Decision 25-09-007 September 18, 2025

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	Rulemaking 20-05-003

DECISION GRANTING, WITH MODIFICATIONS, SOUTHERN CALIFORNIA EDISON COMPANY'S PETITION FOR MODIFICATION OF DECISIONS 23-02-040 AND 24-02-047

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DECISION GRANTING, WITH MODIFICATIONS, SOUTHERN CALIFORNIA EDISON COMPANY'S PETITION FOR MODIFICATION OF DECISIONS 23-02-040 AND 24-02-047

Summary

This decision grants, with modifications, the petition for modification (PFM) of Decisions (D.) 23-02-040 and D.24-02-047 filed by the Southern California Edison Company (SCE), seeking a waiver of the requirements for bridge contracts for resources required by D.21-06-035 and D.23-02-040, for the months not including July, August, and September of each year.

SCE's PFM argues that there is no short-term reliability need for these bridge resources during the lower-demand months, and that load serving entities (LSEs) that have met their month-ahead system resource adequacy requirements should not be required to procure additional bridge resources not needed for short-term reliability.

This decision goes beyond the relief requested by SCE and eliminates the option for LSEs to use bridge contracts as an alternative compliance mechanism for the procurement requirements of D.21-06-035 and D.23-02-040, as modified by D.24-02-047, for all months of the year, relieving ratepayers of the additional costs of those bridge resources that do not provide significant short-term reliability benefits. The decision determines that, for the purposes of satisfying procurement obligations in D.21-06-035 and D.23-02-040, as modified by D.24-02-047, the system resource adequacy month-ahead requirements should provide sufficient incentive to procure the same types of resources included in most bridge contracts, if such contracts prove necessary for short-term reliability purposes. In addition, D.25-06-048 in the resource adequacy context takes

additional steps to ensure short-term reliability via the Planning Reserve Margin (PRM) and the effective PRM procurement target.

Specifically, this decision determines that LSEs will be deemed compliant with their D.21-06-035 and D.23-02-040 (as modified by D.24-02-047) procurement obligations, including for long lead-time (LLT) resources and Diablo Canyon replacement resources, if they can show that: (1) they have sufficient executed long-term (ten years or more) contracts (for capacity and/or energy, as applicable) to meet the applicable procurement obligation; and (2) they have met their month-ahead system resource adequacy obligations for all months in which their procurement is delayed, by the final deadline for curing any resource adequacy deficiency. This pathway for LSE compliance with the procurement requirements of D.21-06-035 and D.23-02-040, as modified by D.24-02-047, may be used for a period of not more than three years from the required online date of the applicable procurement requirement. Other provisions of D.21-06-035 compliance, including the standard for “good faith efforts” are also still available to LSEs.

In addition, Commission staff will bring forward a proposal in Rulemaking 25-06-019 to clarify the compliance and enforcement standards detailed in D.21-06-035, D.23-02-040, and related decisions, including, but not necessarily limited to, the “good faith efforts” showing requirements articulated in D.21-06-035.

This proceeding remains open.

1. Background

1.1. Factual Background

Decision (D.) 21-06-035 was adopted by the Commission in order to require load serving entities (LSEs) to meet mid-term reliability (MTR) needs for procurement of 11,500 megawatts (MW) of net qualifying capacity (NQC) of new electricity resources. D.21-06-035 originally covered procurement in the years 2023-2026 and allowed LSEs to cover the risk of delay in a project online date by contracting for other capacity to act as a "bridge" until the contracted-for new resources could come online. D.21-06-035 was subsequently amended by D.23-02-040 to require procurement through 2028, procurement of an additional 4,000 MW NQC of new capacity, and to allow for certain potential extensions to compliance deadlines for long lead-time (LLT) resources to come online no later than 2031. Also in D.23-02-040, the Commission expanded on the requirements for bridge resources, establishing that firm imports from any resources could serve as bridge resources for the generic capacity requirements of D.21-06-035 and D.23-02-040 for a term of not longer than three years, and allowing resources controlled by counterparties other than the developer of the underlying contract for new resources to serve as bridge resources. The Commission initially determined in D.23-02-040 that bridge resources could not be used to meet the Diablo Canyon Power Plant replacement category, nor to satisfy LLT resource requirements, in D.21-06-035, but subsequently allowed the use of bridge resources to meet both sets of requirements in D.24-09-006 and D.24-02-047.

SCE's PFM describes the reliability challenges of 2020 and 2022 as leading the Commission to be conservative and require bridge resources as short-time reliability enhancements, while allowing for additional development time for new contracted resources to come online. In its PFM, SCE states that since the 2020 and 2022 reliability events, LSEs have procured and brought online several thousands of MW of new resources. SCE also states that "it has now become evident that though there is no short-term reliability need for MTR [mid-term reliability] bridge resources during low demand months (i.e., October through June), some LSEs that have met their month-ahead system Resource Adequacy ("RA") requirements have nonetheless been required to procure additional MTR bridge resources."[1] SCE argues that, as a result, "customers of these LSEs have had to pay significant costs for MTR bridge resources that were not needed for short-term reliability."[2] Ultimately, SCE states that unless D.23-02-040 is modified, "customers will continue to incur substantial costs for the over-procurement of unnecessary bridge resources."[3]

The Commission, similarly, in D.24-02-047 allowed LSEs to request extensions of their LLT procurement requirements from 2028 to 2031, but required the procurement of either bridge resources (firm imports) or resources that otherwise met the characteristics required for generic procurement in D.21-06-035, until LLT resources come online. SCE argues that this requirement, because it is in place regardless of whether the LSE has met its month-ahead system resource adequacy obligation and regardless of whether the system needs

[1] SCE PFM, March 21, 2025, at 2-3.

[2] SCE PFM, March 21, 2025, at 3.

[3] SCE PFM, March 21, 2025, at 3.

the bridge resources for short-term reliability, "imposes unnecessary costs on customers without benefitting system reliability."[4]

Thus, SCE's PFM requests that the Commission modify D.23-02-040 and D.24-02-047 to change the bridge requirements in the lower-demand months, other than the third quarter months of July through September, to remove the requirement for procuring bridge contracts. SCE represents that the proposed modifications will save customers the costs of unnecessary bridge resources in months when these resources are not needed for system reliability, while also helping to maintain short-term reliability without compromising efforts to develop new long-term resources as soon as possible.

1.2. Procedural Background

SCE's PFM was filed on March 21, 2025. Along with its PFM, SCE also filed a Motion for Leave to File the Confidential Version of its PFM. The confidential version of its PFM contains a confidential attachment including information about the costs of bridge contracts to SCE ratepayers.

Responses to SCE's PFM were filed on April 21, 2025 by Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Green Power Institute (GPI), Mussey Grade Road Alliance (MGRA), Alliance for Retail Energy Markets (AReM), California Community Choice Association (CalCCA), and Hydrostor, Inc. (Hydrostor).

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[4] SCE PFM, March 21, 2025, at 4.

PG&E and Cal Advocates also filed motions to file under seal confidential versions of their responses because both filings contain confidential pricing and cost information, as well as analysis about bridge resources.

On May 1, 2025, SCE filed a reply to the responses to its PFM.

2. Timing of PFM

Rule 16.4 of the Commission's Rules of Practice and Procedure (Rules) governs the filing of PFMs. Rule 16.4(d) requires that a PFM be filed within one year of the effective date of the decision, or if the PFM is filed after that date, it must state why the PFM could not have been filed within one year. If the Commission determines that the late submission has not been justified, it may on that ground issue a summary denial of the petition.

In its PFM, SCE argues that the PFM could not have been presented within one year of the effective dates of D.23-02-040 or D.24-02-047.[5] SCE argues that it would have been premature for SCE or any other LSE to request the relief described in the PFM during the one-year period after the effective date of either decision.

SCE states that the first MTR compliance tranche began on August 1, 2023 and ended May 31, 2024. D.23-02-040 then became effective before the first MTR compliance tranche began, and D.24-02-047 became effective during the first compliance tranche. SCE argues that it would not have been possible to foresee the situation with bridge contract requirements before the end of the first compliance tranche for MTR. SCE argues that before filing the PFM, it had to be

[5] The effective dates are February 23, 2023 and February 15, 2024, respectively.

sufficiently established that MTR projects were experiencing delays; and second that LSEs were procuring bridge resources to cover MTR project delays, even where LSEs had already met their month-ahead system resource adequacy requirements. SCE argues that if it or another LSE had presented a similar request to the PFM at any time during the first compliance tranche period, the Commission would likely have denied it due to the lack of data to substantiate the underlying request.

Ultimately, SCE argues that the Commission now has sufficient data now to see the result of the bridge contract requirements for both the first and second tranches of MTR (the second tranche ended on May 31, 2025), and the issue is now ripe for Commission consideration.

2.1. Comments of Parties

The only party to comment on the timeliness of the SCE PFM was MGRA. MGRA argues that the Commission can (and should) deny the PFM for a number of reasons, including by determining that the PFM could have been filed within one year of D.23-02-040 as required by Rule 16.4(d). MGRA agrees with SCE's contention in the PFM that SCE has more data on the specific costs associated with bridge procurement now. However, MGRA argues that although SCE has now been able to make its request more precise, the precision was unnecessary for the Commission to consider a PFM. MGRA also points out that SCE made a similar request in its comments related to D.23-02-040, seeking relief from potential penalties.

2.2. Discussion

The PFM was not filed within one year of the effective date of either D.23-02-040 or D.24-02-047. However, we agree with SCE that the full impact of the bridge contract options could not have been seen within one year of D.23-02-040, which was the original decision to provide the bridge contract option. Also, we note that the PFM was filed very shortly after the one-year deadline after the effective date of D.24-02-047.

During the period from the effective date of D.23-02-040 until the date of the filing of the PFM, the extent of the delays unfolding in the market for new resources took some time to become clear. Developers and LSEs were facing supply chain issues and various types of permitting delays, among other challenges. In addition, the extent of the ratepayer expenses for bridge resources beginning to mount during this period was not clear during the first tranche of MTR procurement. With this knowledge, SCE filed the PFM in order to seek a solution for the rising costs with no obvious reliability benefit, compared to the month-ahead resource adequacy requirements. In addition, the remedy sought in the PFM is distinctly different from the requested modification by SCE in comments on D.23-20-040, which requested relief from penalties and not bridge contract requirements.

For all of these reasons, we find the PFM could not have been filed within one year of either D.23-02-040 or D.24-02-047, within the meaning of Rule 16.4 and we will move on to discussing the particulars of the PFM and the parties' responses to it.

3. SCE's Proposal

SCE's PFM requests that the Commission change MTR bridge requirements to exempt LSEs experiencing project delays from securing bridge contracts in the months of October through June, if the following criteria are met:

1. The LSE has executed long-term contracts to meet its generic capacity requirements for that MTR year ("tranche"); and
2. The LSE, for the months October through June, has met its month-ahead system resource adequacy requirement by the final deadline for procuring any resource adequacy deficiency.

The specific changes requested by SCE in D.23-02-040 are as follows (with proposed additions <u>underlined</u>):

<u>Findings of Fact</u>

12. Allowing imports from bridge resources (existing resources) contracted until a new resource has time to come online, if the imports used for bridge purposes meet current resource adequacy requirements at the time the contract is executed, will help enhance electric grid reliability <u>in the months of July through September. To avoid unnecessary costs to customers in months when bridge resources are not needed for short-term reliability, LSEs that have executed long-term contract to meet their generic capacity requirements of D.21-06-035 or this order are not required to procure any bridge resources to meet those requirements, and will not be penalized, for the months of October through June before their long-term resources come online so long as the LSE met their month-ahead system resource adequacy requirement for that month by the final deadline for curing any resource adequacy deficiency.</u>

Conclusions of Law

12. Import contracts from any resource and with any counterparty should be allowed to be used as bridge resources until such time as new resources can come online for the general procurement category identified in D.21-06-035 or the procurement required in this order, and not including Diablo Canyon replacement capacity or long lead-time procurement ordered in D.21-06-035, for a period of not more than three years. Imported energy used for this purpose should be allowed to count as long as it meets current resource adequacy requirements at the time the contract is executed. LSEs that have executed long-term contracts to meet their requirements for the general procurement category identified in D.21-06-035 or the procurement required in this order are not required to procure any bridge resources to meet those requirements, and will not be penalized, for the months of October through June before their long-term resources come online so long as the LSE met their month-ahead system resource adequacy requirement for that month by the final deadline for curing any resource adequacy deficiency.

Ordering Paragraphs

8. For enhanced reliability purposes and compliance with the generic capacity requirements of Decision (D.) 21-06-035 or this order, but not for the Diablo Canyon replacement capacity or long lead-time resource procurement required in D.21-06-035, a load serving entity (LSE) may contract for imported energy as a bridge until the online date of a new compliance resource, from any resource and with any counterparty, for a period of not more than three years. The bridge contract for imported energy must meet resource adequacy requirements at the time the contract is executed. LSEs that have executed long-term contracts to meet the generic capacity requirements of D.21-06-035 or this order are not required to procure any bridge resources to meet those requirements, and

will not be penalized, for the months of October through June before their long-term resources come online as long as the LSE met their month-ahead system resource adequacy requirement for that month by the final deadline for curing any resource adequacy deficiency.

The specific changes requested by SCE in D.24-02-047 are as follows (with proposed additions underlined):

Conclusions of Law

22. The Commission should require LSEs that do not meet their LLT resource procurement requirements by June 1, 2028 to procure generic replacement capacity, either through long-term contracts or bridge contracts defined in D.21-06-035 and D.23-02-040 for the months of July through September until such time as their LLT resources can come online, by no later than June 1, 2031. LSEs that have executed long-term contracts to meet their LLT resource procurement requirements are not required to procure any bridge resources to meet those requirements, and will not be penalized, for the months of October through June before their long-term resources come online so long as the LSE met their month-ahead system resource adequacy requirement for that month by the final deadline for curing any resource adequacy deficiency.

Ordering Paragraphs

19. Any load-serving entity (LSE) that does not meet its required long lead-time (LLT) procurement requirements in Decisions (D.) 21-06-035 and D.23-02-040 by June 1, 2028 shall procure an equal amount (in net qualifying capacity) of the balance of its unmet LLT requirements through a bridge contract, which includes firm

> imports as defined in D.23-02-040, or long-term contracts that otherwise meet the characteristics required for generic procurement in D.21-06-035, to cover the shortfall <u>in the months of July through September</u> until its LLT resources come online, from June 1, 2028 through June 1, 2031, at a minimum. <u>LSEs that have executed long-term contracts to meet their LLT procurement requirements in D.21-06-035 and D.23-02-040 are not required to procure any bridge resources to meet those requirements, and will not be penalized, for the months of October through June before their long-term resources come line so long as the LSE met their month-ahead system resource adequacy requirement for that month by the final deadline for curing any resource adequacy deficiency.</u>

The PFM argues that these changes would not compromise system reliability. The PFM begins by noting that "the procurement of bridge resources does not bring long-term MTR projects online any faster," and that delays are a feature of today's generation market that all LSEs are facing.[6] The PFM states that month-ahead resource adequacy requirements are an appropriate means of ensuring short-term reliability and presents an analysis showing that, even if no additional MTR capacity were to come online after June 1, 2024, excess capacity would still be available during 2026.

SCE argues that the PFM is motivated by the desire to relieve cost pressure on ratepayers. The PFM states that the bridge requirements represent an unnecessary expense, and that removing the requirements could substantially reduce procurement costs that are passed on to ratepayers. This would comport

[6] SCE PFM, March 21, 2025, at 8.

with the Commission's 2024 Senate Bill 695 Report,[7] which requires IOUs to propose measures to control costs to ratepayers.[8]

The PFM includes proposed language that would exempt an LSE from the requirement to procure bridge contracts for October through June, provided that the LSE has met its month-ahead system resource adequacy requirement and that the LSE has sufficient long-term contracts to meet its generic MTR capacity procurement requirements. The PFM also proposes language stating that LSEs that have executed contracts to meet their LLT requirements should not be required to procure October through June bridge resources between June 1, 2028 and June 1, 2031, provided they have met their month-ahead system resource adequacy requirement.

3.1. Responses of Parties

In response to SCE's PFM, both PG&E and SDG&E broadly support the PFM, but recommend that the bridge contract requirements be removed entirely from the D.21-06-035 and D.23-02-040 procurement requirements. PG&E suggests removal through 2028, while SDG&E supports removal through 2031.

PG&E, in its response, provides reliability analyses to recommend that the Commission eliminate the bridge contract requirements and then reassess whether bridge contacts are needed for the 2029-2031 timeframe. PG&E and SDG&E describe numerous factors that ensure reliability outside of the bridge contracts, including, but not limited to, the resource adequacy program and its

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[7] The report is available at the following link: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2024-sb-695-report.pdf

[8] SCE PFM, March 21, 2025, at 14.

increasing planning reserve margin (PRM), the Strategic Reliability Reserve managed by the Department of Water Resources (DWR), and the fact that the Diablo Canyon Power Plant is online but not accounted for in the analysis that led to D.21-06-035 or D.23-02-040. Both PG&E and SDG&E emphasize the affordability benefits of eliminating the bridge contract requirements.

Hydrostor also recommends removing the bridge contract requirement entirely. Hydrostor is particularly concerned with the requirement that LSEs secure capacity, including bridge capacity, to mitigate delays to LLT resources coming online between 2028 and 2031. Hydrostor emphasizes the negative ratepayer impact and the unproven reliability benefits of bridge contracts, but also discusses how LSEs have attributed the cost risk of needing to secure bridge contracts to LLT developers, harming LLT development.

AReM supports the PFM and supports bridging to provide LSEs flexibility in meeting IRP procurement requirements. PG&E, SDG&E, and Hydrostor recommend broadening SCE's requested relief for the third quarter of the year to all months of the year.. AReM notes that the goal of the procurement requirements is to increase the capacity available to meet resource adequacy needs, and the imports that are usually secured as bridge contracts are available without the procurement required by D.21-06-035 and D.23-02-040.

CalCCA also supports the PFM, and requests that the bridge contract exemption be extended to the category of Diablo Canyon Replacement resources. CalCCA also requests that the Commission clarify that, to qualify for an exemption from bridge contract requirements, the LSE must have either executed a long-term contract or have provided evidence that a compliant, long-term contract was terminated for reasons outside of the LSE's control.

GPI supports the PFM, stating that it will address ratepayer costs by reducing duplicative contracting and noting that many of those contracts are likely to be with resources that emit greenhouse gases (GHG). GPI emphasizes the fact that the modeling that led to the bridge contract requirements assumed that Diablo Canyon was offline. Finally, GPI recommends that the Commission, in resolving this PFM, not remove any penalty structures that are associated with MTR procurement.

Cal Advocates recommends that the Commission grant the PFM, stating that it will reduce costs to ratepayers. Cal Advocates also points to a relatively small number of resource adequacy citations that have been issued by the Commission since 2012 in the non-critical months,[9] and states that it supports the conclusion that additional procurement from October through June is not necessary.

MGRA was the only party to recommend that the Commission deny the PFM. MGRA recommends that the Commission require SCE and LSEs with delayed procurement to make payments to LSEs that have or will bring their MTR resources online in a timely manner and rebalance the structure for assessing penalties on LSEs. MGRA also argues that granting SCE's PFM would

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[9] The full database of Resource Adequacy citations is available at https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/resource-adequacy-homepage/resource-adequacy-penalties-and-citations

decrease the urgency for bringing MTR resources online. Finally, MGRA argues that granting SCE's PFM would result in an increase in fossil fuel use.

3.2. SCE Reply

In its reply to the responses, SCE points out that all parties except MGRA support its PFM. SCE also states that it supports the proposals of PG&E and SDG&E to remove bridge contract requirements for all months of the year, along with the CalCCA proposal to remove bridging requirements for the Diablo Canyon Replacement resource category, to the extent that consideration of these additional changes does not delay the Commission's resolution of the PFM.

SCE suggests that the Commission reject the MGRA recommendations. SCE argues that no costs would be shifted onto other LSE customers, as suggested by MGRA. Instead, SCE assumes that what MGRA intends to argue is that it would be unfair for the Commission to grant bridging relief to SCE when other LSEs have procured MTR resources that will come online by June 1 of a given compliance year by paying a "premium."[10] SCE's response to this is to quote from AReM's response, which notes that "in hindsight, the Commission ordered more procurement for some tranches than the supply chain could support."[11] SCE argues that exogenous factors outside of the LSEs' and project developers' control have led to delays, and that LSEs have not paid any premiums to ensure that projects come online on time. Further, SCE argues that granting its PFM would not decrease urgency to meet MTR requirements. SCE

[10] MGRA Response to SCE PFM, April 21, 2025, at 4.

[11] AReM Response, April 21, 2025, at 2.

argues that LSEs are still subject to penalties for failing to meet their obligations, and only LSEs that have met their month-ahead resource adequacy obligations would be relieved from securing bridge contracts. SCE also argues that LSEs and project developers are contractually required and financially incentivized to bring MTR resources online as soon as possible.

With respect to the MGRA argument that granting SCE's PFM will increase fossil fuel use, SCE denies that this is the case, and argues that LSEs and project developers are already exercising their best efforts to bring MTR resource online as soon as possible. Further, SCE states that removing the bridge contract option will result in less reliance on contracts for unspecified imports, which will likely improve the GHG emissions impact.

4. Discussion

In this section, we discuss several factors that affect our analysis of whether to grant the SCE PFM or, in the alternative, remove the bridge requirements altogether, as suggested by several parties. Ultimately, we conclude that it is prudent to remove the bridge contracting option as an alternative compliance mechanism altogether. We discuss our reasoning in the sections below. We also address the motions of SCE, PG&E, and Cal Advocates to file their PFM and responses under seal.

4.1. Motions to File Under Seal

SCE filed a Motion for Leave to File the Confidential Version of its Petition for Modification of Decisions 23-02-040 and 24-02-047 Under Seal, along with its PFM. The confidential version of SCE's PFM contains contract pricing information, as well as information about SCE's bundled net open position for capacity. According to the matrices adopted by the Commission in D.06-06-066, this information is to be kept confidential because it cannot be aggregated, redacted, summarized, masked, or otherwise protected in a way that would maintain confidentiality. Public disclosure of the confidential information in the confidential version of SCE's PFM could cause harm to SCE and its ratepayers. Therefore, we will grant SCE's Motion for Leave to File the Confidential Version of its PFM under seal.

PG&E filed a Motion for Leave to File Under Seal the Appendix to PG&E's Response to SCE's PFM of Decisions 23-02-040 and 24-02-047. PG&E's confidential motion claims that the material in its Appendix to its Response to SCE contains "proprietary" and/or "trade secret" information that is confidential pursuant to California Government Code Section 7927.605 and D.11-01-036. The information contained in the Appendix includes both individual contract cost information and an analysis of PG&E's supply stack. Similar to SCE's information, this information is to be treated confidentially according to the matrices adopted in D.06-06-066. Therefore, we will grant PG&E's Motion for Leave to File Under Seal Appendix to PG&E's Response to SCE's PFM.

Finally, Cal Advocates also filed a Motion to File Under Seal Response of the Public Advocates Office to SCE's PFM of Decisions 23-02-040 and 24-02-047. Cal Advocates explains that it used the confidential information in both SCE's PFM and PG&E's Response to form the basis for its own analysis of the arguments. Cal Advocates argues that it will be prejudiced if it is not able to cite the confidential information included in the SCE and PG&E filings in its Response to the SCE PFM. For the same reasons cited by SCE and PG&E, the information discussed in the confidential version of the Cal Advocates Response to the SCE PFM is considered confidential, because making it public would create the potential for harm to SCE and PG&E ratepayers. Therefore, we will grant the Cal Advocates Motion to File Under Seal Response of the Public Advocates Office to SCE's PFM of D23-02-040 and D.24-02-047.

All of the materials included in the confidential versions of the SCE PFM, and the PG&E and Cal Advocates Responses, shall remain under seal, accessible only to Commission staff, Commissioners, the assigned ALJs, and the ALJs designated as Law and Motion ALJs.

4.2. Costs of Bridge Contracts

Without revealing the confidential information contained in the materials filed under seal discussed in the previous section, we can state that the bridge contracts secured by SCE and PG&E are expensive to ratepayers. Both SCE and PG&E represent that savings to ratepayers will be substantial if the bridge requirements are removed for either the October through June months, or altogether. We note that the considerable costs presented are only for two LSEs, and there are also other LSEs who have secured bridge contracts. In addition, Commission staff have conducted their own analysis based on semi-annual procurement data submitted for MTR compliance and have determined that the bridge contracts are among the most expensive contracts entered into by any LSE on a per-MWh and per-kW-month basis. It is also important to note that bridge contracts were often for different resource types (imported hydroelectricity or unspecified imports) compared with long-term contracts for new resources (which are often for battery storage, solar, and wind). If the bridge contract option is maintained, it is likely that counterparties will be able to continue to extract high prices for these short-term contracts.

Removing the bridge contract option is also consistent with Governor Newsom's Executive Order N-5-24,[12] which, among other things, asks the Commission to "take immediate action under existing authorities to modify or sunset any underperforming or underutilized programs or orders whose costs exceed the value and benefits to electric ratepayers."

4.3. Relationship to Resource Adequacy Requirements

Generally, the Commission relies on the IRP process, along with the renewables portfolio standard (RPS) program, to bring online sufficient, eligible resources to serve projected electricity load in the medium to long term. The resource adequacy program is focused on the system having sufficient available capacity resources in the shorter term to bid into the California Independent System Operator (CAISO) energy markets on a daily basis.

When the Commission adopted the bridge contract option to meet MTR obligations, that option was designed to allow additional time for the development of new long-term (compliant with the terms of D.21-06-035 and

[12] *See* Executive Order N-5-24 available at: https://www.google.com/url?client=internal-element-cse&cx=001779225245372747843:5n03hfyjgga&q=https://www.gov.ca.gov/wp-content/uploads/2024/10/energy-EO-10-30-24.pdf&sa=U&ved=2ahUKEwiIj8fYiseOAxVwIUQIHaIWPP8QFnoECAQQAg&usg=AOvVaw2SSk2_cY81hJYA4YAcZFP3&fexp=72986053,72986052, as well as the Commission's Response to the Executive Order, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf

D.23-02-040 and with lengths of ten years or more)[13] resources to come online "without compromising short-term reliability."[14] Thus, in effect, the purpose of the bridge contracts to satisfy MTR procurement requirements is similar to that of the resource adequacy program's near-term procurement requirements and does not additionally contribute to short-term reliability. As a result, LSEs are currently seeking to comply with two similar near-term reliability requirements.

Our review of the bridge contracts that LSEs have submitted for MTR compliance reveals that they do not contribute substantially to the overall goal of the MTR Decision to increase the pool of available capacity. At least 80 percent of the MTR bridge contracts reviewed by Commission staff have been procured from unspecified or hydroelectric imports. Only a small percentage of bridge contracts have been secured from non-imports. The average length of all bridge contracts submitted was 3.6 months. Thus, it appears that LSEs are, for the most part, securing bridge contracts for short timeframes from existing, online resources that are not connected to and do not lead to the development of longer-term resources. And consistent with the response from Hydrostor to the PFM, in some cases, bridge contract options may actually be hindering the procurement of the longer-term new resources that the MTR requirements were designed to develop.

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[13] Throughout the remainder of this decision, the phrase "long-term contract" means a contract that is ten years or more in length and otherwise complies with the terms of D.21-06-035 and D.23-02-040, as modified by D.24-02-047.

[14] D.23-02-040 at 39.

4.4. Assessment of the Reliability Impacts of the PFM

In the PFM, SCE presents an analysis of the system-level supply and demand picture if no new MTR resources came online after June 1, 2024, even though a total of 11,500 MW NQC is required by D.21-06-035 to come online by June 1, 2026. SCE's analysis indicates that there would still be "an excess of capacity in the non-Q3 [third quarter] months of 2026"[15] using the staff assessment of the December 2023 compliance filings, which showed that 6,225 MW NQC of new capacity was projected to be online by June 1, 2024. Commission staff have since reviewed updated compliance filing information and determined that the estimate used by SCE makes assumptions about load, PRM, available resource adequacy resources (including the continued reliance on the Diablo Canyon Power Plant), compliance with resource adequacy program requirements, and expected new resources.

PG&E also submitted a reliability stack analysis assessment as part of its response to the SCE PFM. PG&E's assumptions differ somewhat from SCE's, including in its use of a different version of the California Energy Commission's load forecast[16] and the "supply" derived from the Commission's Resource Adequacy 2025 Master Resource Database. PG&E's analysis concludes that there is unlikely to be a reliability shortfall in any month of 2025 or 2026. Commission staff's review of PG&E's reliability assessment also indicates that PG&E's analysis is reasonable.

[15] SCE PFM at 13.

[16] PG&E relies on the 2024 Integrated Energy Policy Report forecast (March 2024 Update).

While the SCE and PG&E stack analyses differ from those used by the Commission in the resource adequacy context, the SCE and PG&E approaches are reasonable to conclude that there are sufficient resources to maintain a reasonable level of reliability under various conditions in 2026 and beyond. The resource adequacy requirements will also still be in effect during this period, so any short-term reliability needs can be covered by the resource adequacy program. The resource adequacy program's ability to address short-term reliability was also bolstered by D.25-06-048, which adopted an 18 percent Planning Reserve Margin (PRM), as well as a PRM procurement target of 1,260-2,300 MW for June through October.

4.5. Applicability to LLT Procurement Requirements

SCE's PFM proposed to remove the bridge contract compliance option for the October through June months of the year, not only for the overall new capacity requirements in D.21-06-035 and D.23-02-040, but also for the LLT resources required to be online by 2028, with the potential for extensions to 2031. Conclusion of Law 22 and Ordering Paragraph 19 of D.24-02-047 already include the option that LSEs can procure generic capacity (capacity that otherwise qualifies to be counted for D.21-06-035 and D.23-02-040 requirements) through long-term contracts for any shortfall in their LLT procurement requirements through June 1, 2031. Removing the option for bridge contracts to be used for compliance leaves this long-term (ten years or more) contract option for generic capacity available for an LSE that is unable to bring its full share of LLT capacity online by June 1, 2028 as to show compliance with the LLT investment provisions.

In addition, an LSE with an LLT procurement obligation will be deemed compliant with its LLT requirements if: (1) the LSE has sufficient executed long-term, active contracts (contracts that currently meet all of the LLT requirements in the MTR decisions, including meeting the required contract length of ten years or more) to meet the applicable requirements; and (2) the LSE has met its month-ahead system resource adequacy requirements for each month the procurement is delayed, by the final deadline for curing any resource adequacy deficiency. LSEs may be deemed compliant by using this alternative compliance pathway for a period of not more than three years from the required online date of the applicable procurement requirement. In the case of LLT resources, this means no later than June 1, 2031.

4.6. Applicability to the Diablo Canyon Replacement Resource Category

In comments to the proposed decision, several parties requested clarification as to whether bridge contracts may still be used as an alternative compliance option for the procurement of the Diablo Canyon replacement category of resources required in D.21-06-035.[17] We see no justification for inconsistent treatment of bridge contracts associated with Diablo Canyon replacement compared to the generic procurement requirements or the LLT procurement requirements. Therefore, this decision also removes the option to use bridge contracts of up to three years for the Diablo Canyon replacement category procurement requirements in D.21-06-035. As a result, D.24-09-006 is

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[17] *See* D.21-06-035, Ordering Paragraph 6, and D.24-09-006.

also vacated in its entirety, on a going-forward basis, as of the adoption of this decision. However, bridge contracts for procurement deadlines that precede this decision may still be used for compliance.

Bridge contracts entered into prior to the adoption of this decision for deadlines that predate this decision may still be used to show compliance with the Diablo Canyon replacement resource requirements, using the approach laid out in D.24-09-006, but those options are no longer available after the adoption of this decision.

4.7. Going forward, to be deemed compliant with the Diablo Canyon replacement resource category of procurement required by D.21-06-035, an LSE will need to show: (1) sufficient executed long-term active contracts (for energy or capacity, and compliant with the Diablo Canyon replacement requirements in D.21-06-035) to meet its procurement obligation; and (2) compliance with the month-ahead system resource adequacy obligations, for every month the long-term contract is delayed, by the final deadline for curing any resource adequacy deficiency. Compliance and Enforcement Standards in D.21-06-035, D.23-02-040, D.24-02-047, and this Decision

In comments on the proposed decision, CalCCA recommends that the Commission commit to more clearly defining the "good faith efforts" standard adopted in D.21-06-035.[18] WPTF generally agrees in reply comments. CalCCA argues that this standard requires more definition to ensure that LSEs have clear direction on what they need to do to satisfy this standard. CalCCA suggests that

[18] *See* D.21-06-035, Ordering Paragraph 5.

more guidance is necessary, as well as more clarity about a structure process to seek a waiver of penalties or provide documentation demonstrative good faith efforts. In addition, CalCCA correctly points out that LLT procurement is inherently riskier and more complex than generic procurement, and the Commission may want to consider other flexibility options in the future to preserve affordability options for LLT procurement requirements.

We agree with these suggestions and will ask Commission staff to bring a proposal into the new IRP rulemaking (R.25-06-019) for parties' comments, to address further clarifications and guidance on the compliance and enforcement standards in D.21-06-035, D.23-02-040, D.24-02-047, and this decision. This will include, but not be limited to, the "good faith efforts" standard articulated in D.21-06-035.

4.8. Transitioning Between Alternative Compliance Mechanisms

Upon the adoption of this decision and moving forward, LSEs will be able to use the alternative compliance options approved in this decision, but bridge contracts will no longer be available as a compliance option. However, bridge contracts that were used prior to the adoption of this decision are still valid as a means of showing alternative compliance for past procurement online date requirements. In a situation in which an LSE has a contract for a past procurement deadline, but the resource continues to experience delays, the LSE may have used bridge contracts to show alternative compliance in the past, but as of the adoption of this decision, may use the pathways available in this decision to be deemed compliant using the long-term contract showing and meeting their ongoing month-ahead system resource adequacy requirements as of the final cure date, or for LLT resources, procuring generic long-term capacity. In effect, the LSE may switch away from securing future bridge contracts and instead be eligible to be deemed compliant using one of the mechanisms outlined herein.

4.9. Conclusion

For all of the reasons discussed above, we have determined that we will remove entirely the option for bridge contracts to be used as alternative compliance with the procurement requirements in D.21-06-035, D.23-02-040, and D.24-02-047. We adopt the provisions SCE proposes in its PFM, that LSEs be "exempted" from entering into bridge contracts and be deemed compliant with their procurement requirements if: (1) they have sufficient executed long-term contracts to meet their generic capacity and/or energy requirements required in the MTR decisions (D.21-06-035 and D.23-02-040, as modified by D.24-02-047); and (2) they have met their month-ahead system resource adequacy requirements in each month in which their procurement compliance is delayed, by the final deadline for curing any resource adequacy deficiency..

Securing bridge contracts was never required of LSEs; it was always an option for LSEs to maintain compliance in the face of delays outside of their control. Therefore, we are simply removing the option of using bridge contracts as a compliance mechanism, and replacing it with a new pathway for LSEs to be deemed in compliance if they meet the requirements.

The specific changes we make to D.23-02-040 are as follows (with additions underlined and deletions in ~~strikethrough~~):

Text/Body of Decision

Section 2.4.3.2 of D.23-02-040 should be deleted in its entirety and replaced with the following, beginning on page 40:

> We decline to allow the use of bridge contracts as a method for compliance with the procurement requirements of this decision and D.21-06-035. Bridge contracts would typically come from imports, which can already be used for month-ahead resource adequacy compliance and effective planning reserve margin requirements, for reliability purposes, if available and necessary. Bridge contracts are also likely to be expensive and do not necessarily lead to the development of long-term new capacity required by this order and D.21-06-035.

Findings of Fact

~~12. Allowing imports from bridge resources (existing resources) contracted until a new resource has time to come online, if the imports used for bridge purposes meet current resource adequacy requirements at the time the contract is executed, will help enhance electric grid reliability.~~

Conclusions of Law

~~12. Import contracts from any resource and with any counterparty should be allowed to be used as bridge resources until such time as new resources can come online for the general procurement category identified in D.21-06-035 or the procurement required in this order, and not including Diablo Canyon replacement capacity or long lead-time procurement ordered in D.21-06-035, for a period of not more than three years. Imported energy used for this purpose should be~~

~~allowed to county as long as it meets current resource adequacy requirements at the time the contract is executed.~~

<u>Ordering Paragraphs</u>

~~8. For enhanced reliability purposes and compliance with the generic capacity requirements of Decision (D.) 21-06-035 or this order, but not for the Diablo Canyon replacement capacity or long lead-time resource procurement required in D.21-06-035, a load serving entity may contract for imported energy as a bridge until the online date of a new compliance resource, from any resource and with any counterparty, for a period of not more than three years. The bridge contract for imported energy must meet resource adequacy requirements at the time the contract is executed.~~

The specific changes we make to D.24-02-047 are as follows (with additions <u>underlined</u> and deletions in ~~strikethrough~~):

<u>Text/Body of Decision</u>

The following text appearing in Section 6.3 beginning on page 103 should be amended as follows:

> Instead of requiring full replacement of 2,000 MW of LLT resources that were required to be online by June 1, 2028, we will implement a <u>set of</u> alternative <u>compliance mechanisms</u> as follows. Any LSE that does not meet its required LLT procurement requirements from D.21-06-035 as revised in D.23-02-040 <u>may</u> procure the balance of its unmet LLT requirements through generic resource adequacy capacity procurement that otherwise meets the requirements of D.21-06-035. The capacity shall ~~may~~ be procured ~~either~~ through a long-term contract ~~or a bridge contract, as long as~~

~~the bridge resources are incremental and procured by the LSE for the full period until the LLT resource comes online. Bridge resources may also include firm imports eligible to serve as bridge resources, following the requirements in D.23-02-040. Inclusion of firm imports for bridge resources of three years or less does not change the fact that incremental generic resource adequacy capacity with a long-term contract or a contract longer than the bridge contract limit must be zero-emitting or otherwise RPS-eligible~~. The ~~bridge or~~ replacement resource must start delivery by June 1, 2028, but is not required to be identified in the LLT extension requests and can be procured at a later date. Any such long-term (ten years or more) procurement of generic new (incremental) capacity resources will be eligible to be counted toward any future procurement required by the Commission in the integrated resource planning context.

If an LSE meets all of its individual required LLT resource procurement requirements on time (by June 1, 2028), then it will be finished with the LLT requirements. If an LSE meets some of its LLT requirements by no later than June 1, 2028, it may fulfill the remainder of its LLT procurement obligation with generic resource adequacy capacity under long-term contract that is otherwise eligible under the D.21-06-035 eligibility ~~or D.23-02-040 bridge resource requirements~~ until the extended LLT resources come online. If an LSE seeks a delay for all of its LLT procurement past June 1, 2028, then the LSE may procure some or all of its LLT resource requirements in generic resource adequacy capacity under a long-term contract (an active contract that is ten years or more in length and that otherwise meets D.21 06-035 requirements)~~or D.23-02-040 bridge resource requirements~~ until all of their LLT capacity comes online.

In addition, an LSE will be deemed compliant with the LLT procurement requirements if it can show: (1) sufficient executed long-term contracts (active contracts that meet all of the LLT requirements under D.21-06-035, including being ten years or more in length) to meet the applicable LLT requirement; and (2) compliance with the month-ahead system resource adequacy requirement for each month during the delay period, by the final deadline for curing any resource adequacy deficiency. LSEs will be deemed compliant if these alternative requirements are met for a period of not more than three years from June 1, 2028.

The following text on page 123 should also be deleted:

~~For example, it may be possible to pair a clean firm imported energy contract with a new stand-alone storage facility in the CAISO area as a bridge for a short period of time (e.g., one to two years) until new resources that meet the Diablo replacement category's requirements come online, provided the quantity of clean energy contracted to charge the storage meets the energy requirements stipulated in D.21-06-035 for the Diablo replacement category.~~

Conclusions of Law

22. The Commission should require LSEs that do not meet their LLT resource procurement requirements by June 1, 2028 to show: (1) sufficient executed long-term contracts (active contracts that meet all of the LLT requirements under D.21-06-035, including being ten years or more in length) to meet their

applicable LLT requirement; and (2) compliance with their month-ahead system resource adequacy requirements for each month of the delay, by the final deadline for curing any resource adequacy deficiency. LSEs will be deemed compliant using this compliance pathway for a period of not more than three years from June 1, 2028. In addition, if LSEs cannot be deemed compliant using the method described above, LSEs may also procure generic replacement capacity~~, either~~ through long-term contracts (contracts that meet the standards for non-Diablo Canyon Replacement procurement under D.21-06-035) of ten years or more ~~or bridge contracts defined in D.21-06-035 and D.23-02-040~~ until such time as their LLT resources can come online, by no later than June 1, 2031. Any such long-term procurement of new (incremental) generic capacity resources will be eligible to be counted toward any future procurement required by the Commission in the integrated resource planning context.

Ordering Paragraphs

19. Any load-serving entity that does not meet its required long lead-time (LLT) procurement requirements in Decisions (D.) 21-06-035 and D.23-02-040 by June 1, 2028 shall be deemed compliant if it can show: (1) sufficient long-term contracts (active contracts that meet all of the LLT requirements under D.21-06-035, including having a length of ten years or more) to meet the applicable LLT procurement requirement; and (2) compliance with its month-ahead system resource adequacy requirement for each month of the delay, by the final deadline for curing any resource adequacy deficiency. An LSE will be deemed compliant using this compliance pathway for a period of not more than three years

> from June 1, 2028. In addition, if an LSE cannot be deemed compliant using the method described above, an LSE may also procure an equal amount (in net qualifying capacity) of the balance of its unmet LLT requirements through ~~a bridge contract, which includes firm imports as defined in D.23-02-040, or~~ long-term contracts that otherwise meet the characteristics required for generic procurement in D.21-06-035, to cover the shortfall until its LLT resources come online, from June 1, 2028 through June 1, 2031, at a minimum. Any such long-term procurement of new (incremental) generic capacity resources will be eligible to be counted toward any future procurement required by the Commission in the integrated resource planning context.

Completely removing the bridge contract option also requires us to delete Ordering Paragraph 11 from D.21-06-035, which was the source of the later language in D.23-02-040 and D.24-02-047 related to bridge contracts. That Ordering Paragraph stated as follows:

> ~~11. In the event of any delay of a resource coming online when contracted to meet a capacity requirement in this decision, a load-serving entity may include a contract provision for other capacity to serve as a bridge to the new resource.~~

In response to comments on the proposed decision, we also clarify that the removal of the bridge contracting option also applies to the Diablo Canyon replacement category of resources required by D.21-06-035, Ordering Paragraph 6; the bridge options related to Diablo Canyon replacement resources were further addressed in D.24-09-006. Therefore, the entirety of D.24-09-006 is no longer in effect and is rescinded and replaced by this decision.

In sum, during any assessment of LSE's compliance with any and all of the procurement requirements in D.21-06-035 and D.23-02-040, as modified by D.24-02-047, an LSE will be deemed in compliance with those procurement requirements if: (1) the LSE has sufficient executed long-term contracts (active contracts that meet the applicable MTR requirements, including the required contract length of ten years or more) to meet the applicable procurement requirements; and (2) the LSE has met its month-ahead system resource adequacy requirements for each month the procurement is delayed, by the final deadline for curing any resource adequacy deficiency; or (3) in the case of LLT resource requirements, the LSE shows sufficient long-term (ten years of more) contracts for generic capacity to replace the delayed LLT capacity. An LSE will be deemed compliant with the procurement requirements under these provisions for a period of not more than three years after the applicable online date for the procurement requirements.

The provisions for the compliance pathway laid out in this decision are only applicable to procurement ordered in D.21-06-035 and D.23-02-040, as modified by D.24-02-047. Any future procurement actions taken by the Commission, either in a new decision in the IRP context or as a result of the potential adoption of a Reliable and Clean Power Procurement Program, will have separate compliance provisions that may or may not be similar to those adopted herein.

5. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. No public comments were received that relate to issues addressed in the SCE PFM that is the subject of this decision.

6. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Julie A. Fitch 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 September 2, 2025 by the following parties: AReM; CalCCA; GPI; Hydrostor; PG&E; SCE; SDG&E; and Western Power Trading Forum (WPTF).

Reply comments were filed on September 8, 2025 by the following parties: AReM; Cal Advocates; PG&E; SCE; SDG&E; and WPTF.

This section summarizes party comments thematically. Where relevant, associated changes have been made in the text of the decision consistent with the discussion below.

As a general matter, all parties commenting on the proposed decision except GPI opposed it for taking away an alternative compliance pathway (the use of bridge contracts) without replacing it with another option for LSEs to show alternative compliance. While the proposed decision would have left the "good faith efforts" standard[19] in place for LSEs to show how they made efforts to deliver the necessary procurement but may have been delayed for reasons outside of their control, we understand that this standard does not give LSEs certainty in general for all procurement delays that may be outside of their control. Therefore, we have revised the decision to include the provisions originally included in SCE's PFM. Namely, we will allow LSEs to be deemed compliant with their D.21-06-035 and D.23-02-040 (as modified by D.24-02-047) procurement requirements if they can show sufficient executed long-term contracts and if they are compliant with their month-ahead resource adequacy showings for the full period of the contract delay, for a period of no more than three years after the required online date for each year of procurement required.

SDG&E's and AReM's comments asked that the option for bridge contracts be left in place as an option. SDG&E requests this for situations where an LSE has not met its month-ahead system resource adequacy requirements. AReM requests it in the event of cancellation of a LLT contract. We decline to leave the bridge contract option in place for situations where the month-ahead system resource adequacy requirement is not met, because an LSE should have the option to procure a similar resource to meet its resource adequacy requirements as it would procure to meet a bridge contract requirement. In the case of LLT contract cancellations, the same arguments in favor of removing the bridge contract option now would still apply. And for LLT procurement compliance, this decision leaves in place the option to be deemed in compliance either

[19] *See* D.21-06-035, Ordering Paragraph 5.

through showing the appropriate long-term contracts and resource adequacy showings, or procurement of generic capacity through long-term contracts that will be eligible to be counted towards future IRP procurement obligations.

CalCCA's comments request that the Commission not find an LSE out of compliance with its MTR procurement obligations if the LSE had a resource under contract, the contract was terminated, and the LSE is making good faith efforts to replace its contract, as long as the LSE is in compliance with the month-ahead resource adequacy requirements in the meantime. Cal Advocates agrees with this request in reply comments for reasons of flexibility. In the event of a contract termination outside of the LSE's control, the compliance assessment and enforcement protocols detailed in D.21-06-035 and D.23-02-040,[20] which take into account good faith efforts and emphasize a case-by-case approach accounting for exogenous factors, remain in effect to address the situation CalCCA describes.

Most parties commenting suggest that LSEs not be required to contract for generic capacity in the event of a delay in the LLT procurement, but many agree that the option should be preserved for LSEs who wish to do so. CalCCA and WPTF suggest that for LSEs that do have extra generic capacity under long-term contract that can be used as a substitute for LLT contract delays, the generic capacity be allowed to count toward any future procurement obligations ordered by the Commission either through another procurement order or the adoption of a Reliable and Clean Power Procurement Program. We agree and have made this addition to the text of the decision, to provide certainty to LSEs who elect to

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[20] *See*, especially, D.21-06-035, Ordering Paragraph 5, and D.23-02-040 at 36.

procure generic long-term capacity for their LLT compliance obligations, in the event of LLT contract delays or cancellations.

Several parties also asked for clarification on whether the proposed decision intended to remove the option for bridge contracting for the Diablo Canyon replacement category of procurement required in D.21-06-035. GPI recommends that bridges be eliminated for Diablo Canyon replacement, reasoning that Diablo Canyon is still, in fact, online and therefore bridges for resources to replace it are unnecessary. AReM, SCE, and SDG&E, on the other hand, would prefer that the bridge contract option remain in place for the Diablo Canyon replacement category of resources. PG&E suggests that we apply the SCE PFM alternative compliance scenario to the Diablo Canyon replacement procurement requirements. WPTF simply asks that we clarify whether the elimination of bridges applies to the Diablo Canyon replacement category or not. On this issue, we agree with GPI. We see no logic to retaining the bridge contract option for Diablo Canyon replacement capacity and not for the other procurement obligations. Therefore, we have revised this proposed decision to make it clear that all bridge contracting options for D.21-06-035 and D.23-02-040, as modified by D.24-02-047, are no longer in effect. Therefore, D.24-09-006 is also vacated in its entirety. Reference to that decision was inadvertently omitted in the proposed decision; that omission has been corrected in the revised text herein. The compliance pathway described in this decision applies, going forward, to the Diablo Canyon replacement resource category in D.21-06-035. This effectively means that an LSE with an active long-term contract (ten years or more) that meets D.21-06-035 requirements for the Diablo Canyon replacement resource category, in addition to being compliant with the month-ahead system resource adequacy requirements in the months of the contract delay, will be deemed compliant with that category's requirements.

Finally, CalCCA requests that the decision commit to more clearly defining the "good faith efforts" standard in D.21-06-035,[21] to provide LSEs with more certainty on what is necessary to satisfy the standard. CalCCA recommends that, in addition to allowing procurement of generic capacity to cover any delays in LLT procurement between 2028 and 2031, that the decision also commit the Commission to considering at a later date other paths to compliance in the event of LLT resource delays, in order to preserve affordability benefits. We agree with these suggestions and have made revisions consistent with them in the text of this decision.

7. Assignment of Proceeding

Alice Reynolds is the assigned Commissioner and Julie A. Fitch and Colin Rizzo are the assigned ALJs in this proceeding.

Findings of Fact

1. The SCE PFM was not filed within one year of the effective date of D.24-02-047 or D.23-02-040.
2. The PFM could not have been filed within one year of the effective date of D.23-02-040 or D.24-02-047.

[21] *See* D.21-06-035, Ordering Paragraph 5.

3. The extent of ratepayer expense and delays to the development of long-term resources in response to D.23-02-040 could not have been known within one year of the decision.

4. Bridge contracts are among the most expensive contracts entered into by any LSE on a per-MWh and per-kW-month basis for MTR compliance.

5. At least 80 percent of bridge contracts that have been submitted for MTR compliance to date have been procured from unspecified or hydroelectric imports.

6. The average length of all bridge contracts submitted for MTR compliance to date was 3.6 months.

7. The majority of bridge contracts have been for resources already online that would also likely be available, if needed, to be contracted for purposes of resource adequacy program compliance and effective planning reserve margin compliance.

8. Most bridge contracts can also be used for short-term reliability purposes under the resource adequacy requirements.

9. D.24-02-047 included the compliance option that LSEs procure generic capacity (capacity that otherwise qualifies to be counted for D.21-06-035 or D.23-02-040 requirements) through long-term (ten years or more) contracts for any shortfall in their LLT procurement requirements through 2031.

Conclusions of Law

1. The SCE PFM meets the requirements of Rule 16.4(d) of the Commission's Rules of Practice and Procedure.

2. The March 21, 2025 SCE Motion for Leave to File the Confidential Version of its Petition for Modification should be granted.

3. The April 21, 2025 PG&E Motion for Leave to File Under Seal Appendix to PG&E's Response to SCE's PFM of Decision 23-02-040 and 24-02-047 should be granted.

4. The April 21, 2025 Motion to File Under Seal Response of the Public Advocates Office to SCE's PFM of Decision 23-02-040 and 24-02-047 should be granted.

5. The resource adequacy program and effective planning reserve margin, affirmed and adopted most recently in D.25-06-048, provides similar reliability benefits to the alternative compliance option for MTR compliance of bridge contracts.

6. It is reasonable to conclude that there could be sufficient resources to support reliability, as long as resource adequacy requirements are met, even with the removal of the option for securing bridge contracts for all MTR procurement, for 2026 and for the remainder of the MTR procurement period.

7. LSEs should continue to have the option to procure long-term contracts (contracts that meet the requirements of D.21-06-035, including the required length of ten years or more) for generic capacity for any shortfall in their LLT procurement obligations between June 1, 2028 and June 1, 2031, as a compliance pathway mechanism. Any generic capacity should be eligible to count toward any future IRP procurement obligations ordered by the Commission.

8. The Commission should remove the compliance option of securing bridge contracts to meet D.21-06-035 and D.23-02-040 (as modified by D.24-02-047) procurement requirements.

9. LSEs should still be required to show contracts for long lead-time resources for their full procurement obligations to meet D.21-06-035 and D.23-02-040 (as modified by D.24-02-047) requirements, even if those resources are delayed coming online.

10. Bridge contracts should also be eliminated for the Diablo Canyon replacement category of resources in D.21-06-035 and D.24-09-006 should rescinded.

11. Despite the removal of the bridge contract option for compliance with D.21-06-035 and D.23-02-040 (as modified by D.24-02-047) procurement requirements, LSEs should retain a clear alternative pathway to be deemed compliant with the required online dates in the event of delays outside of their control.

12. During any assessment of LSEs' compliance with the procurement requirements in D.21-06-035 and D.23-02-040, as modified by D.24-02-047, an LSE will be deemed in compliance with those procurement requirements if: (1) the LSE has sufficient executed long-term contracts (active contracts that meet the applicable requirements of D.21-06-035, D.23-02-040, and/or D.24-02-047, including the required length of ten years or more) to meet the applicable procurement requirements; and (2) the LSE has met their month-ahead system resource adequacy requirements for each month the procurement is delayed by the final deadline for curing any resource adequacy deficiency. LSEs may be

deemed compliant by using this compliance pathway for a period of not more than three years from the required online date of the applicable procurement requirement. This pathway applies to all procurement categories in D.21-06-035, D.23-02-040, and D.24-02-047.

13. Commission staff should bring a proposal into the new IRP rulemaking (R.25-06-019) for parties' comments, to clarify the compliance and enforcement standards detailed in D.21-06-035, D.23-02-040, D.24-02-047, and this decision, including but not limited to the "good faith efforts" requirements articulated in D.21-06-035.

O R D E R

IT IS ORDERED that:

1. The Southern California Edison Company Petition for Modification of Decisions 23-02-040 and 24-02-047, filed on March 21, 2025, is granted, as modified in this decision.

2. The text in Section 2.4.3.2 of Decision (D.) 23-02-040 shall be deleted in its entirety and replace with the following text, beginning on page 40 (with additions <u>underlined</u>):

> <u>We decline to allow the use of bridge contracts as a method for compliance with the procurement requirements of this decision and D.21-06-035. Bridge contracts would typically come from imports, which can already be used for month-ahead resource adequacy compliance and effective planning reserve margin requirements, for reliability purposes, if available and necessary. Bridge contracts are also likely to be</u>

<u>expensive and do not necessarily lead to the development of long-term new capacity required by this order and D.21-06-035.</u>

3. Finding of Fact 12 in Decision 23-02-040 shall be deleted in its entirety.

4. Conclusion of Law 12 in Decision 23-02-040 shall be deleted in its entirety.

5. Ordering Paragraph 8 in Decision 23-02-040 shall be deleted in its entirety.

6. The following text appearing in Section 6.3 beginning on page 103 of Decision 24-02-047 shall be modified as follows (with additions <u>underlined</u> and deletions in ~~strikethrough~~ text):

> Instead of requiring full replacement of 2,000 MW of LLT resources that were required to be online by June 1, 2028, we will implement a <u>set of</u> alternative <u>compliance mechanisms</u> as follows. Any LSE that does not meet its required LLT procurement requirements from D.21-06-035 as revised in D.23-02-040 <u>may</u> procure the balance of its unmet LLT requirements through generic resource adequacy capacity procurement that otherwise meets the requirements of D.21-06-035. The capacity shall ~~may~~ be procured ~~either~~ through a long-term contract ~~or a bridge contract, as long as the bridge resources are incremental and procured by the LSE for the full period until the LLT resource comes online. Bridge resources may also include firm imports eligible to serve as bridge resources, following the requirements in D.23-02-040. Inclusion of firm imports for bridge resources of three years or less does not change the fact that incremental generic resource adequacy capacity with a long-term contract or a contract longer than the bridge contract limit must be zero-emitting or otherwise RPS-eligible.~~ The ~~bridge or~~ replacement resource must start delivery by June 1, 2028, but is not required to be

identified in the LLT extension requests and can be procured at a later date. Any such long-term (ten years or more) procurement of generic capacity resources will be eligible to be counted toward any future procurement required by the Commission in the integrated resource planning context.

If an LSE meets all of its individual required LLT resource procurement requirements on time (by June 1, 2028), then it will be finished with the LLT requirements. If an LSE meets some of its LLT requirements by no later than June 1, 2028, it may fulfill the remainder of its LLT procurement obligation with generic resource adequacy capacity under long-term contract that is otherwise eligible under the D.21-06-035 eligibility or ~~D.23-02-040 bridge resource requirements~~ until the extended LLT resources come online. If an LSE seeks a delay for all of its LLT procurement past June 1, 2028, then the LSE may procure some or all of its LLT resource requirements in generic resource adequacy capacity under a long-term contract (an active contract that is ten years or more in length and that otherwise meets D.21 06-035 requirements) ~~or D.23-02-040 bridge resource requirements~~ until all of their LLT capacity comes online.

In addition, an LSE will be deemed compliant with the LLT procurement requirements if it can show: (1) sufficient executed long-term contracts (active contracts that meet the LLT requirements under D.21-06-035, including being ten years or more in length) to meet the applicable LLT requirement; and (2) compliance with the month-ahead system resource adequacy requirement for each month during the delay period, by the final deadline for curing any resource adequacy deficiency. LSEs will be deemed compliant if these

> alternative requirements are met for a period of not more than three years from June 1, 2028.

7. The following text appearing on page 123 of Decision 24-02-047 shall be deleted (deletions in ~~strikethrough~~ text):

> ~~For example, it may be possible to paid a clean firm imported energy contract with a new stand-alone storage facility in the CAISO areas as a bridge for a short period of time (e.g., one to two years) under new resources that meet the Diablo replacement category's requirements come online, provided the quantity of clean energy contracted to charge the storage meets the energy requirements stipulated in D.21-06-035 for the Diablo replacement category.~~

8. Conclusion of Law 22 of Decision 24-02-047 shall be amended as follows (with additions underlined and deletions in ~~strikethrough~~ text):

> The Commission should require LSEs that do not meet their LLT resource procurement requirements by June 1, 2028 to show: (1) sufficient executed long-term contracts (active contracts that meet the LLT requirements under D.21-06-035, including being ten years or more in length) to meet their applicable LLT requirement; and (2) compliance with their month-ahead system resource adequacy requirement for each month of the delay, by the final deadline for curing any resource adequacy deficiency. LSEs will be deemed compliant using this compliance pathway for a period of not more than three years from June 1, 2028. In addition, if LSEs cannot be deemed compliant using the method described above, LSEs may also procure generic replacement capacity~~, either~~ through long-term contracts (contracts that meet the standards for non-Diablo Canyon Replacement procurement under D.21-06-035)

> of ten years or more ~~or bridge contracts defined in D.21-06-035 and D.23-02-040~~ until such time as their LLT resources can come online, by no later than June 1, 2031. Any such long-term procurement of new (incremental) generic capacity resources will be eligible to be counted toward any future procurement required by the Commission in the integrated resource planning context.

9. Ordering Paragraph 19 of Decision 24-02-047 shall be amended as follows (with additions underlined and deletions in ~~strikethrough~~ text):

> Any load-serving entity (LSE) that does not meet its required long lead-time (LLT) procurement requirements in Decisions (D.) 21-06-035 and D.23-02-040 by June 1, 2028 shall be deemed compliant if it can show: (1) sufficient long-term contracts (active contracts that otherwise meet the LLT requirements in D.21-06-035, including having a length of ten years or more) to meet the applicable LLT procurement requirement; and (2) compliance with its month-ahead system resource adequacy requirement for each month of the delay, by the final deadline for curing any resource adequacy deficiency. An LSE will be deemed compliant using this compliance pathway for a period of not more than three years from June 1, 2028. In addition, if an LSE cannot be deemed compliant using the method described above, an LSE may also procure an equal amount (in net qualifying capacity) of the balance of its unmet LLT requirements through ~~a bridge contract, which includes firm imports as defined in D.23-02-040, or~~ long-term contracts that otherwise meet the characteristics required for generic procurement in D.21-06-035, to cover the shortfall until its LLT resources come online,

> from June 1, 2028 through June 1, 2031, at a minimum. <u>Any such long-term procurement of new (incremental) generic capacity resources will be eligible to be counted toward any future procurement required by the Commission in the integrated resource planning context.</u>

10. Ordering Paragraph 10 of Decision 21-06-035 shall be removed in its entirety.

11. During any assessment of load-serving entities' (LSEs') compliance with any of the procurement requirements in D.21-06-035 and D.23-02-040, as modified by D.24-02-047, an LSE will be deemed in compliance with those procurement requirements if: (1) the LSE has sufficient executed long-term contracts (active contracts that meet the applicable requirements in D.21-06-035, D.23-02-040, and D.24-02-047, including having a length of ten years or more) to meet the applicable procurement requirements; and (2) the LSE has met their month-ahead system resource adequacy requirements for each month the procurement is delayed, by the final deadline for curing any resource adequacy deficiency. LSEs may be deemed compliant by using this compliance pathway for a period of not more than three years from the required online date of the applicable procurement requirement. These provisions apply to compliance deadlines that occur after the adoption of this decision.

12. Decision (D.) 24-09-006 is hereby rescinded in its entirety and is no longer in effect going forward from the date this decision is adopted. Bridge contracts used to comply with D. 24-09-006 in the past may still be used to show alternative compliance with the Diablo Canyon replacement resource

requirements of D.21-06-035, Ordering Paragraph 6 but shall not be used after the adoption of this decision.

13. This proceeding shall remain open.

This order is effective today.

Dated September 18, 2025, at San Francisco, California

ALICE REYNOLDS
President
DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
Commissioners

Commissioner Matthew Baker recused himself from this agenda item and was not part of the quorum in its consideration.