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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Establish
Policies, Processes, and Rules to Ensure
Reliable Electric Service in California in the
Event of an Extreme Weather Event in 2021.

R.20-11-003

**COMMENTS OF
CALIFORNIA COMMUNITY CHOICE ASSOCIATION
ON THE PROPOSED DECISION**

Evelyn Kahl
General Counsel and Director of Policy
CALIFORNIA COMMUNITY CHOICE
ASSOCIATION
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94520
(415) 254-5454
regulatory@cal-cca.org

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SUMMARY OF RECOMMENDATIONS

- Recognizing the uncertainties of procurement on an accelerated timeline, the Proposed Decision appropriately does not include new penalties;
 - Given the limitations of stack analyses, the Commission should limit procurement authorized in this order to 2,000 megawatts (MWs) with a ten percent upper margin to minimize over-procurement;
 - The Commission must require investor-owned utilities (IOUs) to conduct open-source competitive solicitations for procurement in 2023 prior to selecting Utility Owned Storage (UOS) to meet this order;
 - The Commission must modify the PD to ensure IOUs credit the value of reduced load provided by UOS not yet interconnected to the California Independent System Operator (CAISO) grid; and,
 - The Commission must define “reasonable attempts” IOUs must make to sell excess capacity in their existing portfolios before using it to meet the procurement in this order.
-

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ON THE PROPOSED DECISION**

The California Community Choice Association (CalCCA)¹ submits these comments, pursuant to Rule 14.6(c)(10) of the California Public Utilities Commission (Commission) Rules of Practice and Procedure, on the proposed *Phase 2 Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Take Actions to Prepare for Potential Extreme Weather in the Summers of 2022 and 2023* (Proposed Decision or PD), filed on October 29, 2021.

I. INTRODUCTION

The Commission commenced Phase 2 of the Emergency Reliability proceeding (Rulemaking (R.) 20-11-003) in response to Governor Gavin Newsom’s emergency proclamation to examine ways to increase peak and net peak supply resources and reduce peak

¹ California Community Choice Association represents the interests of 23 community choice electricity providers in California: Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

and net peak demand in 2022 and 2023.² The Proposed Decision takes steps to increase supply in 2022 and 2023 by adopting an “effective” Planning Reserve Margin (PRM). However, given the analysis of need in the record and the California Energy Commission’s (CEC) Midterm Reliability Analysis, the Commission should limit the range of procurement adopted. Additionally, boundaries for utility owned storage procurement must be adopted to ensure competitive procurement and proper allocation of benefits.

CalCCA offers the following comments on supply-side aspects of the Proposed Decision:

- Recognizing the uncertainties of procurement on an accelerated timeline, the Proposed Decision appropriately does not include new penalties;
- Given the limitations of stack analyses, the Commission should limit procurement authorized in this order to 2,000 MWs with a ten percent upper margin to minimize over-procurement;
- The Commission must require IOUs to conduct open-source competitive solicitations for procurement in 2023 prior to selecting UOS to meet this order;
- The Commission must modify the Proposed Decision to ensure IOUs credit the value of reduced load provided by UOS not yet interconnected to the CAISO grid; and,
- The Commission must define “reasonable attempts” IOUs must make to sell excess capacity in their existing portfolios before using it to meet the procurement in this order.

The Proposed Decision also takes reasonable action to support demand-side programs that will reduce loads during critical periods of summer 2022 and 2023. Among other things, the Proposed Decision’s adoption of Valley Clean Energy’s (VCE’s) dynamic rate proposal for agricultural water pumping recognizes the critical value of CCA load reduction programs.

² Proclamation of a State of Emergency: <https://www.gov.ca.gov/wpcontent/uploads/2021/07/Energy-Emergency-Proc-7-30-21.pdf>.

II. SUPPLY-SIDE RECOMMENDATIONS

A. Recognizing the Uncertainties of Procurement on an Accelerated Timeline, the Proposed Decision Appropriately Does Not Include New Penalties

The Commission’s efforts to reduce the likelihood of reliability events to the extent possible is an appropriate goal. The challenges with procuring new resources in an expedited timeframe, including “interconnection queue limitations, supply chain issues being faced as a result of the COVID-19 pandemic, high global demand for battery storage, and challenges with skilled labor availability for engineering and construction of new energy resources” support the Proposed Decision’s approach of not modifying the Integrated Resources Planning or RA PRM.³ This approach to procurement creates an alternative pathway for additional supply- and demand-side resources to come online for summer 2022 and 2023 to provide energy at net-peak.

The RA penalty structure should remain unchanged at this time given recent changes to the RA penalty structure that have yet to be assessed.⁴ Similarly, penalties for delays to Decision (D.) 19-11-016 procurement should not be introduced, given that contracts have already been executed to meet this order. The Proposed Decision states Commission staff will be in ongoing contact with load-serving entities (LSEs) to ensure procurement remains on track.⁵ CalCCA members appreciate the collaborative approach indicated by the Proposed Decision to ensure LSE’s procurement efforts are realized. As demonstrated in Opening Testimony, CalCCA members have already begun procuring above and beyond their requirements.⁶ Further, an Energy Division Staff Report issued on August 23, 2021 demonstrates D.19-11-016 procurement is on track, and, in fact, many LSEs are long compared to their procurement obligations in

³ PD at 19.

⁴ PD at 113.

⁵ PD at 112.

⁶ CalCCA Opening Testimony at 3-4.

Tranche One.⁷ Given procurement has already taken place and CCAs and other LSEs have demonstrated they can effectively meet D.19-11-016, the Proposed Decision's rejection of penalties for delays is well justified.

B. Given the Limitations of Stack Analyses, the Commission Should Limit Procurement Authorized in This Order to 2,000 MWs with a 10 Percent Upper Margin to Minimize Over-Procurement

The Proposed Decision finds that if an extreme weather event were to occur, there is a need in the range of 2,000 MW to 3,000 MW in the summers of 2022 and 2023.⁸ This range was identified using the CEC 2022 Summer Stack Analysis. However, there is no basis for using the stack analysis as justification for up to 3,000 MWs of procurement. The stack analysis represents a snapshot of potential system conditions under an extreme weather scenario. It does not measure whether the system meets a targeted reliability standard like a 1-in-10 LOLE. Therefore, stack analyses are not intended to determine whether traditional procurement is needed. The Proposed Decision notes a stack analysis "is a different approach to need determination from traditional electricity resource planning and RA approaches and is not intended to determine the level of traditional resources needed."⁹ CalCCA agrees and made the same observation in its opening testimony and comments to the CEC's stack analysis.¹⁰

Further, following the issuance of the stack analysis, the CEC issued its Mid-Term Reliability Analysis: an LOLE study to determine if existing procurement orders resulted in a reliable system under a 1-in-10 standard. This type of analysis is consistent with traditional

⁷ "Procurement in Compliance with D.19-11-016 per February 1, 2021 Filings, 8/23/2021", available at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/integrated-resource-plan-and-long-term-procurement-plan-irp-ltp/ed_staff_review_of_feb2021_data_in_compliance_with_d1911016.pdf

⁸ PD at 11.

⁹ PD at 25.

¹⁰ CalCCA Opening Testimony at 3-4.

electricity resource planning and is a better indicator of the level of system reliability expected in the coming years. The results of that analysis indicate a shortfall in 2022 of about 1,300 MW and no shortfall in 2023 if procurement orders are realized.¹¹ This is precisely the discrepancy between stack analyses and analytically sound loss of load studies that CalCCA has been concerned were likely given the analytical weaknesses of stack analyses. Further, the Mid-Term Reliability analysis assessed the impact of potential procurement delays beginning in 2022 and found a one-year delay of 20 percent of new 4-hour storage resources did not have a material impact on system reliability.¹² Taken together, the Commission should be cautious of ordering what may be unneeded resources.

Further, while the Proposed Decision indicates the Commission used SCE's general approach when evaluating the results of the CEC's 2022 Summer Stack Analysis, there appear to be discrepancies between SCE's recommended approach and the approach adopted by the Commission in the Proposed Decision, including assumptions about import availability and hydro conditions.¹³ Further, the Proposed Decision does not attempt to value or include the MW of load reduction from the many demand-side proposals adopted in the Proposed Decision in its evaluation of the stack analysis which will further reduce net-peak demand, and in turn the amount of potential shortfall between supply and net load.¹⁴ Given these differences and the results of Midterm Reliability analysis using methodologies consistent with typical resource

¹¹ Gill, Liz, Mark Kootstra, Elizabeth Huber, Brett Fooks, Chris McLean. 2021. Midterm Reliability Analysis. California Energy Commission. Publication Number: CEC-200-2021-009.

¹² Gill, Liz, Mark Kootstra, Elizabeth Huber, Brett Fooks, Chris McLean. 2021. Midterm Reliability Analysis. California Energy Commission. Publication Number: CEC-200-2021-009.

¹³ SCE Opening Testimony, Appendix A.

¹⁴ PD at 16: "The load impacts of the new and voluntary programs we adopt, and continue, in this decision cannot be predicted with certainty."

planning processes described above, the Proposed Decision should be modified to more closely align the procurement target with grid needs and a 1-in-10 reliability standard.

The Proposed Decision cites challenges and uncertainties associated with identifying and procuring new resources in 2022 and 2023 as justification for extending procurement targets in this order to 2023, despite an additional 2,825 MW of new resources ordered to come online for the summer of 2023.¹⁵ CalCCA is working under the assumption that the 2,000-3,000 MW order is a total amount of procurement to take place over 2022 and 2023, rather than an additive amount that would result in 4,000 to 6,000 MWs of total procurement over the two years.

Given the results of the Mid-Term Reliability Analysis and its assessment on reliability impacts of potential procurement delays, the 3,000 MW upper bound goes too far. Procurement up to the 3,000 MW target will result in significant over-procurement and increased ratepayer costs. The Commission should instead set a procurement target of 2,000 MW plus an upper limit ten percent. 2000 MW strikes a reasonable balance by fully covering the shortfall identified in 2022 in the Mid-Term Reliability analysis while limiting unnecessary over procurement. Including a margin of ten percent will allow the IOUs to target procurement of 2,000 MW target with a reasonable margin to ensure they are able to fully meet it. For these reasons, the Commission should limit procurement to 2,000 MW with an upper bound of ten percent.

C. The Commission must require IOUs to conduct open-source competitive solicitations prior to selecting Utility Owned Storage procured for 2023

The Proposed Decision states that both UOS and third-party storage resources can be used to meet the procurement targets, and that given the urgency to get new resources online, a Tier 2 Advice Letter process for utility owned storage is sufficient.¹⁶ The Proposed Decision

¹⁵ PD at 18.

¹⁶ PD at 101.

clarifies that D.21-06-035 obligating IOUs to submit an application for utility-owned resources does not apply, as it would lead to delays in contract execution. This is consistent with the *Assigned Commissioner's Ruling Clarifying Issues Regarding Utility-Owned Generation and Storage Procurement in 2022*.¹⁷ For 2023 procurement, however, there is more time to evaluate bids for cost-competitiveness. Therefore, to ensure cost-effective procurement that minimizes rate-payer costs, the Commission must require the IOUs to conduct open-source competitive solicitations prior to selecting UOS projects for 2023. While the Commission raises concerns about delays to contract execution if a full application process was required, the IOUs will have additional time to conduct competitive solicitations for 2023 and they should be required to submit an application for UOS to demonstrate the UOS project is cost competitive. Without such a requirement, the Commission risks customer costs for years to come by foregoing a more cost-effective solution.

D. The Commission Must Modify the Proposed Decision to Ensure IOUs Credit the Value of Reduced Load Provided by UOS Not Yet Interconnected to The CAISO Grid

The Proposed Decision concludes that storage resources need not be fully deliverable as long as they provide peak and net peak grid reliability benefits in summer 2022 or 2023. The Proposed Decision also adopts SCE's proposal to recover costs of UOS through distribution rates when operating the resources as non-CAISO controlled grid assets prior to interconnection to the CAISO transmission system.¹⁸ The Commission should clarify the Proposed Decision so that energy benefits from UOS not yet participating in the wholesale market should be credited

¹⁷ *Assigned Commissioner's Ruling Clarifying Issues Regarding Utility-Owned Generation and Storage Procurement in 2022*, Sept 17, 2021, at 4.

¹⁸ PD at 101.

against procurement costs, such that the benefits of the resource are received by all benefitting customers.

Crediting these benefits is consistent with SCE's proposed UOS procurement in Advice Letter (AL) 4617-E, which states:

“During the period when the costs of the energy storage resources are recovered through distribution charges, SCE will credit energy benefits against such costs. The energy benefits are reflected in reductions to the load procurement charges that apply to bundled services customers via generation rate levels and that record to the Energy Resource Recovery Account (“ERRA”) Balancing Account (“ERRA BA”). To ensure that all benefitting customers receive these benefits, SCE intends to debit the ERRA BA for the actual energy benefits received and credit the distribution subaccount of the Base Revenue Requirement Balancing Account (“BRRBA-D”).¹⁹

The Commission must adopt this same approach in modifying the Proposed Decision to ensure all customers funding the resources receive the benefit the resources provide. When resources participate in the wholesale market and costs and benefits are allocated through the cost allocation mechanism (CAM), wholesale market costs are allocated through CAM to ensure energy benefits are allocated to all customers funding the procurement of the resource. When UOS is not participating the wholesale market, as the Proposed Decision allows, energy benefits are incurred via reduced load that no longer needs to be served through wholesale market purchases. The Proposed Decision errs by not specifying how such benefits will be allocated to all customers. This can be remedied simply by clarifying that such benefits be allocated consistent with the methodology outlined in SCE AL 4617-E. For these reasons, the Proposed

¹⁹ Submission of Southern California Edison Company Emergency Reliability Engineering, Procurement, Construction, and Maintenance Contract for Utility-Owned Storage Resources for Review and Approval Pursuant to the Phase 1 Decisions and Assigned Commissioner's Ruling issued in Rulemaking 20-11-003; Request for Expedited Protest Period and Disposition, AL 4617-E, Oct. 21, 2021, at 27.

Decision should be modified to ensure IOUs credit the value of reduced load provided by UOS not yet interconnected to the CAISO grid against procurement costs incurred by LSEs.

E. The Commission Must Define “Reasonable Attempts” IOUs Must Make to Sell Excess Capacity in Their Existing Portfolios Before Using it to Meet the Procurement in This Order

The Proposed Decisions concludes an IOU may meet its procurement target using excess resources in its existing portfolio provided it has made “reasonable attempts” to sell this capacity to other LSEs.²⁰ The Commission must clarify what constitutes a reasonable attempt to sell its excess capacity. This clarification should require documentation on number of Request for Offers (RFOs), price floors, timing of the sale, and any other information that justifies a reasonable attempt. Without such documentation, the Commission risks shifting the burden of procuring new resources from the IOUs on behalf of all customers to other market participants if the result is that to meet their RA requirements, other LSEs must procure new resources or face RA penalties if the IOU has not effectively offered existing excess resources to the market.

III. IN ITS ADOPTION OF VALLEY CLEAN ENERGY’S DYNAMIC RATE PROPOSAL FOR AGRICULTURAL WATER PUMPING, THE PROPOSED DECISION RECOGNIZES THE VALUE THAT CCA PROGRAMS CAN PROVIDE TO SUPPORT RELIABILITY

In adopting VCE’s Agricultural Pumping Dynamic Rate Pilot Proposal (VCE Pilot), the Proposed Decision recognizes the value that CCA programs can provide to support reliability through load reduction programs. The VCE Pilot will enroll agricultural customers on irrigation pumping tariffs in a three-year pilot (2022-2024).²¹ The pilot will use an experimental rate that will allow bill savings for customers that shift load out of expensive hours based on dynamic price signals, including projected prices and tools for agricultural customers to schedule usage

²⁰ PD at 97.

²¹ PD at 84.

ahead of time.²² VCE and PG&E will coordinate in administering and evaluating the pilot.²³ As the Proposed Decision notes, the VCE pilot has the potential to unlock up to five MWs in the near term, and will provide an opportunity to assess the potential of incentivizing load shifts through a dynamic retail rate.²⁴ The VCE pilot provides an excellent example of the ability of CCA Demand Response programs to contribute to load management and reliability.

IV. CONCLUSION

CalCCA appreciates the opportunity to submit these comments and requests adoption of the recommendations proposed herein. For all the foregoing reasons, the Commission should modify the proposed decision as provided in Attachment A.

Respectfully submitted,



Evelyn Kahl
General Counsel and Director of Policy
CALIFORNIA COMMUNITY CHOICE
ASSOCIATION

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²² PD at 85-86.

²³ PD at 85-90.

²⁴ PD at 85-86.

ATTACHMENT A
PROPOSED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW AND
ORDERING PARAGRAPHS

FINDINGS OF FACT

10. If an extreme weather event were to occur, there is a need for contingency resources in the summers of 2022-2023 ~~in the range of 2,000 MW to 3,000 MW~~ of up to 2,000 MW.

11. ~~The 2,000-3,000 MW range~~ 2000 MW provides for the procurement of contingency resources to meet an effective PRM of between 20 percent ~~and 22.5 percent~~ to ensure reliable electric supply during extreme circumstances. Additional resources that meet this higher effective PRM will provide additional reliability in the event of a need for contingencies above the existing PRM during extreme events.

25. Applying the TAC area CAISO load shares for each utility's service territory to the contingency procurement set forth in this decision results in target procurement amounts of 900 MW ~~1,350 MW~~ each for PG&E and SCE service territories and 200 MW ~~300 MW~~ for SDG&E service territory. Each IOU is limited to procuring 10 percent over their targeted procurement amount.

27. Added to the 15 percent PRM requirement in the RA program that applies to all LSEs, the adopted range of additional contingency procurement results in an effective PRM of 20 percent ~~to 22.5 percent~~.

32. It may be difficult to identify and procure sufficient demand and supply-side resources to reach 2,000 MW of on-line and available contingency resources for summer 2022, ~~let alone the 3,000 MW target~~.

82. Collecting the costs of the UOS procurement ordered in this decision through distribution rates and crediting the value of reduced load until the resource is fully deliverable to CAISO markets is consistent with principles of CAM treatment.

CONCLUSIONS OF LAW

3. The Commission should adopt a target procurement ~~range~~ of 2,000 MW plus 10 percent ~~to 3,000 MW~~ in contingency resources for 2022 and 2023.

10. The additional resources ordered in this decision to meet the 2,000 MW ~~to 3,000 MW~~ should be available at peak and net peak.

ORDERING PARAGRAPHS

3. In recognition of the continued tight grid conditions experienced this summer, the California Independent System Operator's testimony reflecting a significant shortfall in Load Serving Entity supply plan resources at net peak, and the need for additional contingency resources identified in the California Energy Commission's Summer 2022 Stack Analysis, Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company (SDG&E) shall use their best efforts to meet a revised targeted procurement ~~range~~ of 2,000 megawatts (MW) ~~to 3,000 MW~~ for summers 2022 and 2023, which includes and is not additive to the targeted procurement of 1,000 MW of contingency resources adopted in Decision (D.) 21-02-028 and D.21-03-056 and results in an "effective PRM" of 20 percent ~~22.5 percent~~. Based on the proportional load share in each utility's service territory, the revised targeted procurement range represents 900 ~~—1,350 MW~~ of additional procurement for SCE and PG&E, and 200 ~~—300 MW~~ for SDG&E.

12. The net costs associated with the supply side procurement by Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) shall be passed through to all benefiting customers consistent with the existing cost allocation mechanism. PG&E, SCE and SDG&E are directed to continue their procurement efforts and endeavor to achieve an effective 20 percent ~~to 22.5 percent~~ planning reserve margin for the months of concern. All procurement contracts shall be submitted to the

Commission via a Tier 1 Advice Letter on a continuing basis, except for contracts for incremental imports, incremental utility owned resources, and incremental gas generation of five years or more. Tier 1 Advice Letters are not required, but may be submitted, for incremental imports. Contracts for utility owned resources shall be submitted to the Commission via a Tier 2 Advice Letter. Contracts of five years or more for incremental generation at existing gas power plants shall be submitted to the Commission via a Tier 3 Advice Letter. Contracts for fossil-fuel development at new sites or for redevelopment or full repowering at existing or mothballed electric generation sites will not be considered.

68. If an Investor-Owned Utility has not met its minimum contingency procurement target for the months of June and October with Resource Adequacy (RA)-eligible resources that can be reflected on supply plans, it may use excess resources in its existing portfolios to meet the minimum contingency procurement target (900 megawatts (MW) for Pacific Gas and Electric Company and Southern California Edison Company, and 200 MW for San Diego Gas & Electric Company), provided it has made reasonable attempts to sell this excess capacity to other Load Serving Entities. The IOU must provide documentation of its attempts to sell excess capacity, including on number of Request for Offers (RFOs), price floors, timing of the sale, and any other information that justifies a reasonable attempt. In these instances, the excess resources may be accounted for at the imputed cost of 2021 Power Charge Indifference Adjustment RA System Market Price Benchmark.

69. For the months of July, August, and September, excess resources from an Investor-Owned Utility's existing portfolios may be used to meet or supplement procurement targets in this decision up to the upper end of its contingency procurement target (990 MW for Pacific Gas and Electric Company and Southern California Edison, and 220 MW for San Diego Gas & Electric)

~~1,350 megawatts (MW) for Pacific Gas and Electric Company and Southern California Edison, and 300 MW for San Diego Gas & Electric~~, provided it has made reasonable attempts to sell this excess capacity to other. These excess resources may be accounted for at the imputed cost of 2021 Power Charge Indifference Adjustment Resource Adequacy System Market Price Benchmark.

73. Southern California Edison Company's cost allocation for its utility owned storage procurement as a distribution system asset rather than a generation asset resource is approved as an acceptable alternative to the Cost Allocation Mechanism (CAM) authority granted in Decision 21-02-028 when operating the resources as non-California Independent System Operator (CAISO)-controlled grid assets prior to deliverability to CAISO markets while CAISO deliverability studies are performed since the rate impact is the same (distribution assets and CAM resources are charged to all customers) and it accomplishes the same grid benefit. The IOU must also credit the value of reduced load when operating the resources as non-California Independent System Operator (CAISO)-controlled grid assets prior to deliverability to CAISO markets.

75. The Tier 2 Advice Letter process and Cost Allocation Mechanism for utility owned storage adopted in Decision (D.) 21-02-028 is authorized for continue for 2022 ~~and 2023~~. The Integrated Resource Plan (IRP) requirement established in D.21-06-035 obligating the Investor-Owned Utilities to submit an application for utility-owned resources procured to meet IRP requirements is ~~not~~ required for the procurement authorized in this decision that takes place for 2023.