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CalCCA and Key Energy Market Stakeholders Reach Central Buyer Settlement Agreement

Diverse energy market participants find common ground to help ensure reliability in California

Concord, Calif. – The California Community Choice Association (CalCCA) and several key energy market stakeholders – Calpine Corporation, Independent Energy Producers Association, Middle River Power, NRG Energy, Inc., San Diego Gas & Electric Company, Shell Energy North America, and the Western Power Trading Forum – have reached a settlement agreement that proposes a new residual resource adequacy "central buyer" structure in California to help ensure the reliability of the state's electric system. The parties today filed a joint motion for adoption of the settlement agreement with the California Public Utilities Commission (CPUC).

"CalCCA is pleased that parties representing diverse interests came together and reached consensus on a central buyer structure that supports reliability in California while preserving local procurement autonomy," said Beth Vaughan, executive director of CalCCA. "It's great to see that we were able to collaborate and come up with a workable solution."

The settlement responds to the CPUC's direction to present a "feasible" central buyer model for resource adequacy (RA) resources. Under the settlement agreement, a central procurement entity – dubbed the Resource Adequacy-Central Procurement Entity (RA-CPE) – would be tasked with purchasing residual multi-year resource adequacy capacity on behalf of load-serving entities (LSEs) on an as-needed basis to ensure RA requirements are met. Energy providers would first have the option to self-procure some or all of their customers' share of the required resources. If they choose not to self-procure, the central procurement entity would purchase resources to address any deficiencies and then bill providers for costs incurred.

The settlement parties, including CalCCA, generators, electric service providers and an investor-owned utility, all of whom are participants in the CPUC's resource adequacy proceeding, entered into the agreement following several weeks of thoughtful discussion and negotiation. The California Independent System Operator on August 20 hosted a settlement conference at the grid operator's headquarters in Folsom to consider the terms of the agreement. The settlement is subject to CPUC approval.

"If adopted, the settlement agreement will advance the Commission's stated preference for a central buyer framework, reduce the need for California Independent System Operator backstop procurement, preserve LSE self-procurement autonomy, maintain and enhance a liquid and robust bilateral capacity market, and preserve a meaningful role for the State in ensuring reliability," the joint motion notes.

While the settlement agreement does not identify or designate a specific entity as the central buyer, it stipulates that it would be a "competitively neutral, independent and creditworthy entity" that would coordinate with the CPUC, California Energy Commission and CAISO.

The settlement agreement will be considered in the resource adequacy proceeding (R.17-09-020). A CPUC vote on whether to adopt the settlement agreement is expected by the end of 2019.

The agreement provides a workable, implementable solution for the central procurement of resource adequacy on a three-year forward basis, the settlement parties said in the joint motion, noting it is "reasonable and in the public interest and should be approved in its entirety."

The Joint Motion/Settlement Agreement can be found here: https://cal-cca.org/wp-content/uploads/2019/08/Joint-Motion-for-Adoption-of-Settlement-Agreement-in-RA-Proceeding-8.30.19.pdf

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About CalCCA

Launched in 2016, the California Community Choice Association (CalCCA) represents California's community choice electricity providers before the state Legislature and at regulatory agencies, advocating for a level playing field and opposing policies that unfairly discriminate against CCAs and their customers. There are currently 19 operational CCA programs in California serving approximately 10 million customers. For more information about CalCCA, visit www.cal-cca.org.