

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Item # 9 (Rev. 1)
Agenda ID #21291
RESOLUTION E-5253
February 23, 2023

R E S O L U T I O N

Resolution E-5253. Southern California Edison Company's Mid-term Reliability Energy Storage Contracts and Amendments Submitted Pursuant to Decision 21-06-035

PROPOSED OUTCOME:

- This Resolution approves four Southern California Edison's Company's ("SCE") mid-term reliability energy storage contracts and related costs for a total of 372 megawatts of nameplate capacity expected to come online in June 1, 2024. It also approves amendments to two mid-term reliability energy storage contracts totaling 300 MW of nameplate capacity that were previously approved in Resolution E-5205.

SAFETY CONSIDERATIONS:

- SCE's Technology Neutral Pro Forma Contract requires the Seller to operate the energy storage facility in accordance with "Prudent Electrical Practices." See Section 6.01(a) of SCE's Technology Neutral Pro Forma Contract.
- SCE's Technology Neutral Pro Forma Contract also includes a provision providing that, prior to commencement of any construction activities on the project site, the seller must provide to SCE a report from an independent engineer certifying that the seller has a written plan for the safe construction and operation of the project in accordance with Prudent Electrical Practices.

ESTIMATED COST:

- Contract costs are confidential at this time.

By Advice Letter ("AL") 4920-E, Filed on December 16, 2022.

SUMMARY

This Resolution approves four mid-term reliability (“MTR”) energy storage RA-only contracts (the MTR Contracts) for 372 megawatts (“MW”) of nameplate capacity, expected to provide 338 MW of incremental September net qualifying capacity (“NQC”),¹ that SCE procured to satisfy a portion of its 2024 MTR requirements. This Resolution also approves amendments to two RA-only energy storage contracts that were previously approved in Resolution E-5205.

BACKGROUND

Mid-Term Reliability Decision

On June 24, 2021, the Commission adopted Decision (“D.”) 21-06-035 to address the mid-term reliability needs of the electricity system within the California Independent System Operator’s (“CAISO’s”) operating system by requiring at least 11,500 MW of additional NQC to be procured by load-serving entities (“LSEs”) subject to the Commission’s integrated resource planning (“IRP”) authority (referred to herein as the “MTR Decision”). The capacity requirements were specified by year, beginning with 2,000 MW of additional NQC by August 1, 2023; 6,000 MW in by June 1, 2024; 1,500 MW by June 1, 2025; and 2,000 MW by June 1, 2026.²

Regarding the type of generation to be procured under the MTR Decision, the Commission notes that “[w]e are specifically ordering that the resources from Diablo Canyon be replaced with at least 2,500 MW of zero-emitting generation, generation paired with storage, or demand response resources. We also expect that all of the resources procured pursuant to this order will be zero-emitting, unless they otherwise qualify under the renewables portfolio standard eligibility requirements.”³

¹ September NQC was determined by utilizing the “Incremental ELCC Study for Mid-term Reliability Procurement” by E3 and Astrape. The ELCC factors vary by Tranche/compliance year and technology type.

² D.21-06-035 OP 1.

³ *Id* at 2.

The MTR Decision provides that the “zero-emitting” capacity shall have the following characteristics:

- (a) Be from a generation resource, a generation resource paired with storage (physically or contractually), or a demand response resource;
- (b) Be available every day from 5 p.m. to 10 p.m. (the beginning of hour ending 1800 through the end of hour ending 2200), Pacific Time, at a minimum; and
- (c) Be able to deliver at least 5 megawatt-hours of energy during each of these daily periods for every megawatt of incremental capacity claimed.”⁴

As documented in Table 6 of the MTR Decision, SCE’s total share of the procurement requirement is 3,948 MW, with 687 MW to be online by August 1, 2023; 2,060 MW by June 1, 2024; 515 MW by June 1, 2025; and 687 MW of long lead time (“LLT”) resources to be online by 2026.⁵ These totals include a minimum of 858 MW of zero-emitting capacity by 2025. Due to the deregistration of two community choice aggregators, Western Community Energy and the City of Baldwin Park, SCE’s total procurement requirements have increased to 4,052 MW, with 705 MW online by August 1, 2023; 2,114 MW by June 1, 2024; 529 MW by June 1, 2025; and 705 MW of LLT resources by 2026.⁶

The MTR Decision also provides that the Investor-Owned Utilities (IOUs) are required to seek cost recovery for most of their MTR procurement capacity, with the exception of pumped storage or utility-owned resources, through Tier 3 ALs.⁷

SCE’s Mid-Term Reliability Procurement Process

On July 30, 2021, SCE launched its Midterm Reliability Request for Offers (“MTRRFO”), soliciting third-party offers based on the MTR Decision for deliveries starting in the years 2023-2024. The following table documents SCE’s initial MTRRFO schedule as published at the RFO launch.

⁴ D.21-06-035 OP 6.

⁵ D.21-06-035, pp. 56-58.

⁶ See SCE Advice Letter 4589-E; SCE Advice Letter 4739-E.

⁷ D.21-06-035, OP 13.

Date	RFO Event
July 30, 2021	RFO Launch
August 4, 2021	Bidders' Conference
August 13, 2021	Offer Submittal for Fast Track
August 13, 2021	Indicative Offer Submittal for Standard Track
October 15, 2021	Shortlisting Notification for Fast and Standard Tracks
December 10, 2021	End of Contract Execution Period for Fast Track
March 4, 2022	Final Offer Submittal for Standard Track
April 29, 2022	Contract Execution for Standard Track

To participate in the MTRRFO, projects were required to be zero-emitting resources, including standalone renewable resources, able to generate during the CAISO-defined net peak hours, renewable generation paired with energy storage, or standalone energy storage.⁸ To be eligible for the Diablo Canyon replacement category, resources also had to be:

- a zero-emitting generation resource or a generation resource paired with storage, or a demand response resource (standalone storage not permitted);
- available every day from 5 p.m. to 10 p.m. (the beginning of hour ending 18:00 through the end of hour ending 22:00), Pacific Time, at a minimum; and
- able to deliver at least 5 megawatt-hours of energy during each of these daily periods for every MW of incremental capacity claimed. (e.g., must be a resource capable of delivering for 5 consecutive hours).

SCE's initial solicitation included RA-only and RA with put option contracts. SCE also expressed a preference for preferred and energy storage resources located in disadvantaged communities ("DACs") and expressed a preference for larger projects.

SCE utilized two tracks in the MTRRFO:

1. Fast Track. Projects coming online by August 1, 2023, and select projects with June 1, 2024, online dates.
2. Standard Track. Projects that will fulfill the balance of the June 1, 2024, MTR requirements.⁹

⁸ SCE AL 4920-E at 6.

⁹ SCE AL 4920-E at p.6.

On October 29, 2021, SCE notified Fast Track bidders of their shortlist status and the additional eligibility requirements that bidders needed to satisfy to remain on the shortlist and proceed with negotiations. Next, on November 19, 2021, SCE held a webinar on MRTRFO pro forma contract updates.

On January 28, 2022, given the amount of time that had elapsed since initial offers were submitted, SCE sent a notice to the 2024 bidders asking them to confirm their initial offers. If bidders did not confirm their initial bids, SCE allowed the bidders to refresh their offers. SCE also released a new product term sheet, Financially Settled Toll, and allowed bidders to submit new 2024 offers for this product.

Mid-term Reliability Procurement Requests

On March 4, 2022, SCE submitted its first MTR procurement advice letter, AL 4739-E, seeking approval for five energy storage contracts (for a total of 497 MW of nameplate capacity) executed to satisfy a portion of its 2023 and 2024 MTR procurement requirements. On May 19, 2022, the Commission issued Resolution E-5205, which approved SCE's five energy storage contracts and all of the other requested relief in AL 4739-E, except for the request that the Commission not enforce the 3 MW 2023 MTR procurement requirement associated with City of Baldwin Park's load until 2024.

On May 19, 2022, SCE submitted AL 4800-E requesting approval of an MTR energy storage contract negotiated as part of the MTRRFO Fast Track process, for a total of 75 MW in nameplate capacity to be used to help satisfy its August 1, 2023, MTR procurement requirements. On August 25, 2022, the Commission issued Resolution E-5225, approving AL 4800-E.

On August 17, 2022, SCE submitted AL 4850-E requesting approval of the MTR contracts entered into as a result of the Fast Track and Standard Track of SCE's MTRRFO, including the form and substance of the Silver Peak PV Contract.¹⁰ The MTR contracts, totaling 474 MW of nameplate capacity, are expected to provide 433 to 445 MW of incremental September NQC to be used to satisfy a portion of SCE's MTR requirements for August 1, 2023 or June 1, 2024. On November 4, 2022, the Commission issued Resolution E-5234, approving AL 4850-E.

¹⁰ On September 1, 2022, SCE filed a confidential substitute sheet correcting a few minor errors in its original filing.

On October 28, 2022, SCE submitted AL 4885-E requesting approval of four MTR contracts entered into as a result of the Fast Track and Standard Track of SCE’s MTRRFO, three project (499.2 MW NQC total) with an expected delivery date starting in June 2024 and one (66 MW NQC) with expected online date in August of 2023. On January 12, 2023, the Commission issued Resolution E-5251 approving all four contracts submitted in AL 4885-E.

On December 16, 2022, SCE submitted AL 4920-E requested approval of four additional energy storage contracts entered into as a result of the Fast Track and Standard Track of SCE’s MTRRFO. AL 4920-E also seeks approval for Amendment No. 2 to the Tenaska/Falcon Energy (Condor) Contract (“Condor Contract”) and Amendment No. 3 to the Tenaska/Falcon Energy (Peregrine) Contract (“Peregrine Contract”), which were previously approved in Resolution E-5205. The four new contracts are summarized in the tables below.

Counterparty / Project Name	Technology Type	Contract Type	Expected Delivery Period	Name Plate Capacity	September NQC as Contract ELCC Value for MTR Compliance (1)
Clearway (Arica)	Energy Storage	RA Only	6/1/2024 – 5/31/2039	15 MW	14 MW
Clearway (Rosamond)	Energy Storage	RA Only	6/1/2024 – 5/31/2039	147 MW	133 MW
Gridstor (Santa Fe Springs)	Energy Storage	RA Only	6/1/2024- 5/31/2039	90 MW	82 MW
Gridstor (Upland)	Energy Storage	RA Only	6/1/2024- 5/31/2039	120 MW	109 MW
4 Contracts Total	Energy Storage			372 MW Nameplate	338 MW

The two amended contracts (Condor and Peregrine) are summarized in the table below.

Counterparty / Project Name	Technology Type	Contract Type	Expected Delivery Period	Name Plate Capacity	September NQC as Contract ELCC Value for MTR Compliance (1)
Tenaska/Falcon Energy (Condor)	Energy Storage	RA Only	6/1/2024 – 5/31/2039	200 MW	181.4 MW
Tenaska/Falcon Energy (Peregrine)	Energy Storage	RA Only	6/1/2024 – 5/31/2039	100 MW	90.7 MW

SCE notes that it utilized least-cost-best-fit (“LCBF”) principles in the evaluation process for the MTRRFO. This methodology takes into account both quantitative and qualitative attributes associated with offers to arrive at the best value and most cost-effective solution for customers that meet the identified incremental RA needs.

SCE calculated the quantitative components of each conforming offer utilizing a net present value (“NPV”) method. Its NPV methodology entails forecasting (1) the project benefits and costs over the life of the offer; (2) applying time value of money (3) estimating the net present value as the present value of the benefits minus the present value of the costs; and (4) normalizing the ranking of each offer by an NPV metric. The NPV metric used in the MTRRFO is NPV per MTR compliance kW-month.

SCE also assesses the nonquantifiable characteristics of each offer by performing an analysis of the qualitative attributes of each project during both the shortlist and final selection processes. Qualitative characteristics include an assessment of project viability, location of the project in a disadvantaged community (DAC), and a preference for larger projects.

SCE engaged Sedway Consulting Inc. (“Sedway Consulting”) as the Independent Evaluator (“IE”) to oversee the MTRRFO. SCE notes that Sedway Consulting was involved in the review of MTRRFO documents, reviewed SCE’s offer valuation process, conducted its own independent evaluation, participated in numerous conference calls and negotiation sessions, and reviewed email exchanges and other documents exchanged by SCE and bidders. Sedway Consulting also participated in the PRG

communications. Sedway Consulting provided a report on the MTRRFO, (the “IE Report”), which is included as Confidential/Public Attachment D.

Consistency with Commission Decisions

SCE states that the Fast Track and Standard Track of SCE’s MTRRFO and the contracts signed from that procurement meet the requirements of the MTR Decision. The MTRRFO solicited zero-emitting or RPS-eligible resources to procure incremental system RA capacity to provide September NQC as required by the decision. The new MTR Contracts provide 338 MW of expected incremental September NQC to be online by June 1, 2024, using the methodology in the ELCC report.

The contract amendments were made to maintain the viability of the Condor and Peregrine projects and the Condor and Peregrine Contracts provide about 272 MW of expected incremental September NQC to be online by June 1, 2024, using the methodology in the ELCC report.

In accordance with OP 14 of D.20-08-046, contracts with 15-year terms include a representation and warranty that the seller has considered long-term climate change risks to the project and will provide SCE a copy of its Plan.

Cost Recovery

SCE proposes to allocate the costs associated with the MTR Contracts, including the Condor and Peregrine Contracts, to applicable customers,¹¹ using the Portfolio Allocation Balancing Account (“PABA”) in accordance with Advice Letter 4589-E.¹² In accordance with Advice Letter 4589-E, costs and benefits associated with procurement complying with the MTR Decision will be recovered from applicable customers through the 2021 vintage sub-account of the PABA and include incremental administrative costs.¹³

¹¹ Includes bundled service customers and departing load customers with 2021 vintage cost responsibility.

¹² AL 4589 approved tariff revisions related to MTR procurement cost due to transfer of Western Community Energy customers.

¹³ Such costs include, but are not limited to, Independent Evaluator costs.

Safety

The MTR Contracts for which SCE seeks approval requires the seller to operate the energy storage facility in accordance with “Prudent Electrical Practices.”¹⁴ The contracts also include a provision providing that, prior to commencement of any construction activities on the project site, the seller must provide to SCE a report from an independent engineer certifying that the seller has a written plan for the safe construction and operation of the project in accordance with Prudent Electrical Practices.¹⁵

Advice Letter Request

In AL 4290-E, SCE requests that the Commission adopt a resolution no later than February 23, 2023. SCE specifically requests that the resolution contain the following:

1. Approval of the MTR Contracts, including the Condor Contract and Peregrine Contract as amended by the Amendments, in their entirety;
2. A finding that the MTR Contracts, including the Condor Contract and Peregrine Contract as amended by the Amendments, are consistent with the MTR Decision;
3. A finding that the MTR Contracts, not including the Condor Contract and Peregrine Contract as amended by the Amendments, are for a total of 338 MW of expected incremental September NQC for purposes of MTR compliance;
4. A finding that the MTR Contracts, including the Condor Contract and the Peregrine Contract as amended by the Amendments, and SCE's entry into them, is reasonable and prudent for all purposes, and that any payments to be made by SCE pursuant to the MTR Contracts, including the Condor Contract and the Peregrine Contract as amended by the Amendments, are recoverable in full by SCE through the PABA, subject only to SCE's prudent administration of the MTR Contracts, including the Condor Contract and the Peregrine Contract as amended by the Amendments;

¹⁴ AL 4920-E at 21 describes Prudent Electrical Practices as, “those practices, methods and acts that would be implemented and followed by prudent operators of electric energy storage facilities in the Western United States, similar to the Project, during the relevant time period, which practices, methods and acts, in the exercise of prudent and responsible professional judgment in the light of the facts known or that should reasonably have been known at the time the decision was made, could reasonably have been expected to accomplish the desired result consistent with good business practices, reliability and safety”); Section 6.01(a) of SCE’s Technology Neutral Pro Forma Contract, also in Exhibit A of AL 4920-E.

¹⁵ *Ibid* at 20.

5. Authorization for SCE to allocate the benefits and costs of the MTR Contracts, , including the Condor Contract and Peregrine Contract as amended, to all applicable customers as described herein via the PABA; and
6. Any other and further relief as the Commission finds just and reasonable.

NOTICE

Notice of AL 4920-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the AL was mailed and distributed in accordance with General Rule 4 of Commission General Order 96-B.

PROTESTS

No protests were filed to AL 4920-E.

DISCUSSION

The Commission has reviewed AL 4920-E. Regarding SCE's request for approval and cost recovery for Clearway (Arica), Clearway (Rosamond), Gridstor (Santa Fe Springs), and Gridstor (Upland), we find that SCE's process for soliciting offers and selection of contracts followed Commission guidelines, including the use of least-cost best-fit methodology, use of an independent evaluator, and presentation of projects and project selection criteria to the procurement review group. We also find the price of the contracts to be reasonable based on current market conditions. We therefore find these contracts to be reasonable.

The Commission has also reviewed the confidential information provided regarding SCE's request for approval for amendments to the Condor (Confidential Amendments No. 2) and Peregrine (Confidential Amendment No. 3) projects and finds this request to be reasonable.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides

that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments on January 18, 2023.

No party filed comments.

FINDINGS

1. In June 2021, D.21-06-035 directed Load Serving Entities to procure their pro-rata share of 11,500 MW of incremental September net qualifying capacity under the Commission's integrated resource planning purview over the course of four years, with 2,000 MW to be online by August 1, 2023, an additional 6,000 MW online by June 1, 2024, an additional 1,500 MW online by June 1, 2025, and an additional 2,000 MW online by June 1, 2026.
2. In June 2021, D.21-06-035 ordered the three large IOUs to file Tier 3 Advice Letters to request cost recovery for any procurement conducted as a result of the decision, except if the procurement is associated with a pumped storage resource or a utility-owned resource, for which full applications are required.
3. By SCE AL 4920-E, filed on December 16, 2022, SCE has submitted for approval four energy storage contracts that are intended to partially meet SCE's D.21-06-035 requirements.
4. By SCE AL 4920-E, filed on December 16, 2022, SCE has submitted for approval amendments to two energy storage contracts that are intended to partially meet SCE's D.21-06-035 requirements and were previously approved by Resolution E-5205.
5. SCE's methodology to evaluate the bids in the competitive solicitation that resulted in contracts presented in SCE AL 4920-E is reasonable.
6. The cost of the MTR Contracts presented in SCE AL 4920-E are reasonable based on the robust competitive solicitation and bid evaluation methodology.
7. The amendments to Condor and Peregrine contracts described by SCE in AL 4920-E are reasonable.

THEREFORE IT IS ORDERED THAT:

1. Southern California Edison's request in SCE AL 4920-E for approval of the four mid-term reliability contracts and related costs for a total of 338 megawatts of nameplate capacity, expected to come online by June 1, 2024, is approved.
2. Southern California Edison's request in SCE AL 4920-E for approval of amendments to contracts with Tenaska for the Condor and Peregrine facilities for a total of 300 megawatts of nameplate capacity expected to come online by June 1, 2024, is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on February 23, 2023; the following Commissioners voting favorably thereon:

Rachel Peterson