the same local capacity area and at least equal to the capacity of the local resources being replaced in the subsequent year's RA showing.

3.2. CPE Solicitation Selection Criteria

In D.20-06-002, the Commission set forth selection criteria for the CPE to use to guide the selection of local resources. The Commission stated:[33]

> To guide the selection of local resources procured by the central procurement entity (CPE), the CPE shall use the all-source selection criteria, including the loading order, and least cost best fit methodology adopted in Decision (D.) 04-07-029. The least cost best fit methodology employed shall also include the following selection criteria:

[33] D.20-06-002 at OP 14.

a. Future needs in local and sub-local areas;
b. Local effectiveness factors, as published in the California Independent System Operator's Local Capacity Requirement Technical Studies;
c. Resource costs;
d. Operational characteristics of the resources (efficiency, age, flexibility, facility type);
e. Location of the facility (with consideration for environmental justice);
f. Costs of potential alternatives;
g. Greenhouse Gas adders;
h. Energy-use limitations; and
i. Procurement of preferred resources and energy storage (to be prioritized over fossil generation).

Parties present several proposals to revise the CPE selection criteria and process.

3.2.1. Proposals to Modify the Selection Criteria

PG&E proposes to remove the local effectiveness factors (LEF) (Criteria b) from the selection criteria because the LEFs are dynamic and based on assumptions that may not apply year to year.[34] PG&E notes that the LEFs may be of limited value in selecting a portfolio since CAISO bases the LEFs on the most stringent contingency to meet North American Electric Reliability Corporation standards and a local resource may be much less effective at addressing the second most stringent contingency compared to another local resource. PG&E posits that a LEF is unlikely to be a functional metric for local

[34] PG&E Revised Proposal at 2.

resources and some local resources (including new resources) do not have a published LEF.

PG&E recommends eliminating aspects of Criteria (d), operational characteristics of the resource (efficiency, age, and flexibility), and removing the data submittal requirements for "facility age, heat rate, start-up time, and ramp rate," from Ordering Paragraph 15 of D.20-06-002.[35] PG&E asserts that some parties have indicated that operational characteristic data is not accessible to LSEs, creating barriers to LSE participation. PG&E adds that other criteria in Ordering Paragraph 15 can be more useful to evaluate portfolio effectiveness, such as future needs in local areas, energy-use limitations, and operational characteristics, such as facility type. PG&E notes that removing these criteria will give the CPE flexibility to define attributes for operational characteristics that mitigate barriers for participation (*e.g.*, using dispatchability versus non-dispatchability, resource type/fuel source, availability during hours of the day).

CalCCA and Calpine generally support PG&E's proposal.[36] Calpine supports giving the CPE discretion on operational characteristics so long as the CPE provides transparency about how the characteristics will be considered and market participants have an opportunity to comment. Cal Advocates recommends keeping the heat rate requirement, as it provides information relevant to the state's emission reduction goals and the CEC maintains a public database of heat rates so LSEs have access to this information.[37]

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[35] *Id*.

[36] Calpine Opening Comments at 3, CalCCA Opening Comments at 9.

[37] Cal Advocates Opening Comments at 13.

Calpine also proposes discouraging the CPEs from requiring "detailed data on unit operating characteristics for shown capacity."[38] Calpine argues that it is not clear that such information is useful for bid evaluation and is not typically included in RA-only transactions, forcing LSEs to obtain data from suppliers. MRP and AReM support Calpine's proposal.[39]

3.2.2. Proposals on CPE Selection Process

Calpine recommends that the CPEs should not include restrictions on terms that are not required by D.20-06-002, such as restrictions on long-term contracts.[40] Calpine states that the CPE should be encouraged to negotiate long-term contracts bilaterally and obtain approval through an advice letter.

MRP and Cal Advocates support Calpine's proposal.[41] Cal Advocates reasons that overly prescriptive requirements may discourage LSE offers and recommends requiring the CPE to consider bids of any length greater than or equal to one month. SCE supports allowing the CPE to bilaterally contract resources if needed but notes that executing contracts of five years or more requires a Tier 3 Advice Letter, which would not be approved in time for the CPE's showing.[42] PG&E opposes Calpine's proposal and states that the CPE should have discretion to determine appropriate term lengths to best meet procurement obligations.[43]

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38 Calpine Proposal at 7.

39 MRP Opening Comments at 19, AReM Opening Comments at 5.

40 Calpine Proposal at 9.

41 MRP Opening Comments at 19, Cal Advocates Opening Comments at 2.

42 SCE Opening Comments at 10.

43 PG&E Reply Comments at 20.

CalCCA proposes that the Commission neutrally review and compare bid and self-showing contracts executed by the CPE to determine if certain requirements inhibited LSEs from self-showing.[44] CalCCA recommends the Commission identify discrepancies between each CPE's requirements and determined whether those requirements are necessary.

3.2.3. Discussion

Considering the lower-than-expected participation among LSEs that bid into the CPEs' solicitation, it is important to address barriers that may be unnecessarily disincentivizing LSEs from bidding or self-showing resources into the solicitation process. The Commission finds that PG&E's proposal to modify the selection criteria and data requirements is reasonable in removing some potential barriers. We are persuaded that the LEF may not be a useful metric for local resource procurements because LEFs can change from year to year based on transmission assumptions. Additionally, some local resources do not have a LEF, which could unfairly advantage other resources in the selection process. We also concur that requiring certain operational characteristics (efficiency, age, and flexibility) may be hindering LSE participation due to the difficulty in obtaining this information. To the extent that LEFs are a useful metric, we encourage the CPEs to consider LEFs in deliberations as appropriate.

The Commission also agrees with removing heat rate from the data submittal requirements and encourages the CPE to utilize publicly available information, including heat rate, in deliberations as appropriate. Other selection criteria, such as prioritizing procurement of preferred resources, will provide information necessary for the CPE to evaluate procurement that advances the

[44] CalCCA Proposal, December 13, 2021, at 6.

state's clean energy goals. Moreover, LSEs are required to comply with the Renewables Portfolio Standard (RPS) procurement requirements, as well as the recently approved 35 million metric ton electric sector greenhouse gas planning target by 2032, which equates to a portfolio with 73 percent RPS resources and 86 percent greenhouse gas-free resources by 2032.[45] Thus, the pool of resources that LSEs bid into the CPEs' solicitations should mirror the state's transition to clean energy. To the extent that heat rate information is not publicly available or updated, the CPE is encouraged to consult with Energy Division and the CAM PRG to develop a proxy for heat rate information.

For these reasons, we adopt PG&E's proposal to revise the selection criteria and data submittal requirements. Accordingly, the selection criteria in Ordering Paragraph 14 of D.20-06-002 are replaced with the following criteria:

a. Future needs in local and sub-local areas;
b. Resource costs;
c. Operational characteristics of the resources (facility type);
d. Location of the facility (with consideration for environmental justice);
e. Costs of potential alternatives;
f. Greenhouse Gas adders;
g. Energy-use limitations; and
h. Procurement of preferred resources and energy storage (to be prioritized over fossil generation).

The CPE shall have discretion to define attributes for the operational characteristics, and such attributes shall be provided to market participants in the CPE's bidders' conference.

[45] D.20-02-004 at 94-95.

Accordingly, Ordering Paragraph 15 of D.20-06-002 is modified as follows: "In its solicitation, the central procurement entity shall direct bidders to include the CalEnviroScreen score of the resource location (or if unavailable, the pollution burden of the resource location)."

In addition, we agree with Calpine and other parties that the CPE should not include restrictions on the length of contract terms in its solicitation, as such restrictions are not authorized by the Commission and may unnecessarily deter LSE participation in the solicitation process. Accordingly, in its solicitation process, the CPE shall consider bids of any contract term length greater than or equal to one month.

3.3. CPE Procurement Outside of Annual RA Solicitation

Both PG&E and SCE assert that the CPE should be granted authority to procure outside of the all-source solicitation. PG&E states that the CPE is best positioned to evaluate the entire portfolio of local resources but that if the CPE's authority is expanded, the Commission should provide clear, narrowly defined parameters for the authority.[46]

SCE advocates for the CPE's authority to be expanded to procure outside of the annual solicitation for targeted technologies to meet specific needs.[47] SCE proposes that this should include procurement through other means, such as broker markets or bilateral transactions and on timelines other than the typical timeline. SCE proposes that the CPE use the least cost best fit methodology and, if applicable, the selection criteria adopted in D.20-06-002.

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[46] PG&E Initial Proposal at 9.

[47] SCE Initial Proposal at 8.

For contracts that exceed a five-year term, the CPE would submit a Tier 3 Advice Letter for approval. For contracts with terms of less than five years, SCE recommends that, similar to Ordering Paragraph 22 of D.20-06-002, the contract should be deemed reasonable and preapproved provided that these conditions are met: (1) the resource meets the local capacity needs identified by CAISO's Local Capacity Requirements Technical Study (LCRTS), (2) the CAM Procurement Review Group (PRG) was properly consulted, and (3) procurement was deemed by the independent evaluator (IE) to have followed all relevant Commission guidance, including the least cost best fit methodology and other selection criteria.

CalCCA supports allowing the CPE to procure outside the annual solicitation, but the procurement must be completed in June to allow sufficient time for LSE procurement.[48] CalCCA states that procurement outside of the annual solicitation should be communicated in supplemental compliance reports in June. MRP opposes PG&E's and SCE's proposals, noting the challenges the CPEs faced in meeting local requirements for 2023 and 2024.[49] MRP believes that if technology-specific procurement is needed, the Commission may authorize it as needed, such as was done in the Emergency Reliability Rulemaking.

3.3.1. Discussion

In the event of procurement shortfalls following the CPE's annual solicitation, the Commission agrees that the CPE is in the best position to evaluate the entire local portfolio and consider what additional resources are needed. Therefore, we agree that the CPE should have authority to procure

[48] CalCCA Opening Comments at 11.

[49] MRP Opening Comments at 18.

outside of the annual solicitation process in certain situations. Such outside procurement should only occur, however, if there are deficiencies following the CPEs' annual solicitation and only to cover those deficiencies. The CPE is still permitted to conduct additional solicitations following its annual solicitation, as provided in D.20-06-002. We encourage the CPEs to fill their positions to the extent possible prior to initial RA allocations in July.

Accordingly, in the event that the CPE does not procure sufficient resources to meet its multi-year local requirements following its annual all-source solicitation, the CPE is granted authority to procure additional local RA resources outside of its annual solicitation process. The CPE is authorized to use broker markets or bilateral transactions to fill short positions for any deficiencies in the three-year forward period. The CPE shall consult with the CAM PRG on plans for conducting procurement outside of its all-source solicitation, including opportunities it plans to pursue and criteria with which it plans to evaluate offers.

The CPE shall use the least cost best fit methodology and, if applicable for the procurement being undertaken, consider the selection criteria set forth in D.20-06-002, as modified in this decision. For contracts that exceed a five-year term, including bilateral or broker contracts, the CPE shall submit a Tier 3 Advice Letter for approval. For contracts with terms of five years or less, the contract should be deemed reasonable and preapproved provided that these conditions are met: (1) the resource meets the local capacity needs identified by CAISO's LCRTS, (2) the CAM PRG was properly consulted, as directed in Ordering Paragraph 13 of D.20-06-002, and (3) procurement was deemed by the IE to have followed all relevant Commission guidance, including the least cost best fit methodology and other selection criteria. For reasonable and preapproved

broker or bilateral contracts with a term of five years or less, the CPE shall notify the CAM PRG as soon as practicable after the execution of the broker or bilateral transaction.

3.4. CPE Procurement Timeline

In D.20-06-002, the following timeline was adopted for CPE procurement:[50]

- **April-May 2021**:
  - The CAISO files draft and final Local Capacity Requirements (LCR) one- and five-year ahead studies. LCR studies will include any CAISO-approved transmission upgrades from the Transmission Planning Process (TPP) LCR study.
  - LSEs in SCE and PG&E TAC areas commit to CPE to show self-procured local resources in RA filing for 2023 and 2024.
  - Parties file comments on draft and final LCR studies.
- **June 2021**:
  - The Commission adopts multi-year local RA requirements for the 2022-2024 compliance years as part of its June decision.
  - CPE receives total jurisdictional share of multi-year local RA requirements for 2022-2024 compliance years.
- **July 2021**:
  - For the SCE and PG&E TAC areas, LSEs receive initial RA allocations, including CAM credits and system, flexible, and local requirements for 2022 (but are not allocated local requirements for 2023 and 2024).
- **Late September 2021:** CPE and LSEs that voluntarily committed local resources to the CPE make local RA showing to the Commission and the CAISO.

[50] D.20-06-002 at 65.

- **Late September/early October 2021:** For PG&E and SCE's TAC areas, LSEs are allocated final CAM credits (based on coincident peak load shares) for any system and flexible capacity that was procured by the CPE during the local RA procurement process or by CAISO through its RMR process.
- **End of October 2021:** LSEs in PG&E and SCE TACs make local showing only for 2022, as well as 2022 year ahead system and flexible showings.

Parties and Energy Division offer several proposals to revise the timeline.

3.4.1. Energy Division's Proposal

Energy Division states that the current timeline accounts for CPE CAM credits being distributed in late September/early October, following the CPE's procurement filings in late September.[51] Because LSEs are dependent on these allocations to finalize year-ahead RA positions, Energy Division states that the timeline does not provide sufficient time for LSEs to manage their portfolios. Energy Division proposes to no longer require LSEs to commit self-shown resources in April – May, and to move the CPE's finalized procurement to late July. The proposed revisions are as follows:

- Late July: CPE procurement is finalized. LSEs that self-show local resources make local RA showings to the Commission. Initial year-ahead allocations in July will not include CAM credits but will include CPE procurement completed in prior years.
- Mid-August: Preliminary CPE allocations are sent to LSEs based on initial load forecast load ratios and CPE procurement filings in late July.
- Mid-September: Final CPE allocations are sent to LSEs as part of the final year-ahead LSE allocations. Final

[51] Energy Division Proposal, December 13, 2021 (Energy Division Proposal), at 4.

allocations will be based on revised load ratios provided by the August LSE load forecast revisions.

- End of October: The CPE and LSEs make year-ahead showings to the Commission and CAISO, including showings for self-shown resources provided to the CPE.

AReM and CAISO support the proposal as it gives LSEs additional time to manage system and flexible positions.[52]

Several parties oppose Energy Division's timeline, including PG&E, SCE, and Shell. PG&E opposes moving the CPEs' RA showing to late July as that gives the CPE less than four weeks for procurement after receiving final requirements.[53] PG&E opposes eliminating the April-May deadline for self-showing because the CPE needs a clear understanding of committed self-shown capacity at the time of the solicitation to prevent inefficient procurement. PG&E supports including a deadline for LSEs to receive a preliminary update to the system and flexible allocations from the CPE.

SCE states that implementing Energy Division's revisions for 2022 is impractical because SCE must launch the solicitation prior to a Phase 1 final decision.[54] The proposal contemplates the CPE will begin procurement before the CAISO LCR study results are adopted, which may lead to inefficient procurement. If the CPE final allocations are provided in early July, the CPE cannot finalize negotiations to meet the July 31 deadline. Shell argues that Energy Division's proposal still does not give LSEs sufficient time for

[52] AReM Opening Comments at 1, CAISO Opening Comments at 4.

[53] PG&E Opening Comments at 7.

[54] SCE Opening Comments at 5.

procurement and that LSEs should have at least four months from the CPEs' credit allocation to conduct final procurement for system and flexible RA.[55]

3.4.2. PG&E's Proposal

PG&E offers a proposal intended to give LSEs more time to incorporate CPE procurement results and give the CPE sufficient time to finalize procurement.[56] The proposal gives the CPE and LSEs a similar amount of time to complete necessary procurement (within 6-8 weeks) after receiving allocations. The proposed revisions are as follows:

- No Later than Mid-May: LSEs in SCE and PG&E TAC areas make self-shown commitment of local resources to the CPE for relevant compliance years.
- No Later Than Early July: CPE receives share of multi-year local RA requirements for applicable compliance years.
- July: For the SCE and PG&E TAC areas, LSEs receive initial RA allocations, including CAM credits from CPE-procured system and flexible capacity from the prior year.
- Mid-August: CPE makes local RA showing to the Commission.
- End of August: LSEs in the SCE and PG&E TAC areas receive updated CAM credits for multi-year system/flexible capacity that was procured by the CPE as a result of the CPE's multi-year local RA showing to the Commission in Mid-August.
- September: For PG&E and SCE's TAC areas, LSEs are allocated final year-ahead system and flexible RA allocations.

[55] Shell Opening Comments at 4.

[56] PG&E Revised Proposal at 5.

- End of October: LSEs in PG&E and SCE TACs make year-ahead system and flexible showings. CPE makes year-ahead showing to CAISO.

CAISO supports this timeline and the modification that early showings only apply to the Commission, as CAISO's process does not require early showings.[57] SCE supports PG&E's timeline provided that the CPE has until end of August to make its RA showing and in early September, LSEs receive updated CAM credits for capacity procured by the CPE in the most recent solicitation.[58]

AReM opposes PG&E's timeline as it delays finalizing CPE procurement by several weeks and does not have a specific deadline for allocating CAM credits to LSEs.[59] CalCCA opposes the timeline as it does not give LSEs enough time to effectively plan for year-ahead obligations.[60]

3.4.3. CalCCA's Proposal

CalCCA states that when LSEs begin procurement for 2023 RA obligations, LSEs should not compete for the same resources that the CPE is trying to procure, which may lead to over-procurement.[61] CalCCA recommends the CPE complete procurement by October two years before the operational year. For 2023, CalCCA recommends allowing expedited additional procurement to meet 2023 PG&E local needs by June 2022. This gives LSEs five months to complete procurement to meet obligations by October 2022. CalCCA also recommends that CPEs provide additional information in an updated compliance report,

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[57] CAISO Opening Comments at 4.

[58] SCE Opening Comments at 5.

[59] AReM Opening Comments at 1.

[60] CalCCA Opening Comments at 12.

[61] CalCCA Proposal at 10.

specifying allocations of system and flexible RA as a result of incremental procurement and providing reasons for procurement deferred to backstop.

CalCCA recommends the Commission and CAISO consider under what conditions CAISO would undertake backstop procurement after the year-ahead RA showings since it is unclear if local resources shown as system RA on year-ahead filings, which are not required to be shown each month, would be satisfactory to CAISO. CalCCA proposes that if the CPE fails to meet full procurement needs by June, system and flexible RA waivers should be considered for LSEs whose procurement was impacted by the shortfalls.

CalCCA's revisions to the existing RA timeline are as follows:

- February – May 2022: CPE conducts additional all-source solicitations for 2023.
- June 2022: The Commission adopts multi-year local RA requirements for the 2023-2025 compliance years as part of its June decision. CPE receives share of multi-year local RA requirements for 2023-2025 compliance years. CPE completes all-source solicitations for 2023 and submits updated compliance report.

Shell supports CalCCA's proposed timeline.[62]

Several parties oppose CalCCA's proposal, including PG&E, AReM, SCE, and Cal Advocates. PG&E states that moving CPE procurement results to June is untenable, unnecessary, and will constrain efficient procurement.[63]
Cal Advocates likewise opposes moving CPE procurement to June since local requirements are not finalized until June and requiring the CPE to complete procurement based on an uncertain target may result in over-procurement and

[62] Shell Opening Comments at 5.

[63] PG&E Opening Comments at 3, 5.

unnecessary ratepayer costs.[64] SCE opposes requiring the CPE to conduct an additional solicitation in February 2022 because the SCE CPE largely met its procurement targets for 2023 and the small residual amount left to procure can be met in the next solicitation.[65] AReM opposes CalCCA's timeline because it does not set specific deadlines for finalizing procurement and issuing final CAM credits to LSEs.[66]

3.4.4. Discussion

In considering revisions to the CPE procurement timeline, the Commission must balance the need for LSEs to have sufficient time to incorporate the CPE's procurement actions into their system and flexible RA portfolio planning, with the need for the CPEs to have adequate time to complete an effective all-source solicitation that accounts for self-shown resources and the procurement review process required by D.20-06-002.

Weighing the benefits and concerns raised for each proposal, the Commission finds that PG&E's proposal strikes a reasonable balance between the competing needs of LSEs and the CPEs in that it gives both LSEs and the CPEs a similar amount of time (6-8 weeks) to complete necessary procurement after receiving allocations. Under PG&E's proposal, CPE allocations will be sent to LSEs at the end of August to assign LSEs in managing their system and flexible positions. As discussed in Section 3.3, the CPE is authorized to procure outside of the annual all-source solicitation if there are any deficiencies in meeting the CPE's multi-year local requirements after the annual solicitation process.

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[64] Cal Advocates Reply Comments at 3.

[65] SCE Opening Comments at 5.

[66] AReM Opening Comments at 2.

Accordingly, the following timeline is adopted for CPE procurement and replaces the timeline adopted in Ordering Paragraph 28 of D.20-06-002:

- **April-May**: The CAISO files draft and final LCR one- and five-year ahead studies. LCR studies will include any CAISO-approved transmission upgrades from the TPP LCR study. Parties file comments on draft and final LCR studies.
- **No Later Than Mid-May:** LSEs in SCE and PG&E TAC areas make self-shown commitment of local resources to the CPE for the applicable RA years.
- **No Later than June**: The Commission adopts multi-year local RA requirements for the applicable compliance years as part of its June decision.
- **No Later Than Early July**: CPE receives total jurisdictional share of multi-year local RA requirements for the applicable compliance years.
- **July**:
  - For the SCE and PG&E TAC areas, LSEs receive initial RA allocations, including CAM credits from CPE-procured system and flexible capacity from the prior year and any bilateral contracts.
  - For the SDG&E TAC area, LSEs receive initial RA allocations (system, flexible, local requirements) and CAM credits.
- **Mid-August**: CPE makes local RA showing to the Commission.
- **End of August**: LSEs in the SCE and PG&E TAC areas receive updated CAM credits for multi-year system/flexible capacity that was procured by the CPE as a result of the CPE's multi-year local RA showing to the Commission in Mid-August.
- **September**:
  - For PG&E and SCE's TAC areas, LSEs are allocated final year-ahead system and flexible RA allocations,

including CAM credits from CPE-procured system and flexible RA capacity based on revised year-ahead load forecast load ratios.

- For the SDG&E TAC area, LSEs receive final RA allocations (system, flexible, local requirements) and CAM credits.

- **End of October**:
  - LSEs in SDG&E TACs make system, flexible, and three-year local RA showing.
  - LSEs in PG&E and SCE TACs make year-ahead system and flexible showings, and provide applicable justification statements for local resources not self-shown or bid to the CPE.
  - CPEs and LSEs that committed to self-show make year-ahead showing to CAISO.

Given the procurement shortfalls in the PG&E TAC area for the 2023 RA compliance year, we find it reasonable to give LSEs in the PG&E TAC area additional flexibility in securing their year-ahead system and flexible RA portfolios. As such, for 2023 year-ahead RA compliance only, Energy Division will not send deficiency notices to LSEs serving load in the PG&E TAC area earlier than January 1 following the year-ahead showing deadline.

3.5. Local Capacity Requirement Reduction Compensation Mechanism (LCR RCM)

In D.20-12-006, the Commission adopted the LCR RCM for new preferred resources and new energy resources that are selected by the CPE. To calculate the pre-determined local price, the Commission directed that:[67]

> If selected, the LSE shall be paid the showing price (pre-determined or below) without annual adjustment for

[67] D.20-12-006 at OP 3.

effectiveness. The showing price shall not exceed the pre-determined local price, which is calculated as follows:

- Year 1: Use the weighted average price from the last four quarters of the Energy Division Power Charge Indifference Adjustment (PCIA) responses for system and local RA; subtract system RA price from local RA price.
- Subsequent Years: Use the weighted average price from the last four quarters of Energy Division PCIA responses for system RA and the most recent weighted average price reported in the CPE solicitation results (prior year's results) for local RA; subtract system RA price from local RA price.

Energy Division and Calpine put forth proposals to modify the LCR RCM calculation.

After reviewing the CPEs' Annual Compliance Reports, Energy Division observes that for the 2023 compliance year, the CPEs procured a very limited number of RA-only contracts. Energy Division states that "due to the LSE self-shown resources, contracts that include energy settlement, and the need for additional CPE procurement in PG&E's service area for 2023, certain local areas did not have any RA-only contracts executed by the CPE."[68] As a result, Energy Division believes it is not possible to implement the LCR RCM calculation for subsequent years at the local-area level, as directed in D.20-12-006.

Energy Division recommends that rather than basing the local RA price calculation on "the most recent weighted average price reported in the CPE solicitation results," the local price should be calculated as the weighted average price from the last four quarters of Energy Division PCIA responses for local RA.

[68] Energy Division Proposal at 2.

In other words, apply the calculation for Year 1 of the LCR RCM to subsequent years. Energy Division states that the PCIA data includes RA-only contracts reported by the CPEs, as well as other LSE contracts for local resources. The LCR RCM would continue to be the difference between the system RA and local RA prices.

SCE agrees with Energy Division's proposal.[69] Calpine believes PCIA data includes transactions for local resources that have not necessarily been contracted for local capacity and Energy Division's proposal would understate the premium for local RA unless the calculation to derive local premia were limited transactions for local capacity.[70] Calpine recommends limiting the calculation of local premia to transactions for local RA capacity, including bilateral and CPE transactions. If there is insufficient data for specific local areas, Calpine recommends calculating premia for aggregations of local areas.

Calpine also offers a proposal to revise the LCR RCM calculation, as the methodology reflects the difference between MW-weighted average system and local prices.[71] Calpine states the MW-weighted system price overestimates the highest demand months and underestimates the local premium, and proposes that the premium be calculated month-by-month. SCE opposes changing the LCR RCM calculation since there was insufficient contract pricing from the CPEs' first year solicitations to update the calculation.[72]

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[69] SCE Opening Comments at 9.

[70] Calpine Opening Comments at 2.

[71] Calpine Proposal at 5.

[72] SCE Opening Comments at 9.

3.5.1. Discussion

Given the limited number of RA-only contracts procured for the 2023 compliance year by the CPEs, the Commission agrees that the calculation for the LCR RCM in subsequent years cannot be applied. We find Energy Division's proposal to apply the calculation for Year 1 to subsequent years to be reasonable, and we adopt it here.

Accordingly, Ordering Paragraph 3 of D.20-12-006 is modified as follows:

> If selected, the LSE shall be paid the showing price (pre-determined or below) without annual adjustment for effectiveness. The showing price shall not exceed the pre-determined local price, which is calculated as follows:
>
> - Use the weighted average price from the last four quarters of the Energy Division PCIA responses for system and local RA; subtract system RA price from local RA price.

With respect to Calpine's proposal, the Commission agrees with parties that there is insufficient contract pricing data to consider changes to the LCR RCM calculation at this time, and we decline to adopt further modifications.

The Commission recognizes that some parties raise proposals to modify the LCR RCM to apply to either gas resources or existing preferred resources.[73] We note that these topics were raised and considered by the Commission prior to the issuance of D.20-06-002 and D.20-12-006. The LCR RCM was specifically designed to incentivize self-showing of new preferred or energy storage resources. In D.20-12-006, the Commission stated:

> The Commission's original rationale for considering a potential LCR RCM was to incentivize, or at the very least not allow the CPE framework to discourage, LSE development of

[73] *See* Calpine Proposal at 5, CEJA/UCS Opening Comments at 4.

new preferred or energy storage resources in local areas to meet their system or flexible RA requirements.[74]

The Commission declines to relitigate these issues here. In D.20-06-002, Energy Division was directed to submit a report by 2025 assessing the effectiveness of the CPE structure and such evaluation will consider the effectiveness of the LCR RCM.[75] As discussed below, Energy Division is directed to submit this report in 2024.

3.6. Investor-Owned Utility Bidding at Levelized Fixed Costs

In D.20-06-002, the Commission directed that the IOU "bid its own resources, that are not already allocated to all benefiting customers, into the solicitation process at their levelized fixed costs."[76] Levelized fixed costs refer to "the annual revenue requirement for utility-owned resources or the PPA price for contracted resources."[77] PG&E and SCE put forth two proposals on the levelized fixed cost requirement.

PG&E asserts that the fixed cost requirement is incompatible with the products/attributes procured by the CPE and how the bundled procurement arm's portfolio is comprised.[78] PG&E states that, for example, a resource's contracted price may contain all product attributes, such as renewable energy and renewable energy credits, and components of the contracted price cannot be parsed out. PG&E states that the CPE has no clear authority to procure all product attributes and CAM does not allocate renewable energy credits to

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[74] D.20-12-006 at 22.

[75] D.20-06-002 at 35.

[76] *Id*. at OP 11.

[77] *Id*. at 48.

[78] PG&E Initial Proposal at 8.

benefiting customers. PG&E also argues that the fixed cost requirement creates barriers for IOU participation in the CPE process and recommends removing the requirement. Rather, PG&E proposes that the IOU's bundled procurement arm file a Tier 2 Advice Letter proposing a methodology for bidding utility-owned generation (UOG) and other contracted resources into the CPE process.

SCE likewise advocates for removing the levelized cost requirement because it puts IOUs acting as the CPE at a disadvantage by not allowing them to bid at market prices like other LSEs.[79] SCE argues that it prevents IOUs from bidding competitively, which may result in the CPE procuring resources at higher premiums and socializing that cost to all customers. SCE notes that any concerns about unfair competitive advantage by IOUs are unfounded and that any potential unfair competitive advantage is covered by layers of protection established in D.20-06-002 (*e.g.*, competitive neutrality rules and code of conduct, IE monitoring, bid submission to the CAM PRG and IE, internal firewalls).

Cal Advocates supports PG&E's proposal and states that if the IOU resource's price calculation includes products the CPE does not use or re-distribute, ratepayers are harmed by the inefficiencies and improper pricing.[80] Cal Advocates recommends that changes to the fixed cost requirement should apply to both CPEs in the same manner and the IOUs should jointly file a Tier 2 Advice Letter proposing changes. In reply comments, PG&E opposes standardizing IOUs' bid methodologies because each IOU has different portfolios and contracts, and requiring the same methodology is not in the best interest of customers and potentially implicates antitrust laws.[81] SCE supports

[79] SCE Initial Proposal at 6.

[80] Cal Advocates Opening Comments at 7.

[81] PG&E Reply Comments at 19.

PG&E's proposal.[82] Alternatively, SCE states that the CPE should be permitted to bid in a monthly shaped price, which would allow more competitive offers as compared to other LSEs.

MRP and CalCCA oppose removing the fixed cost requirement.[83] MRP states that IOUs are not like other market participants because IOUs have the PCIA for resources regardless of the bid price offered. MRP states that if the CPE accepts the levelized fixed cost bid, costs are allocated to customers through CAM; if the CPE does not accept the fixed cost bid, customers of certain vintages pay the difference through the PCIA. MRP opposes removing the requirement without further discussion to understand the impact on PCIA and CAM costs. CalCCA similarly argues that allowing IOUs to bid resources at a value other than the levelized fixed cost means allowing IOUs to charge CAM customers at a different cost than the cost charged to PCIA customers, effectively transferring costs from one set of customers to another.

In reply comments, SCE disagrees with MRP and CalCCA and states that it is not true that allowing the IOUs to bid resources at market prices would produce a cost shift.[84] SCE states that the revenue from IOU sales would offset the cost of PCIA contracts in the same way other IOU sales of Renewable Energy Credits and RA do while providing LSEs with CAM credits for resources competitively procured by the CPE.

3.6.1. Discussion

Parties raise concerns that if the levelized fixed cost requirement results in inefficient and improper pricing of IOU resources, this can result in

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[82] SCE Opening Comments at 7.

[83] CalCCA Opening Comments at 9, MRP Opening Comments at 13.

[84] SCE Reply Comments at 2.

disincentivizing IOUs from participating in the CPE's solicitation or result in the CPE procuring IOU resources at costs that do not reflect market rates. The Commission is persuaded that these concerns favor removing the levelized fixed cost requirement. We also agree that there are numerous layers of protection in place to address unfair competitive advantage concerns with IOUs bidding as the CPE, such as the IOUs' submission of bids to the CAM PRG and IE in advance of other market participants' bids and the IE monitoring the CPE solicitation process. With respect to parties' concerns regarding the PCIA, we agree with SCE that sales of PCIA resources to the CPE through a competitive process should not result in an unfair cost shift.

As such, the Commission deems that the levelized fixed cost requirement should be removed and IOUs should be permitted to bid their resources into the CPE's solicitation at competitive market prices. As directed in D.20-06-002, IOU bids will be subject to review by the IE and CAM PRG. Accordingly, the levelized fixed cost requirement adopted in Ordering Paragraph 11 of D.20-06-002 is eliminated.

3.7. Additional Reporting Requirements

Several parties, including MRP, WPTF, and CalCCA, have concerns about the lack of transparency and information about the CPE procurement process, particularly given the PG&E CPE's procurement shortfalls for 2023 and 2024. These parties generally state that the information provided by the PG&E CPE, through the Annual Compliance report and supplemental responses, does not sufficiently explain the reasons behind the procurement shortfalls, including why self-shown capacity or bids were rejected by the CPE.[85]

[85] *See* WPTF Proposal, December 23, 2021 (WPTF Proposal), at 2, MRP Proposal, December 23, 2021 (MRP Proposal), at 6, CalCCA Proposal at 4.

MRP and WPTF propose that Energy Division prepare a report on the CPE structure's effectiveness given the outcome of the initial CPE procurement. WPTF recommends a report on reasons behind the PG&E and SCE CPE's procurement shortfalls to be submitted in February 2022.[86] MRP recommends a report in 2022 on why resources did not participate in the solicitation, why the CPE rejected self-shown capacity, and whether lack of penalties or risk of backstop in 2021 resulted in lower CPE procurement.[87]

In addition, CalCCA, MRP, and WPTF propose that the CPEs submit additional information in their Compliance Reports. CalCCA proposes that the CPEs file updated Compliance Reports requiring the following:[88]

- The amount of local RA self-shown to the CPE, with resources shown for no compensation and under the LCR RCM;
- The amount of local RA bid as a bundled product in the CPE solicitation;
- The amount of local RA procured by the CPE, with the amount procured through self-showing and bids;
- Reasons for rejecting or withdrawing bids or self-showing offers for each category of procurement; an
- Of the resources not procured, the nature of the entity that controls the asset (i.e., generator, LSE, marketer).

MRP proposes that future CPE compliance reports include:[89]

- Aggregate amount of offers (by MW and local area) the CPE received and the CPE did not accept;

[86] WPTF Proposal at 4.

[87] MRP Proposal at 4.

[88] CalCCA Proposal at 12.

[89] MRP Proposal at 6.

- Aggregate amount of self-shown resources (by MW and local area) to the CPE and the CPE did not accept;
- Reasons – not associated with amounts of capacity or parties –the CPE rejected offered or self-shown capacity; and
- List of resources the CPE accepted, shown and offered, in MWs and by local area.

WPTF recommends that future CPE compliance reports include:[90]

- Total amount of local RA resources offered to the CPE for no compensation or under the LCR RCM.
- Total amount of local RA resources bid into the CPE's solicitation.
- Total amount of CPE-procured and shown/accepted local resources by category (i.e., no compensation, under LCR RCM, awarded bids).
- For each CPE-procured and shown/accepted resource, resource's CAISO Resource ID and type of entity that controls the resource.
- Explanation of CPE's reasons for rejecting offered capacity, including amount of capacity rejected by resource category.

AReM, Calpine, and CEJA/UCS support the proposals for standardizing the compliance reports.[91] CEJA/UCS also recommend transparency with the IE report to include aggregated information about preferred resources bid or self-shown, generation resources selected from disadvantaged communities, and

[90] WPTF Proposal at 4.

[91] AReM Opening Comments at 5, CEJA/UCS Opening Comments at 5, Calpine Opening Comments at 4.

total fossil fuel capacity procured. Cal Advocates supports CEJA/UCS's proposal.[92]

SCE and PG&E oppose additional reporting in the compliance reports. Both parties oppose reporting confidential information that cannot be shared with market participants and where disclosure can negatively impact the CPE process.[93] PG&E points out that there is an established process for a designated non-market participant to review the confidential Annual Compliance Report upon execution of a non-disclosure agreement. In reply comments, CalCCA, MRP, and WPTF generally state that the proposed information can be aggregated to protect confidentiality of market participants.[94] Cal Advocates cautions that there are instances when data aggregation may be insufficient to protect market-sensitive data, such as when there are only a handful of offers.[95]

CEJA/UCS support WPTF and MRP's proposals for a 2022 Energy Division report.[96] SCE opposes a 2022 Energy Division report.[97]

3.7.1. Discussion

The Commission agrees that additional transparency in the CPE procurement process would be beneficial to improving the CPE framework. We also recognize that protecting market-sensitive information in the CPE's possession is critical to the effective functioning of the CPE structure. In balancing these interests, the Commission is persuaded that the CPEs' Annual

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92 Cal Advocates Reply Comments at 1.

93 SCE Opening Comments at 10, PG&E Opening Comments at 15.

94 CalCCA Reply Comments at 6, WPTF Reply Comments at 3, MRP Reply Comments at 5.

95 Cal Advocates Reply Comments at 2.

96 CEJA/UCS Opening Comments at 7.

97 SCE Opening Comments at 10.

Compliance Reports should disclose certain aggregated information about the solicitation process that does not disclose market-sensitive information. We agree with parties that support disclosure of additional information about preferred resources selected by the CPE and procurement of generation facilities located in Disadvantaged Communities, so long as such information is aggregated to protect market-sensitive information.

Accordingly, the CPE's Annual Compliance Report shall include the following information:

1) Total local RA allocation for the CPE from the Commission;
2) Total local demand response (DR) resources allocated for the CPE by the Commission;
3) Total local CAM resources (non-DR) applied towards CPE requirements;
4) Total local resources procured by the CPE;
5) Total LSE self-shown local resources;
6) Net total position associated with the CPE;
7) Total capacity of preferred resources that were bid or shown to the CPE;
8) Total capacity of preferred resources selected and not selected by the CPE; and
9) Total capacity of MW procured by the CPE from generation facilities located in Disadvantaged Communities.

The new data requirements for the Annual Compliance Report shall be effective for the 2023 Annual Compliance Report. To the extent that parties seek to gain access to confidential information, we note that there is an established process for a designated non-market participant to review the Annual Compliance Reports upon execution of a non-disclosure agreement.

Because the CPEs began their first solicitations in 2021, additional monitoring and data are necessary to evaluate the overall effectiveness of the CPE structure. In D.20-06-002, the Commission authorized Energy Division to prepare a report assessing the effectiveness of the CPE structure by 2025.[98] We agree with parties that an earlier assessment of the effectiveness of the CPE structure is necessary. Accordingly, Energy Division is authorized to submit this report in 2024. The newly-adopted data requirements for the Annual Compliance Report will provide necessary insight into the CPE procurement process in furtherance of Energy Division's report. In its report, Energy Division is also authorized to provide an assessment of the justification statements submitted by LSEs that declined to self-show or bid local resources to the CPE.

3.8. Confidentiality of CPE Information

PG&E expresses concern that it is unclear that the confidentiality protections established by D.06-06-066 apply to CPE procurement information, or information related to the CPE submitted by PG&E to the Commission.[99] PG&E states that because D.06-06-066 appears to apply to market-sensitive information submitted by IOUs to the Commission resulting from a procurement plan, D.06-06-066 may not be adequate to protect CPE information in the event of a California Public Records Act or Freedom of Information Act Request. PG&E asserts that given the unique nature of CPE procurement, it is necessary to protect market-sensitive CPE transaction information that impacts parties that transact with the CPE, LSEs on behalf of the which the CPE procures, and ratepayers.

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[98] D.20-06-002 at 35.

[99] PG&E Initial Proposal at 15.

PG&E proposes a matrix that outlines the applicable bases for confidential treatment of information submitted by PG&E to the Commission related to the CPE.[100] PG&E further recommends that the Commission expressly state that certain CPE information qualifies for confidentiality protections under various California statutes, including propriety and trade secret information, third-party information subject to non-disclosure agreements, and commercially sensitive information.

CalCCA provides revisions to PG&E's category for "Contract Terms and Conditions," stating that contract summaries must be made public to be consistent with the confidentiality matrix in D.06-06-066.[101] CalCCA adds that the proposed "Forecasted RA Requirements" category is unclear based on the described basis for confidential treatment. PG&E counters that D.06-06-066 and Pub. Util. Code § 4545.5(g) are only one basis for entities to request confidential treatment from the Commission and that PG&E's proposed matrix is intended to draw on all relevant legal bases applicable to CPE information.[102] PG&E agrees that the "Forecasted RA Requirements" may create confusion and recommends removing the category.

3.8.1. Discussion

D.06-06-066 established procedures to be followed when an IOU seeks confidential treatment of certain market-sensitive information submitted in procurement plans and related documents. The Commission adopted an IOU Matrix in D.06-06-066 that identified categories of information deemed confidential. The CPE framework in the RA program was adopted in 2020 in

[100] *Id.*, Appendix A.

[101] CalCCA Opening Comments at 13.

[102] PG&E Reply Comments at 13.

D.20-06-002. Because CPE procurement and filings were not established when the D.06-06-066 confidentiality matrix was adopted, and the nature of CPE procurement is different from procurement solely on behalf of bundled customers, it is necessary to adopt a matrix to protect market-sensitive CPE information and provide uniform guidance to the CPE.

The Commission may preemptively adopt confidential matrices that designate certain information as confidential or public in a decision, pursuant to General Order (GO) 66-D, Section 3.4(a).[103] In addition, D.20-08-031, adopting GO 66-D, provides that the "official information" privilege in California Evidence Code § 1040 provides a legal basis for the Commission to refrain from disclosing certain information acquired in confidence by the Commission "where disclosure is either prohibited by federal or state law, or where there is a need for confidentiality that outweighs the necessity for disclosure in the interests of justice."[104]

The Commission recognizes the importance of protecting market-sensitive information in the CPE's possession that may reveal market prices and competitive bid information, as disclosure of such information may adversely impact ratepayer interests, LSEs on behalf of which the CPE procures, and market participants transacting with the CPE. For these reasons, the

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[103] GO 66-D, Section 3.4(a) provides:

> The Commission may adopt confidential matrices which preemptively designate certain information as confidential or public in a decision. Information submitted to the Commission per this Section shall clearly designate the relevant decision adopting the applicable confidential determination. If the information is appropriately identified as being preemptively determined to be confidential, the Commission will not release information in response to a CPRA, unless by order of the Commission.

[104] D.20-09-031, Conclusion of Law 6.

Commission finds that preemptively designating certain CPE information as confidential is warranted here, as the need for confidentiality outweighs the need for disclosure, pursuant to GO 66-D.

The Commission deems PG&E's proposed matrix to be reasonable, subject to certain revisions. We agree with the removal of the "Forecasted RA Requirements" category. We also find that the time period for data to be kept confidential under the "Contracts and power purchase agreements" category should be modified to remove the "1-year after expiration," as this can be burdensome to track. The three-year time period should start from the contract execution date, rather than the delivery start date, to simplify the tracking process.

Accordingly, PG&E's Attachment A matrix is adopted with modifications. The adopted matrix is attached here as Appendix A. Given the recent inception of the CPE framework, the Commission may refine the confidentiality matrix in the future as additional information arises. The CPEs shall track whether information previously designated as confidential becomes public and provide such tracking to Energy Division Staff upon request. The process for seeking confidentiality protection for data contained in the adopted matrix shall be the same as the process adopted in D.20-07-005.[105]

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[105] D.20-07-006 at Ordering Paragraph 3:

> Where a party seeks confidentiality protection for data contained in the Matrix, its burden shall be to prove that the data match the Matrix category. Once it does so, it is entitled to the protection the Matrix provides for that category. The submitting party must file a motion in accordance with Law and Motion Resolution ALJ-164 or any successor Rule, accompanied with any proposed designation of confidentiality, proving:
>
> (1) That the material it is submitting constitutes a particular type of data listed in the Matrix,

Footnote continued on next page.

In addition, PG&E requests that the Commission expressly state that general categories of CPE information qualify for confidentiality protection under various California codes. The Commission finds that these requests are unnecessary and overly broad. The information contained in the matrix, adopted in this decision, is specific to the CPE's procurement efforts, which impact various third-parties including LSEs and other market participants. Thus, the information is market-sensitive and entitled to confidentiality protections. The CPEs may cite to additional authority when submitting confidential information, either pursuant to the matrix or otherwise.

3.9. Swaps

Calpine proposes that the CPE should be permitted to facilitate swaps of local RA for system RA.[106] Calpine states that "[s]waps involve participants in a solicitation offering at a price at which they are willing to provide local capacity to the buyer in return for system capacity."[107] Calpine recommends that the CPE should be permitted to solicit offers for system RA capacity to execute swaps.

PG&E, SCE, and Cal Advocates oppose the proposal.[108] Cal Advocates states that allowing CPE procurement of system RA would significantly increase the scope of procurement, slow down the solicitation process, and require

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(2) Which category or categories in the Matrix the data correspond to,

(3) That it is complying with the limitations on confidentiality specified in the Matrix for that type of data,

(4) That the information is not already public, and

(5) That the data cannot be aggregated, redacted, summarized, masked or otherwise protected in a way that allows partial disclosure.

106 Calpine Proposal at 6.

107 *Id*.

108 Cal Advocates Opening Comments at 4, SCE Opening Comments at 9, PG&E Reply Comments at 21.

substantial modification to the CPE's design.[109] SCE states that the proposal adds obligations and risk to the CPE and should not be rushed through an expedited track.[110] PG&E states that swaps may have unintended consequences that require the CPE to act as a market broker and extend beyond the scope of the CPE.[111] MRP supports this proposal.[112]

The Commission agrees with parties' concerns in opposing this proposal and declines to adopt it. We encourage LSEs to engage in swap transactions for local resources located in local areas outside of the TAC areas they serve load in ahead of the annual CPE solicitation. This will help ensure that the incentives to self-show local resources to the CPE are aligned, and allow for LSEs to potentially extract local premium values for resources in exchange for a needed system MW.

3.10. Cost Recovery

3.10.1. Forecasted CPE Costs

In D.20-06-002, the Commission adopted the CAM methodology as the cost recovery mechanism to cover procurement and administrative costs incurred by the CPE.[113] PG&E states that while CPE administrative costs associated with the CPE function are submitted for review in the annual Energy Resource Recovery Account (ERRA) forecast and compliance process, there is no direction requiring the CPE to present forecasted CPE procurement costs for cost

[109] Cal Advocates Opening Comments at 4.

[110] SCE Opening Comments at 9.

[111] PG&E Reply Comments at 21.

[112] MRP Opening Comments at 19.

[113] D.20-06-002 at OP 16.

recovery.[114] PG&E recommends that CPE procurement costs be forecasted and implemented in rates through the annual ERRA forecast proceeding and handled in a separate confidential chapter in ERRA forecast testimony. PG&E states that, similar to Ordering Paragraph 10 of D.20-12-006, the confidential contents of the chapter should only be viewable to PG&E's CPE and support personnel.

PG&E also proposes that only CPE transactions that include compensation or sale of system RA attributes to the CPE should be required for inclusion in supporting workpapers or other testimony. PG&E recommends that transactions for self-shown resources for no compensation or sale of system RA attributes should not be required to be presented in the ERRA forecast as those agreements have no incremental impact on an IOU's revenue requirement forecast for the applicable ERRA forecast year.

Cal Advocates states that the Commission should consider the large volume of accounting that CPE procurement adds to the ERRA forecast filing.[115] If PG&E's proposal is adopted, Cal Advocates recommends that CPE forecasts and associated rates impacted should be provided in the supplemental ERRA forecast application and updates be filed in supplemental testimony no later than October of the filing year. PG&E responds that it is unclear what a supplemental application will entail, as Commission rules do not provide for application supplements.[116] PG&E clarifies that it will forecast annual CPE-related costs in the initial ERRA forecast application and update testimony to reflect cost changes. PG&E states that schedule changes applicable to IOUs' ERRA forecasts

[114] PG&E Initial Proposal at 10.

[115] Cal Advocates Opening Comments at 9.

[116] PG&E Reply Comments at 8.

should not be made in the instant proceeding given the complexities of the ERRA proceeding schedule.

The Commission finds PG&E's proposal to be reasonable and adopts it here. Accordingly, CPE procurement costs shall be forecasted and implemented in rates through the annual ERRA forecast proceeding. The CPE procurement costs shall be handled in a separate confidential chapter in ERRA forecast testimony, whereby the confidential contents shall only be viewable to the IOU CPE's personnel and support personnel, including staff such as contract management, law and regulatory compliance staff. In addition, only CPE transactions that include compensation or sale of system RA attributes to the CPE shall be required for inclusion in supporting workpapers or other testimony.

3.10.2. Transactions with IOUs

In D.20-06-002, the Commission directed that:

> Investor-owned utility (IOU) resources procured by the central procurement entity shall be reclassified from their existing cost recovery mechanisms designations to the Cost Allocation Mechanism (CAM) for the duration of the contract with the central procurement entity. After that time, IOU resources shall be reclassified back to their existing cost recovery mechanism designation.[117]

PG&E states that it is not clear whether this direction applies to certain scenarios; for example, whether it applies only to costs associated with capacity attributes or all associated procurement costs, or whether self-shown IOU resources are reclassified.[118] PG&E proposes the following clarifications:

- An IOU LSE transaction with the CPE should be presented as it would be if the transaction was with an LSE (*e.g.*, RA

[117] D.20-06-002 at OP 12.

[118] PG&E Initial Proposal at 11.

sale from PCIA-eligible resource to the CPE would continue to be an RA sale in the PCIA revenue calculation).

- Existing principles on how attributes are sold between entities and presented for cost recovery should be maintained.
- Only attributes identified in a CPE agreement as sold to the CPE should be recovered as volumes and costs with CAM.
- Self-shown IOU resources with no transaction should not be recorded as an RA purchase by the CPE within CAM or the underlying cost recovery mechanism. Self-shown IOU resources that receive a LCR RCM credit will be modeled as revenue only transactions, but because they do not include system RA being sold to the CPE, no system RA volumes would be presented as being sold from one cost recovery mechanism to CAM.
- Unsold PCIA-eligible resource with system RA within a local area will continue to be retained based on the local RA price benchmark. The underlying position for PCIA-eligible resources self-shown or unsold will continue to be retained based on the local RA benchmark in the ERRA forecast proceeding.

SCE similarly requests clarification regarding cost recovery for IOU transactions. SCE states that Ordering Paragraph 12 of D.20-06-002 can be interpreted to mean that the full costs of PCIA contracts selected by the CPE are moved to CAM and back to PCIA. SCE states that this is problematic for contracts, such as Renewables Portfolio Standard (RPS) contracts, as the CPE should be procuring only local attributes, not RPS attributes.[119] If the full costs of RPS contracts are moved to CAM, CAM customers pay for RPS attributes they may not receive because RPS attributes cannot be allocated to CAM customers. SCE adds states that in D.21-05-030, PCIA-eligible resources can elect to receive

[119] SCE Initial Proposal at 9.

allocations of customers' vintaged load shares of RPS attributes from IOUs' PCIA portfolios, if the LSE pays the IOU market value of the allocated RPS resources.

To address this, SCE recommends that an IOU contract providing local attributes procured by the CPE should stay in its original cost recovery mechanism for the duration of the CPE contract and the CPE will apply credits/debits to the appropriate accounts to reflect costs of the local RA. For example, if an IOU resource is PCIA-eligible, and costs are recorded in the Portfolio Allocation Balancing Account (PABA), costs would remain in PABA for the duration of the CPE procurement. However, costs of the local resource will be charged to CAM and offsetting credits recorded in the subaccounts of the PABA. Credits will reduce the costs recovered in PABA by the costs of the local resources procured by the CPE and recovered through CAM.

CalCCA seeks clarification regarding the Commission's statement in D.20-06-002 that "[s]hown resources are still subject to the local PCIA benchmarks adopted in D.19-10-001, which provide an RA capacity offset to the PCIA charge."[120] CalCCA states that benchmarks are applied in the PCIA for purposes of pricing resource attributes retained for bundled customer use, and if a resource is shown for local RA (rather than bid), the IOU likely has retained the resource to use as system RA. CalCCA states that if bundled customers retain the resource for system use, the appropriate price for retention is the system RA benchmark, not the local benchmark.

The Commission finds that PG&E's proposals provide necessary clarifications for how costs and benefits associated with IOU transactions (both self-shown and bid) should be accounted for. These clarifications will help

[120] CalCCA Proposal at 5 (citing D.20-06-002 at 77).

ensure IOU participation, to the fullest extent possible, in the CPE's solicitation process. We also believe that these clarifications are consistent with the cost allocation mechanism adopted in D.20-06-002. PG&E's proposals also appear to address the concerns raised by SCE. Accordingly, PG&E's proposals, outlined above, are adopted.

Regarding CalCCA's clarification, currently local RA PCIA benchmarks are based on the location of the resource, not on whether they are used to meet system RA requirements. As such, the requested clarification is inapplicable.

4. Comments on Proposed Decision

The proposed decision of ALJ Chiv in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on March 2, 2022 by: CAISO, CalCCA, Calpine, Cal Advocates, CEJA/UCS, GPI, MRP, PG&E, SCE, and Shell. Reply comments were filed on March 7, 2022 by: CalCCA, CEJA/UCS, MRP, PG&E and SCE.

All comments have been carefully considered. Significant aspects of the proposed decision that have been revised in light of comments are mentioned in this section. However, additional changes may be made to the proposed decision in response to comments that may not be discussed here. We do not summarize every comment but focus on major arguments made in which the Commission did or did not make revisions in response to party input.

CAISO and PG&E support the decision's CPE timeline. SCE comments that the timeline should be modified to give the CPE eight weeks after receiving final allocations to finalize procurement. Shell and CalCCA oppose the timeline and reiterate that LSEs do not have sufficient time to procure to meet RA obligations. CalCCA disputes that LSEs and CPEs receive a similar amount of

time to complete procurement and argues that the time between LSEs receiving credits from the CPE and year-ahead showings is reduced from 13 months to two months. PG&E disagrees with CalCCA and states that under the adopted timeline, CPEs receive final allocations in late June with a mid-August showing deadline (allowing 6-8 weeks to procure). LSEs receive final allocations at the end of August 2022 with an end of October showing deadline (allowing 6-8 weeks to procure). CalCCA reiterates that the CPE should finalize procurement by June 2022, while Shell recommends finalizing procurement by July 2022. PG&E and SCE oppose Shell's and CalCCA's proposals, as each would require the CPE to procure before receiving final allocations and would give the CPE less than four weeks to procure after receiving final allocations.

As discussed in the decision, the Commission must balance the need for LSEs to have sufficient time to incorporate the CPE's procurement into their portfolio planning, with the need for the CPE to have adequate time to complete an effective solicitation that accounts for the procurement review process. We maintain that the adopted timeline strikes the appropriate balance between the competing needs, and we decline to modify the timeline. However, given the PG&E procurement shortfalls for the 2023 compliance year, we find it reasonable to give LSEs in the PG&E TAC area additional flexibility in securing their year-ahead system and flexible RA portfolios for the 2023 RA compliance year. As such, for 2023 year-ahead RA compliance only, Energy Division will not send deficiency notices to LSEs in the PG&E TAC area before January 1 following the year-ahead showing deadline. The decision has been modified to reflect this.

CalCCA comments that assigning backstop costs if a self-shown resource cannot perform for reasons other than a planned outage may result in an LSE being subject to high backstop costs. CalCCA recommends that the CPE allocate

backstop costs pro-rata to all LSEs, commensurate with the benefits received. CalCCA states that when an LSE self-shows, it only receives a reduction in CPE costs pro-rata based on its load share in the local area. However, if the self-shown resource fails to perform, the LSE would take on 100% of the CPM cost risk, introducing additional risks to self-showing. CalCCA also proposes allowing the self-showing LSE an opportunity to substitute the non-performing resource for a like-for-like local resource, and if there is no substitution, the CPE should be allowed to replace the non-performing resource.

The Commission believes that LSEs have strong incentives to show procured local resources because of the penalty regime adopted in the RA program for system RA deficiencies. We, however, find CalCCA's proposal for allocating backstop costs pro-rata to all LSEs to be reasonable in reducing a further potential disincentive to self-showing. We also find the proposal to allow an LSE to substitute a non-performing local resource to be reasonable. It is unclear how the CPE can replace a non-performing resource, as the CPE makes its procurement ahead of the year-ahead filing and does not manage replacement throughout the year. As such, we adopt CalCCA's proposal to allow an LSE to substitute a non-performing resource for a like-for-like resource, and the proposal to allocate backstop costs pro-rata to all LSEs. The decision has been amended with these changes.

PG&E comments that existing self-showing contracts must be addressed since the decision no longer requires contracts between LSEs and the CPE. PG&E recommends adopting its previous proposal with the modification that any existing self-showing contract include, or be amended to include, a provision that results in automatic termination of the self-showing contract upon submission by the LSE to the CPE of an attestation, provided that the attestation

complies with all relevant requirements. PG&E also recommends that an amendment and/or termination of any existing self-showing contract for which an attestation is submitted should be deemed reasonable and not subject to contract management review. SCE agrees with PG&E's proposal as it would simplify the self-show process for LSEs and the CPEs. The Commission agrees with PG&E's recommendation, and the decision has been modified to add these requirements.

SCE and PG&E seek clarification as to how an LSE self-showing a preferred resource will receive payment of the LCR RCM premium. SCE proposes that an LSE that self-shows preferred resources submit an attestation that identifies the preferred resource and provides the CPE with payment instructions. The CPE will then provide acknowledgement of the LCR RCM premium and other payment terms to the LSE. PG&E recommends, by contrast, that a self-showing LSE execute a contract with the CPE that includes payment and other terms for contracting for LCR RCM-eligible resources. SCE opposes this and states that the CPE should have discretion to elect to either use PG&E's proposed process or SCE's proposal.

The Commission agrees with SCE's modified proposal that the CPE should have discretion to require the self-showing LSE to either: (a) execute a contract between the LSE and CPE with payment information and other relevant terms, or (b) submit an attestation that identifies a resource as preferred and provides payment information, with the CPE providing acknowledgment of the payment terms. According, we adopt this direction and the decision has been modified to reflect this.

PG&E proposes removing the requirement that LSEs provide planned outages 60 days before the showing month. PG&E notes that planned outages

scheduled 60 days prior can be updated up to seven days before the outage and providing this information will not necessarily assess performance. SCE disagrees and states that suppliers generally finalize outages 60 days prior because the RA requirement is for generators to submit monthly supply plans 45 days prior to the showing month. SCE states that the CPE needs planned outage information ahead of time to socialize backstop costs resulting from non-performance and to ensure that CPE's filings are consistent with the supply plan. Because this decision has been modified so that LSEs will be charged pro-rata for any backstop costs associated with non-performance of self-shown resources, the Commission finds PG&E's proposal to remove the notification requirement to be reasonable. The decision has been modified to remove the requirement.

SCE states that for procurement outside of the solicitation process, it will be difficult to consult the PRG prior to executing a broker transaction, as timing from negotiation to execution for these transactions is very short. SCE proposes that broker contracts with terms of five years or less do not require consultation with the CAM PRG prior to execution, provided the CPE follow all other selection requirements in Ordering Paragraph 12. SCE proposes to notify the PRG as soon as practicable after the execution of any broker transactions. CalCCA agrees that there may not be enough time to consult the PRG prior to executing broker or bilateral contracts; however, the CPE should be required to consult with the PRG on its plans for conducting procurement outside of the solicitation, including potential opportunities and criteria to evaluate offers. CEJA/UCS oppose SCE's proposal, stating that skipping the PRG consultation will reduce checks on evaluating the CPE process.

The Commission agrees that for broker and bilateral contracts, there may be insufficient time to consult with the PRG prior to conducting procurement

and finds that SCE's proposal is reasonable. We also agree with CalCCA that the CPE should consult with the PRG about its plans prior to conducting procurement outside of the all-source solicitation, including potential opportunities it intends to pursue and criteria to evaluate offers. Accordingly, we adopt SCE's and CalCCA's proposed modifications, and the decision has been amended with these changes.

PG&E disagrees with prohibiting restrictions on the length of contracts in the CPE's solicitation and states that allowing restrictions, especially for fossil-fuel resources, aligns with clean energy goals. In addition, because contracts exceeding five years must go through the Tier 3 Advice Letter process, such contracts will not be approved in time for the CPE's compliance obligation. CEJA/UCS comment that contracts for fossil fuel resources should be limited to five years to facilitate the orderly retirement of gas-fired plants. MRP disagrees with PG&E's and CEJA/UCS's comments, noting that this limits solutions available to maintain local reliability and that LSEs are already encouraged to develop new preferred resources through the LCR RCM and other mechanisms. While the decision requires the CPE to consider bids of any contract term length greater than one month, we note that the CPE still has discretion to procure local resources based on the CPE selection criteria and other requirements. The Commission declines to modify this requirement.

CalCCA reiterates that a flexible and system waiver should be adopted for the 2023 compliance year if the CPE does not meet its local obligations, or alternatively, that points should not be assigned to LSEs with deficiencies within the amount of credits they could have received from the CPE. The Commission notes that pursuant to D.21-06-029, LSEs only accrue points for month-ahead deficiencies, not year-ahead deficiencies. Further, as discussed above, for 2023

year-ahead RA compliance, Energy Division will not send deficiency notices to LSEs in the PG&E TAC area before January 1 following the year-ahead deadline.

MRP contends that the decision implies that there is only one annual all-source solicitation and that the Commission should not allow the CPEs to abandon additional solicitations if the first solicitation fails to secure needed capacity. SCE disagrees that that the decision abandons the solicitation process and notes that the decision proposes to use broker and bilateral contracting only if the solicitation does not produce enough supply. The Commission clarifies that a CPE may conduct additional solicitations but that the decision allows the CPE to use broker or bilateral contracting if the first solicitation fails to procure sufficient capacity.

CalCCA and MRP state that a comprehensive review of the CPE framework must be performed in later phase of the proceeding. CEJA/UCS recommend that LSEs' justification for not showing local resources be made public one year after submission to Energy Division. CalCCA opposes this and states that the justification statements are not meant to be an enforcement mechanism. Given the multiple changes adopted in this decision to eliminate disincentives to self-show/bid resources, additional procurement cycles must be completed before conducting a comprehensive review of the CPE framework. We agree with parties, however, that Energy Division should assess the effectiveness of the CPE structure earlier than 2025, and the decision is modified to authorize Energy Division to submit this report in 2024. We decline to make LSEs' justification statements public, as these statements are intended to provide information to the Commission as to whether changes to the CPE framework are warranted. Energy Division is authorized to include an assessment of the

justification statements in the 2024 report. The decision is modified with these changes.

Cal Advocates states that the decision fails to specify whether a Year 3 showing must be replaced by resources that meet the same criteria as the initial Year 3 showing. Cal Advocates recommends clarifying that LSEs may replace resources shown for Year 3 with other local resources in the same local capacity area and at least equal to the capacity of the local resources being replaced in the subsequent year's showing. SCE agrees. We agree with the clarification and the decision has been modified.

CEJA/UCS state that heat rate information should be reported by entities that bid/self-show, stating that the public database does not necessarily contain accurate information because plants may report past heat rates and new plants do not yet have a heat rate. The Commission finds that other selection criteria, including prioritizing procurement of preferred resources, will provide information necessary for the CPE to evaluate procurement that advances clean energy goals. In addition, LSEs are required to comply with the RPS requirements, as well as the recently approved 35 million metric ton electric sector greenhouse gas planning target by 2032, as directed in D.22-02-004. Thus, the pool of resources that LSEs bid into the CPEs' solicitation should mirror the state's transition to clean energy. To the extent that heat rate information is not publicly available or updated, the CPE is encouraged to consult with Energy Division and the CAM PRG to develop a proxy for heat rate information. The decision is modified with these clarifications.

CEJA/UCS comment that the confidentiality matrix does not conform to D.06-06-066, and that information that is otherwise publicly available should not be deemed confidential. Shell states that the decision should ensure that

confidentiality rules applied to the CPE's procurement information do not restrict public access more than the rules that apply to LSEs' procurement under D.06-06-066. PG&E disagrees and states that the matrix does not afford the CPE any confidentiality protections that are not also available to other LSEs, and that the matrix reflects other legal bases, in addition to D.06-06-066, to preemptively designated CPE information as confidential.

In adopting the matrix, the Commission has made a determination, consistent with D.06-06-066, as modified by D.07-05-032, that the public benefit of withholding market-sensitive information outweighs the public interest in disclosure, at least for a 3-year period. While the decision adopts a new matrix to apply to CPE procurement, the rationale of D.06-06-066 is still applicable and this decision does not afford CPEs more confidentiality protections than would be available to LSEs under relevant statutory authority. We agree that information that has been publicly disclosed should not be designated as confidential and clarify that the process for obtaining confidentiality protection under the adopted matrix, as directed in D.20-07-005, is applicable to the matrix here. That process includes requiring the party seeking protection to declare that the information is not already public.[121] The decision has been modified with this clarification.

PG&E disagrees with the matrix's limiting of the confidentiality period to three years from the contract execution date. PG&E states that this ensures disclosure of longer-term contracts in connection with the CPE's portfolio and recommends the confidentiality period to be the later of 3 years from delivery start or 1 year after expiration. CEJA/UCS oppose PG&E's proposal and note that there is a process for claiming material as confidential that is not included

[121] D.20-07-005, Decision Granting In Part Petition to Modify Decision 06-06-066, at Ordering Paragraph 3.

within the matrix. We decline to adopt confidentiality protections for an indeterminate amount of time. The matrix does not require confidential market-sensitive information to be made public three years after contract execution. Rather, after the three-year mark, the burden of proof shifts back to the party seeking confidentiality to establish that the information is still market-sensitive and entitled to be protected as such.

PG&E states that the proposed decision may be interpreted as directing IOUs to value unsold RA capacity from PCIA-eligible resources at the market price benchmark regardless of whether the RA capacity is used for the IOU's compliance and recommends clarifying this direction. We agree with the clarification to Ordering Paragraph 20(e) and the decision has been modified.

PG&E and SCE propose removing the August 1 deadline to allow LSEs to show additional capacity to the CPE. SCE comments that the deadline was intended as part of its proposed late September CPE showing; with the adoption of a mid-August showing, the August 1 deadline does not give the CPE enough time to finalize procurement. PG&E comments that LSEs that procure additional resources after mid-May, but before the LSEs' showing deadline, can include those resources in their justification statement. We agree that the August 1 deadline is unnecessary and does not provide adequate time for the CPE to finalize procurement for the mid-August CPE showing. The decision has been modified to remove the August 1 deadline.

5. Assignment of Proceeding

Alice Reynolds is the assigned Commissioner and Debbie Chiv is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. It is important to address and eliminate barriers that may be unnecessarily disincentivizing LSEs from self-showing local resources to the CPE for no compensation. SCE's proposal, with modifications, best mitigates some potential disincentives for LSEs to self-show local resources.

2. It is reasonable that existing self-shown contracts should include, or be amended to include, a provision that results in automatic termination of the contract upon submission by the LSE to the CPE of a complaint attestation.

3. Given the shortfalls in the PG&E CPE's procurement process and the low participation rates in the CPE solicitation process, it is critical to better understand why LSEs are electing not to bid or self-show local resources to the CPE.

4. It is reasonable that LSEs' self-showing commitment should be firm for Years 1 and 2, and LSEs may replace local resources shown for Year 3 with other local resources in the subsequent year's showing.

5. PG&E's proposal to modify the CPE selection criteria and data submittal requirements is reasonable in that it removes some disincentives for LSEs to self-show or bid local resources to the CPE.

6. It is reasonable that the CPE not restrict bids based on the length of contract terms in its solicitation, as such restrictions are not authorized by the Commission and may unnecessarily deter LSE participation in the solicitation process.

7. The CPE is in the best position to evaluate the entire local portfolio and consider what additional resources are needed. It is reasonable to allow the CPE to procure outside of the annual solicitation process in the event of procurement shortfalls following the annual all-source solicitation.

8. It is appropriate that when procuring outside of the annual all-source solicitation, the CPE should use the least cost best fit methodology and the selection criteria set forth in D.20-06-002, as modified in this decision.

9. PG&E's proposed CPE procurement timeline strikes a reasonable balance between the need of LSEs to have sufficient time for RA portfolio planning and the need for the CPEs to have adequate time to complete an all-source solicitation. PG&E's proposal gives both LSEs and the CPEs a similar amount of time (6-8 weeks) to complete necessary procurement after receiving allocations.

10. Given the limited number of RA-only contracts procured by the CPEs for the 2023 compliance year, the calculation for the LCR RCM adopted in Ordering Paragraph 3 of D.20-12-006 for "subsequent years" cannot be applied. Energy Division's proposal to modify the calculation for subsequent years is reasonable.

11. The requirement that IOUs bid their own resources at their levelized fixed costs may result in the CPE procuring IOU resources at inefficient, improper prices that do not reflect market costs, and that may disincentivize IOUs from participating in the CPE's solicitation.

12. It is appropriate that the CPEs' Annual Compliance Reports disclose certain aggregated information about the solicitation process that does not disclose market-sensitive information, including information about preferred resources selected by the CPE and procurement of generation facilities located in Disadvantaged Communities.

13. It is important to protect market-sensitive information in the CPE's possession that may reveal market prices and competitive bid information, as disclosure of such information may adversely impact ratepayer interests, LSEs on behalf of which the CPE procures, and market participants transacting with the CPE.

14. Pursuant to GO 66-D, preemptively designating certain CPE information as confidential is warranted, as the need for confidentiality outweighs the need for disclosure. Subject to modifications, PG&E's proposed matrix is reasonable.

15. PG&E's proposal on CPE procurement costs forecasted through the ERRA forecast proceeding is reasonable.

16. PG&E's proposals to clarify IOU transactions are necessary clarifications for how costs and benefits associated with IOU transactions should be accounted for, and will help ensure IOU participation in the CPE's solicitation process.

Conclusions of Law

1. SCE's proposal to address some disincentives for LSEs to self-show local resources should be adopted, with modifications.

2. PG&E's proposal for existing self-shown contracts to include an automatic termination provision should be adopted, with modifications.

3. PG&E's proposal to modify the selection criteria and data submittal requirements should be adopted.

4. The CPE should be required to consider bids of any contract term length greater than or equal to one month.

5. The CPE should be granted authority to procure outside of the annual solicitation process if there are deficiencies following the CPEs' annual solicitation and to cover those deficiencies.

6. PG&E's proposed CPE procurement timeline should be adopted to replace the timeline previously adopted in Ordering Paragraph 28 of D.20-06-002.

7. Energy Division's proposal to modify Ordering Paragraph 3 of D.20-12-006 should be adopted.

8. The levelized fixed cost requirement adopted in Ordering Paragraph 11 of D.20-06-002 should be removed and IOUs should be permitted to bid their resources into the CPE's solicitation at competitive market prices.

9. The CPEs' Annual Compliance Reports should disclose certain aggregated information about the solicitation process that does not disclose market-sensitive information.

10. PG&E's proposed confidentiality matrix should be adopted, with modifications.

11. PG&E's proposal on CPE procurement costs forecasted through the ERRA proceeding should be adopted.

12. PG&E's clarifications on the accounting of IOU transactions should be adopted.

O R D E R

IT IS ORDERED that:

1. The following requirements are adopted for non-performance of self-shown local resources:

   a. A self-showing load-serving entity (LSE) shall be allowed to provide a substitute local resource as the like-for-like local resource to replace non-performing self-shown resources.

   b. If the California Independent System Operator (CAISO) makes a local Capacity Procurement Mechanism (CPM) designation for an individual deficiency, the central procurement entity (CPE) shall be charged any associated

> CAISO backstop procurement costs, including for the non-performance of self-shown resources. Any backstop procurement costs allocated to the CPE shall be allocated to all LSEs in the transmission access charge area on a load ratio share basis.

"Non-performance" is defined as the failure to provide: (a) the Commission with a Resource Adequacy plan with the self-shown local resource, and (b) the CAISO with a matching supply plan for the self-shown local resource.

2. In accordance with the timeline adopted in Ordering Paragraph 13, a load-serving entity (LSE) that elects to self-show a local resource to the central procurement entity (CPE) shall execute an attestation that provides that:

a. The LSE has the capacity rights to the Resource Adequacy (RA) resource for the period it is self-showing;
b. The LSE intends to self-show the RA resource on annual and monthly RA plans to satisfy its system and/or flexible RA needs; and
c. If applicable, the resource that the LSE intends to self-show for compensation under the Local Capacity Requirement Reduction Compensation Mechanism (LCR RCM) meets the eligibility requirements pursuant to Decision 20-12-006.

These attestation requirements replace the previous requirement that a shown resource must be documented on an agreement as determined by the CPE, as provided in Ordering Paragraph 3 of Decision 20-12-006.

3. The attestation process adopted in Ordering Paragraph 2 shall apply to a load-serving entity (LSE) that bids a local resource and states that if the bid is not selected, the LSE will self-show the local resource for no compensation. The attestation shall be submitted at the time the LSE submits its bid into the central procurement entity's solicitation.

4. For compensated self-shown resources under the Local Capacity Requirement Reduction Compensation Mechanism, the central procurement entity (CPE) has discretion to require a self-showing load-serving entity (LSE) to either: (a) execute an agreement between the CPE and self-showing LSE that provides payment information and other relevant terms, or (b) submit an attestation that identifies the resource as a preferred resource and provides the LSE's payment information. For the latter attestation, the CPE will then provide acknowledgement to the LSE with payment terms.

5. For any existing self-shown resource contract, the contract shall include, or be amended to include, a provision resulting in automatic termination of the self-shown contract without any further action of the parties upon submission by the load-serving entity (LSE) to the central procurement entity (CPE) of an attestation, provided that the attestation complies with the relevant requirements and conforms to the self-shown commitment originally entered into through the contract between the CPE and LSE. Amendment and/or automatic termination of any existing self-shown resource contract for which a qualifying attestation is submitted is deemed reasonable and shall not require contract management review as part of a regulatory proceeding.

6. If a load-serving entity (LSE) either: (a) declines to self-show a local resource to the central procurement entity (CPE), or (b) declines to bid a local resource into the CPE's solicitation process, the LSE shall file a justification statement in its year-ahead Resource Adequacy filing explaining why the LSE declined to self-show or bid the local resource to the CPE.

7. A load-serving entity's (LSE) self-shown commitment must be firm for Years 1 and 2. An LSE may replace its self-shown local resources for Year 3 with other local resources located in the same local capacity area and at least equal to

the capacity of the local resources being replaced in the subsequent year's Resource Adequacy showing.

8. The selection criteria in Ordering Paragraph 14 of Decision 20-06-002 are replaced with the following criteria:

a. Future needs in local and sub-local areas;
b. Resource costs;
c. Operational characteristics of the resources (facility type);
d. Location of the facility (with consideration for environmental justice);
e. Costs of potential alternatives;
f. Greenhouse Gas adders;
g. Energy-use limitations; and
h. Procurement of preferred resources and energy storage (to be prioritized over fossil generation).

The central procurement entity (CPE) shall have discretion to define attributes for the operational characteristics and such attributes shall be provided to market participants in the CPE's bidder's conference.

9. Ordering Paragraph 15 of Decision 20-06-002 is replaced with the following: "In its solicitation, the central procurement entity shall direct bidders to include the CalEnviroScreen score of the resource location (or if unavailable, the pollution burden of the resource location)."

10. In its solicitation process, the central procurement entity shall consider bids of any contract term length greater than or equal to one month.

11. If the central procurement entity (CPE) does not procure sufficient resources to meet its multi-year local Resource Adequacy (RA) requirements following the annual all-source solicitation, the CPE is authorized to procure additional local RA resources outside of the annual all-source solicitation

process. The CPE is authorized to use broker markets or bilateral transactions to fill short positions for any deficiencies in the applicable three-year forward period. The CPE is encouraged to fill its positions to the extent possible prior to initial RA allocations in July. The CPE shall consult with the Cost Allocation Mechanism Procurement Review Group on plans for conducting procurement outside of the all-source solicitation, including opportunities it plans to pursue and criteria with which it plans to evaluate offers.

12. To guide the selection of local resources procured outside of the annual all-source solicitation, the central procurement entity (CPE) shall evaluate resources using the least cost best fit methodology and, if applicable for the procurement being undertaken, include the selection criteria set forth in Ordering Paragraph 14 of Decision (D.) 20-06-002, as modified in this decision.

For contracts that exceed a five-year term, the CPE shall submit a Tier 3 Advice Letter for approval. For a contract with a five-year term or less the contract, including a broker or bilateral contract, shall be deemed reasonable and preapproved if the following conditions are met:

a. The procured resource meets the established local capacity requirements and underlying data supporting those requirements, which are based on the California Independent System Operator's Local Capacity Requirements Technical Study;
b. The Cost Allocation Mechanism Procurement Review Group (CAM PRG) was properly consulted, as described in Ordering Paragraph 13 of D.20-06-002;
c. For reasonable and preapproved broker or bilateral contracts with a term of five years or less, the CPE shall notify the CAM PRG as soon as practicable after the execution of the broker or bilateral transaction; and
d. Procurement was deemed by the independent evaluator to have followed all relevant Commission guidance,

including the least cost best fit methodology and other noted selection criteria.

13. The following timeline is adopted for central procurement entity (CPE) procurement and replaces the timeline adopted in Ordering Paragraph 28 of Decision 20-06-002:

- **April-May**: The California Independent System Operator (CAISO) files draft and final Local Capacity Requirement (LCR) one- and five-year ahead studies. The LCR studies will include any CAISO-approved transmission upgrades from the Transmission Planning Process LCR study. Parties file comments on draft and final LCR studies.
- **No Later Than Mid-May:** Load-serving entities **(**LSEs) in Southern California Edison (SCE) and Pacific Gas & Electric Company (PG&E) transmission access charge (TAC) areas make self-shown commitment of local resources to the CPE for the applicable Resource Adequacy (RA) years.
- **No Later than June**: The Commission adopts multi-year local RA requirements for the applicable compliance years as part of its June decision.
- **No Later Than Early July**: CPE receives total jurisdictional share of multi-year local RA requirements for the applicable compliance years.
- **July**:
  - For the SCE and PG&E TAC areas, LSEs receive initial RA allocations, including Cost Allocation Mechanism (CAM) credits from CPE-procured system and flexible capacity from the prior year and any bilateral contracts.
  - For the San Diego Gas and Electric Company (SDG&E) TAC area, LSEs receive initial RA allocations (system, flexible, local requirements) and CAM credits.
- **Mid-August**: CPE makes local RA showing to the Commission.

- **End of August**: LSEs in the SCE and PG&E TAC areas receive updated CAM credits for multi-year system/flexible capacity that was procured by the CPE as a result of the CPE's multi-year local RA showing to the Commission in Mid-August.
- **September**:
  - For PG&E and SCE's TAC areas, LSEs are allocated final year-ahead system and flexible RA allocations, including CAM credits from CPE-procured system and flexible RA capacity based on revised year-ahead load forecast load ratios.
  - For the SDG&E TAC area, LSEs receive final RA allocations (system, flexible, local requirements) and CAM credits.
- **End of October**:
  - LSEs in the SDG&E TAC make system, flexible, and three-year local RA showing.
  - LSEs in PG&E and SCE TACs make year-ahead system and flexible showings, and provide justification statements, if applicable, for local resources not self-shown or bid to the CPE.
  - The CPEs and LSEs that committed to self-show make year-ahead showing to CAISO.

14. For 2023 year-ahead Resource Adequacy compliance only, Energy Division will not send deficiency notices to load-serving entities serving load in the Pacific Gas and Electric Company transmission access charge area earlier than January 1 following the year-ahead showing deadline.

15. Ordering Paragraph 3 of Decision 20-12-006 is modified as follows:

> If selected, the load-serving entity shall be paid the showing price (pre-determined or below) without annual adjustment for effectiveness. The showing price shall not exceed the pre-determined local price, which is calculated as follows:

- Use the weighted average price from the last four quarters of the Energy Division Power Charge Indifference Adjustment responses for system and local Resource Adequacy (RA); subtract system RA price from local RA price.

16. The levelized fixed cost requirement adopted in Ordering Paragraph 11 of Decision 20-06-002 is eliminated. Investor-owned utilities are permitted to bid their resources into the central procurement entity's solicitation at competitive market prices.

17. Each central procurement entity's (CPE) Annual Compliance Report shall include the following information:

a. Total local Resource Adequacy (RA) allocation for the CPE from the Commission;
b. Total local demand response (DR) resources allocated for the CPE by the Commission;
c. Total local Cost Allocation Mechanism resources (non-DR) applied towards CPE requirements;
d. Total local resources procured by the CPE;
e. Total load-serving entity self-shown local resources;
f. Net total position associated with the CPE;
g. Total capacity of preferred resources that were bid or shown to the CPE;
h. Total capacity of preferred resources selected and not selected by the CPE; and
i. Total capacity of MW procured by the CPE from generation facilities located in Disadvantaged Communities.

The new data requirements for the Annual Compliance Report shall be effective for the 2023 Annual Compliance Report.

18. The confidentiality matrix attached as Appendix A is adopted to apply to the central procurement entity (CPE) framework. The CPEs shall track whether information previously designated as confidential becomes public and provide such tracking to Energy Division Staff upon request.

19. Central procurement entity (CPE) procurement costs shall be forecasted and implemented in rates through the annual Energy Resource Recovery Account (ERRA) forecast proceeding. The CPE procurement costs shall be handled in a separate confidential chapter in ERRA forecast testimony, whereby the confidential contents shall only be viewable to the CPE's personnel and support personnel, including staff such as contract management, law and regulatory compliance staff. Only CPE transactions that include Local Capacity Requirement Reduction Compensation Mechanism compensation or sale of system Resource Adequacy attributes to the CPE shall be required for inclusion in supporting workpapers or other testimony.

20. The following requirements are adopted:

    a. An investor-owned utility (IOU) load-serving entity (LSE) transaction with the central procurement entity (CPE) shall be presented as it would if the transaction was with an LSE.

    b. Existing principles on how attributes are sold between entities and presented for cost recovery shall be maintained.

    c. Only attributes identified in a CPE agreement as sold to the CPE shall be recovered as volumes and costs with cost allocation mechanism (CAM).

    d. Self-shown IOU resources with no transaction shall not be recorded as a Resource Adequacy (RA) purchase by the CPE within CAM or the underlying cost recovery mechanism. Self-shown IOU resources that receive a Local Capacity Requirement Reduction Compensation

Mechanism credit shall be modeled as revenue only transactions, but no system RA volumes shall be presented as being sold from one cost recovery mechanism to CAM.

e. Power Charge Indifference Adjustment-eligible resources with system RA within a local area shall continue to be valued based on the local RA price benchmark if it is retained for IOU compliance. The underlying position for PCIA-eligible resources self-shown or unsold will continue to be retained based on the local RA benchmark in the Energy Resource Recovery Account forecast proceeding.

21. Energy Division is authorized to prepare a report assessing the effectiveness of the central procurement entity framework by 2024. This replaces the authorization in Ordering Paragraph 29 of Decision 20-06-002 to submit this report in 2025.

22. Rulemaking 21-10-002 remains open.

This order is effective today.

Dated March 17, 2022, at San Francisco, California.

ALICE REYNOLDS
President
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE HOUCK
JOHN R.D. REYNOLDS
Commissioners

APPENDIX A

Confidential Treatment of Central Procurement Entity Information

Category	Item	Public / Confidential Treatment	Time Period for Data To Be Kept Confidential	Justification for Confidentiality
Contract Terms and Conditions	Contracts and power purchase agreements	Confidential	3-years from contract execution date	Disclosure of the contract terms and conditions of CPE executed contracts could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants' future bidding behavior for capacity that has not yet been procured.
Portfolio	RA Requirements/Allocations megawatt ("MW") - Aggregate	Public	N/A	N/A
Portfolio	RA Requirements/Allocations (MW) -Local Area	Public	N/A	N/A
Portfolio	Total Capacity Procured (Purchased or Self-Shown) – Aggregate	Public	N/A	N/A
Portfolio	Total Capacity Procured (Purchased or Self-Shown) - Local Area	Confidential	Front 3 years	Disclosure of the capacity that was procured in each local area could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants'

				future bidding behavior for capacity that has not yet been procured.
Portfolio	Total Capacity Procured (Purchased) – Aggregate	Public	N/A	N/A
Portfolio	Total Capacity Procured (Purchased) - Local Area	Confidential	Front 3 years	Disclosure of the capacity that was procured in each local area could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants' future bidding behavior for capacity that has not yet been procured.
Portfolio	Total Capacity Procured (Self-Shown) – Aggregate	Public	N/A	
Portfolio	Total Capacity Procured (Self-Shown) - Local Area	Confidential	Front 3 years	Disclosure of the capacity that was procured in each local area could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants' future bidding behavior for capacity that has not yet been procured.
Portfolio	Net Open Position Capacity (MW) – Aggregate	Public	N/A	N/A
Portfolio	Net Open Position Capacity (MW) - Local Area	Confidential	Front 3 years	Disclosure of the capacity that was procured in each local area could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants'

				future bidding behavior for capacity that has not yet been procured.
Forecast	Forecasted Wholesale Market Purchases	Confidential	Front 3 years	Disclosure of the capacity that is forecasted to be procured in each local area could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants' future bidding behavior for capacity that has not yet been procured.
Forecast	Forecasted Wholesale Market Sales	Confidential	Front 3 years	Disclosure of the capacity that is forecasted to be sold in each local area could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants' future bidding behavior for capacity that has not yet been procured.
Forecast	Forecasted Contract Costs	Confidential	Front 3 years	Disclosure of the contract costs that are forecasted to be incurred by the CPE could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants' future bidding behavior for capacity that has not yet been procured by allowing market participants to determine the prices of CPE transactions.

Competitive Solicitation Information	Score sheets, analysis and evaluation	Confidential	3 years after conclusion of solicitation	Disclosure of the score sheets, analysis and evaluation for CPE procurement could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants' future bidding behavior for capacity that has not yet been procured.
Competitive Solicitation Information	Bid/Offer data	Confidential	3 years after conclusion of solicitation	Disclosure of the bid/offer data received during CPE procurement could potentially have an adverse effect on the market, put the CPE at a competitive disadvantage with regard to other market participants, and impact participants' future bidding behavior for capacity that has not yet been procured.

(End of Appendix A)