



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

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

R.21-10-002

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S  
COMMENTS ON THE PROPOSED DECISION ON PHASE 1 OF THE  
IMPLEMENTATION TRACK: MODIFICATIONS TO THE CENTRAL  
PROCUREMENT ENTITY STRUCTURE**

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## SUMMARY OF ERRORS AND RECOMMENDATIONS

- The PD fails to allow sufficient time for both CPEs and LSEs to conduct procurement;
    - CPE procurement for 2023 must be completed by June 2022;
    - CPE procurement for 2024 and beyond must be completed by late September or early October one year prior to the year-ahead showing;
  - The PD provides insufficient justification for omitting a limited system and flexible RA waiver process for RA compliance year 2023 if CPE shortfalls are not filled by the end of June 2022;
  - The PD fails to promote self-showing of local resources because the incentives and disincentives to self-show are not balanced;
    - The PD correctly modifies self-showing requirements to require an attestation rather than a contract between the self-showing LSE and the CPE;
    - The PD exacerbates disincentives to self-show by placing the risk of CAISO backstop costs on the self-showing entity;
    - The PD must be modified to confirm that the replacement obligation for self-shown resources belongs to the CPE;
  - A new Ordering Paragraph should be added requiring a holistic review of the CPE framework in Phase Three of R.21-10-002.
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PROCUREMENT ENTITY STRUCTURE**

The California Community Choice Association (CalCCA)<sup>1</sup> submits these comments pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure on the proposed *Decision on Phase 1 of the Implementation Track: Modifications to the Central Procurement Entity Structure* (Proposed Decision or PD) issued on February 10, 2022.

**I. INTRODUCTION**

Decision (D.) 20-06-002 adopted a “hybrid” central procurement entity (CPE) framework for local Resource Adequacy (RA) in Pacific Gas and Electric Company (PG&E) and Southern California Edison Company’s (SCE) service areas beginning with the 2023 RA compliance year.<sup>2</sup>

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<sup>1</sup> California Community Choice Association represents the interests of 23 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Orange County Power Authority, 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.

<sup>2</sup> *Decision on Central Procurement of the Resource Adequacy Program*, June 11, 2020 (R.17-09-020) (D.20-06-002).

Under this framework, load-serving entities (LSEs) in PG&E and SCE’s territories no longer receive local RA allocations. Instead, the CPE is required to meet the local RA obligations through its own procurement. LSEs or generators may sell bundled local RA to the CPE or LSEs may reduce the overall CPE procurement requirement by self-showing local RA attributes to the CPE, while retaining the system and flexible attributes of the resource for their own use. The CPE can also defer procurement to the California Independent System Operator’s (CAISO’s) backstop mechanisms if procurement costs are deemed unreasonably high.

On November 1, 2021, PG&E and SCE’s CPEs submitted Annual Compliance Reports summarizing CPE procurement activity in 2021. SCE Advice Letter 4626-E, dated November 1, 2021, indicated a small amount of unfulfilled monthly 2023 obligations likely to be filled in future request for offers (RFOs), and therefore, nothing has been deferred to the CAISO’s backstop processes.<sup>3</sup> PG&E’s Supplemental CPE Annual Compliance Report filed on November 19, 2021 indicated procurement for 2023 is short of the local RA requirement by up to roughly 6,000 MW, or 53 percent of its requirement.<sup>4</sup> It is not clear in the Supplemental CPE Annual Compliance Report if the CPE will attempt to do more procurement to meet the local obligation or defer procurement to the CAISO’s Capacity Procurement Mechanism (CPM) authority.

Given the significant short position, LSEs have a high level of uncertainty about the amount of Cost Allocation Mechanism (CAM)-allocated resource credits they can expect to receive, significantly complicating their 2023 system and flexible procurement. The timeline adopted in the PD exacerbates this uncertainty by prolonging the allocation of system and flexible credits to 6 to 8 weeks prior to the year-ahead showings. The PD makes an improvement to the self-showing process by allowing attestations to self-show rather than requiring contracts between the self-showing entity

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<sup>3</sup> *Central Procurement Entity Annual Compliance Report: 2021*, Southern California Edison Company (SCE), Nov. 1, 2021, Independent Evaluator Report at 31 (document page 70 of 98).

<sup>4</sup> *Supplemental: Pacific Gas and Electric Company (“PG&E”) Central Procurement Entity (“CPE”) Annual Compliance Report*, Nov. 19, 2021, Attachment 1.

and the CPE. However, the imbalance between the incentives and disincentives to self-show is not resolved by this change alone. In fact, the PD makes other modifications that would worsen this imbalance by placing additional risks on self-showing LSEs.

CalCCA makes the following necessary recommendations to the Commission that must be adopted to enable a functioning CPE framework:

- The PD fails to allow sufficient time for both CPEs and LSEs to conduct procurement;
  - CPE procurement for 2023 must be completed by June 2022;
  - CPE procurement for 2024 and beyond must be completed by late September or early October one year prior to the year-ahead showing;
- The PD provides insufficient justification for omitting a limited system and flexible RA waiver process for RA compliance year 2023 if CPE shortfalls are not filled by the end of June 2022;
- The PD fails to promote self-showing of local resources because the incentives and disincentives to self-show are not balanced;
  - The PD correctly modifies self-showing requirements to require an attestation rather than a contract between the self-showing LSE and the CPE;
  - The PD exacerbates disincentives to self-show by placing the risk of CAISO backstop costs on the self-showing entity;
  - The PD must be modified to confirm that the replacement obligation for self-shown resources belongs to the CPE; and
- A new Ordering Paragraph (OP) should be added requiring a holistic review of the CPE framework in Phase Three of R.21-10-002.

## **II. THE PD FAILS TO ALLOW SUFFICIENT TIME FOR BOTH CPES AND LSES TO CONDUCT PROCUREMENT**

### **A. CPE Procurement for 2023 Must be Completed by June 2022**

The timeline adopted in D.20-06-002 specified that, in late September to early October 2021, LSEs would receive final CAM credits (based on coincident peak-load shares) for any system and flexible capacity that was procured by the CPE.<sup>5</sup> This would have allowed roughly

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<sup>5</sup> PD at 26.

15 months from the time the CPE is allocated its local requirement in June 2020 and the time CPE procurement would need to conclude to allocate credits to LSEs. Then, LSEs would have roughly 13 months from the time they receive their credits from CPE procurement in late September or early October 2021 and LSEs' year-ahead showings for the 2023 compliance year made in late October 2022. This timeline appropriately balances the time provided for CPE procurement of local RA and LSE procurement of system and flexible RA.

The PD incorrectly concludes PG&E's proposal modifying the CPE timeline gives both LSEs and CPEs a similar amount of time to complete necessary procurement after receiving allocations.<sup>6</sup> Under the PD, the time between LSEs receiving credits from the CPE and their year-ahead showings is reduced from 13 months to 2 months at most. Leaving LSEs uncertain of the amount of their system and flexible credits until 6 to 8 weeks prior to their year-ahead showings is unworkably late.

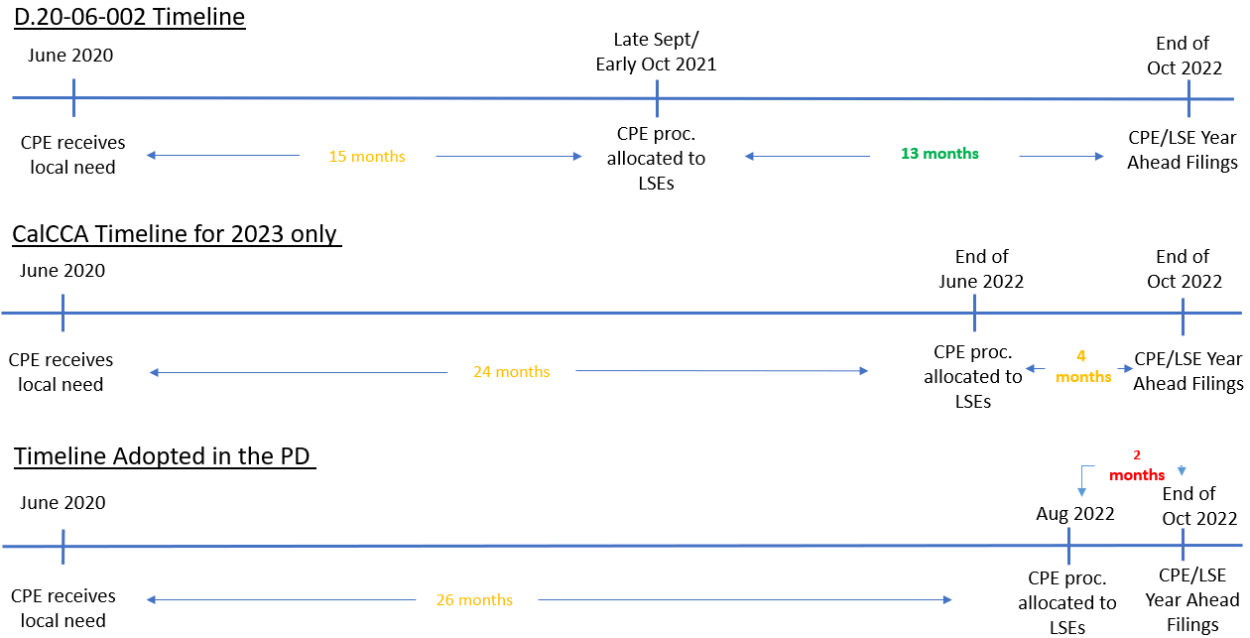
The following figure demonstrates that the PD significantly disadvantages LSEs in their system RA procurement by modifying the timeline adopted in D.20-06-002. Specifically, the PD fails to recognize that the three-year forward local RA program provides CPEs the ability to complete their procurement roughly one year prior to the year-ahead filings, subject to any changes in the local capacity requirements (LCR) in subsequent years. This encroaches on LSEs' ability to procure their own system and flexible RA after receiving CPE credits.

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<sup>6</sup> PD Finding of Fact 8.



**Figure 1: CPE Timeline Adopted in D.20-06-002 Compared to CalCCA’s Proposed Timeline for 2023 and the Timeline Adopted in the PD**



Parties in this proceeding have incorrectly suggested LSEs can mitigate against the uncertainty introduced by this change by self-showing resources to the CPE. First, LSEs are under no obligation to self-show and, as described in Section IV, under the current framework it may be in their best interest not to self-show. Second, while LSEs retain the system and flexible attributes of self-shown resources, they do not receive megawatts (MW) for MW allocation of the local attributes. Therefore, even if an individual LSE self-shows all their resources to the CPE, the LSE is still uncertain of what it will be allocated because its allocation depends on what other LSEs elect to self-show. For example, if total LSE self-showings cover the entire CPE obligation, the CPE will not need to undertake its own procurement, LSEs will not be allocated any credits from the CPE, and LSEs will need to meet their system and flexible requirement using their own resources. On the other extreme, if no LSEs self-show, the CPE will need to procure to the total requirement, LSEs will be allocated system and flexible credits for the CPE’s procurement, and LSE procurement for their own obligations would be significantly reduced.

Individual LSEs cannot predict the amount of credits they will receive until procurement is complete because the amount of credits depends on the amount of self-showing done by other LSEs and the amount of procurement completed by the CPE.

The Commission should revise the PD to require CPEs to finalize procurement by the end of June 2022, such that credits from CPE procurement can be allocated to LSEs at the same time the system and flexible requirements are adopted. While the PD aims to provide CPEs and LSEs similar amounts of time to conduct procurement, the PD fails to recognize that the three-year forward local RA program and the timeline adopted in D.20-06-002 already provided CPEs and LSEs roughly the same amount of time to conduct procurement (roughly 15 months and 13 months, respectively).

Parties opposed to CalCCA's proposal suggest that requiring CPE procurement to conclude by the end of June 2022 would constrain efficient procurement by the CPE and that because local RA requirements are not finalized until June each year, CPEs would be uncertain of their final local requirement.<sup>7</sup> While the local requirements may change from when they are initially adopted three years forward to when they are finalized one year forward, they are unlikely to change with the same magnitude as the largest CPE short position observed for 2023. From 2020 to 2021, the largest change in the LCR was roughly 1,800 MW due to changes in the LCR study criteria, which would not likely be a common recurrence. From 2021 to 2022, the largest change in the LCR was roughly 880 MW due to load forecast increases. Because the CAISO establishes local RA requirements on a three-year forward basis, most marginal changes to the local requirement should be minimal year over year. Notably, the changes experienced in

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<sup>7</sup> PD at 31.

LCR requirement changes have been significantly lower than the roughly 6,000 MW CPE open position that impact LSE system and flexible procurement.

**B. CPE Procurement for 2024 and beyond must be Completed by Late September or Early October One Year Prior to the Year Ahead Showing**

CalCCA proposed CPEs finalize their procurement for compliance year 2023 by June 2022.<sup>8</sup> This proposal was made in recognition of the significant shortfall in CPE procurement for 2023 and to allow CPEs to fill their short positions prior to allocating system and flexible credits to LSEs. For compliance years 2024 and beyond, however, the Commission must commit to giving LSEs adequate time between receiving their system and flexible allocations from the CPEs and submitting their year-ahead filings. This can be accomplished by requiring CPE procurement to be completed in late September or early October one year prior to the yearly showings for RA compliance years 2024 and beyond, as originally established in D.20-06-002. If the local requirements change between the adoption of the three-year forward and one-year forward LCRs, the CPE should be able to conduct procurement to fill the marginal need.

This timeline is critical because LSEs must have certainty around their system and flexible obligations in order to perform orderly and efficient procurement. Extending CPE procurement beyond this timeframe could result in increased ratepayer costs because LSEs may procure above what they need given the uncertainty around the amount of credits they can expect to receive. Further, when CPEs are still procuring at the same time as the LSEs, the CPE and LSEs will be seeking to procure the same MW in the market, driving up costs for all parties. Once final allocations are known, all LSEs will need to execute deals with suppliers that are likely bidding into multiple solicitations under the same minimal timeframe. A timeline that

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<sup>8</sup> *California Community Choice Association's Phase 1 Proposals in Response to the Assigned Commissioner's Scoping Memo and Ruling*, Dec. 13, 2021 (R.21-10-002) (CalCCA Proposals) at 8-9.

allows CPEs to complete their procurement of local RA, then LSEs to complete their procurement of system RA after receiving credits from the CPE will result in the most orderly and efficient outcome because each entity will know the amount of their obligation and have sufficient time to conduct procurement.

### **III. THE PD PROVIDES INSUFFICIENT JUSTIFICATION FOR OMITTING A LIMITED SYSTEM AND FLEXIBLE RA WAIVER PROCESS FOR RA COMPLIANCE YEAR 2023 IF CPE SHORTFALLS ARE NOT FILLED BY THE END OF JUNE 2022**

At this time, it remains unclear if the CPE will be able to meet its full procurement obligation for 2023. This uncertainty has already significantly impacted LSEs in the process of conducting procurement of system and flexible RA to meet their own requirements. If the CPE does not meet its full local RA obligation by the end of June 2022, when system and local requirements are finalized, the Commission should adopt a system and flexible RA waiver for the 2023 RA compliance year for LSEs whose procurement was impacted by CPE procurement shortfalls as CalCCA proposed.<sup>9</sup> CalCCA's proposed waiver would be limited to the 2023 compliance year and only apply to LSE deficiencies up to the MW amount of expected CPE allocations had the CPE fully met its procurement requirement.

By omitting a discussion on CalCCA's proposed limited system and flexible waiver process resulting from unfilled CPE procurement, the PD would "triple down" on financial penalties LSEs face as a direct result of procurement that should have been completed on their behalf but was not. LSEs face financial penalties for failing to meet their requirements through both the Commission penalty structure and potential CAISO backstop costs. Additionally, the Commission's penalty structure includes a tiered point system that assigns points to LSEs each time they are deficient, resulting in higher penalties the more points accrued. If the Commission

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<sup>9</sup> CalCCA Proposals at 14.

will not institute system and flexible RA waivers for this limited instance, the Commission must, at minimum, not assign any points to LSEs with deficiencies within the amount of CPE credits they did not receive. This is appropriate under the current situation where LSEs are still unclear about the system and flexible RA credits they can expect to receive. The CPE does not face RA penalties for deferring procurement to CAISO's backstop authority. LSEs, on the other hand, face penalties of up to \$26.64/kW-month under the tiered penalty structure adopted in D.21-06-029.<sup>10</sup> If a waiver is not adopted, the Commission should not assign points to LSEs who are short of their obligation by the amount of credits they could have received from the CPE had the CPE fully met its obligation but did not.

#### **IV. THE PD FAILS TO PROMOTE SELF-SHOWING OF LOCAL RESOURCES BECAUSE THE INCENTIVES AND DISINCENTIVES TO SELF-SHOW ARE NOT BALANCED**

##### **A. The PD Correctly Modifies Self-Showing Requirements to Require an Attestation Rather than a Contract Between the Self-Showing LSE and the CPE**

The PD expresses concern that a limited amount of local resources were self-shown to the PG&E CPE and indicated that it is important to address and eliminate barriers that unnecessarily disincentivize LSEs from self-showing.<sup>11</sup> The PD removes one of the barriers to self-showing by adopting an attestation requirement to self-show in lieu of the rules adopted in D.20-12-006 that require self-showing LSEs to execute contracts with the CPE.<sup>12</sup> CalCCA supports this portion of the PD. The requirement to execute contracts between self-showing LSEs and CPEs, coupled with the CPE requiring LSEs to provide the same information outlined in the selection criteria established in D.20-06-002 put unnecessary risk on the LSE or required information about resource attributes

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<sup>10</sup> *Decision Adopting Local Capacity Obligations for 2022-2024, Flexible Capacity Obligations for 2022, and Refinements to the Resource Adequacy Program*, June 24, 2021 (R.19-11-009) at 55-60.

<sup>11</sup> PD at 13.

<sup>12</sup> PD at 17.

that LSEs did not have.<sup>13</sup> Adopting an attestation requirement will eliminate unnecessary barriers that may prevent LSEs from self-showing and will likely lead to more self-showing offers if the disincentives to self-show described below are appropriately addressed.

**B. The PD Exacerbates Disincentives to Self-Show by Placing the Risk of CAISO Backstop Costs on the Self-Showing Entity**

The proposal in the PD regarding CPM cost allocation creates further imbalances between the benefits and risks of self-showing that threaten the Commission's ability to maximize the amount of resources shown to the CPE. The PD further modifies the self-showing process, requiring all LSEs in the CPE service area to cover backstop costs if a CPM is caused by failure of a self-shown resource to perform due to a planned outage. The PD would also require all LSEs, not only the self-showing LSE, to cover backstop costs incurred due to a non-performing self-shown resource located outside of the CPE service area. However, if a self-shown resource inside the CPE service area fails to perform due to any reason other than a planned outage, the self-showing LSE would be responsible for any associated CPM costs. The PD adopts this proposal on the basis of ensuring self-shown resources are actually shown to the Commission and CAISO.

The PD also expresses the need to understand why LSEs may not self-show their resources and adopts a justification statement LSEs must submit explaining why they did not bid or self-show.<sup>14</sup> When comparing the risks and benefits to self-showing, however, it is clear a major explanation is likely that the incentives and disincentives are not aligned in a way that would encourage LSEs to self-show. This proposal must be modified to address this

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<sup>13</sup> D.20-06-002 Ordering Paragraph 14.

<sup>14</sup> PD at 15.

misalignment if the Commission aims to address its concern around the small number of self-showing offers picked up by the CPEs for 2023.

The benefits of self-showing are 1) a small Local Capacity Requirement Reduction Compensation Mechanism (LCR RCM) payment and 2) a pro-rata reduction in CPE procurement costs. The LCR RCM was designed to incentivize the development of new preferred or energy storage resources in local areas. Because the LCR RCM only applies to new preferred or energy storage resources, most local resources are not eligible for compensation if self-shown.<sup>15</sup> Additionally, because system RA capacity is constrained, the premium for local RA, the basis of the LCR RCM payment, is very small. In some local areas, the LCR RCM is \$0/kW-month. At most, the LCR RCM is \$1.78/kW-month.<sup>16</sup>

When an LSE self-shows a local resource, it lowers the overall amount of the CPE local RA obligation. Therefore, while the self-showing LSE maintains all the system and flexible attributes, it only receives a reduction in CPE costs pro-rata based on its load share in the local area. For example, an LSE with a 3 percent load ratio share that shows a 100 MW resource would receive a reduction in cost allocation from the CPE of 3 MWs. However, in exchange for this reduction in cost allocation, under the PD the self-showing LSE takes on 100 percent of the CAISO CPM cost risk if the resource is unable to perform in a given month.

The PD would introduce additional risks to self-showing by assigning CAISO backstop costs to the self-showing LSE in the event a self-shown resource cannot perform for reasons other than a planned outage. If a resource is shown for system RA only, as opposed to local RA,

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<sup>15</sup> *Decision On Track 3.A Issues: Local Capacity Requirement Reduction Compensation Mechanism And Competitive Neutrality Rules*, Dec. 3, 2020 (D.20-12-006), Conclusion of Law 4 and OP 4.

<sup>16</sup> See Local Capacity Requirement Reduction Compensation Mechanism: <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/resource-adequacy-homepage/resource-adequacy-compliance-materials/lcr-rcm-prices.pdf>.

the resource can be replaced by another system resource if the shown resource becomes unavailable. However, if a resource is shown for local, the resource has a like-for-like replacement requirement, in which the resource must be replaced by another resource in the same local area. Because system RA is scarce and local RA is even more scarce, there is significant risk that the price of replacement capacity local premium will be higher than the LCR RCM, if replacement is available at all. Keeping in mind that the LSE will still be responsible for meeting their system and flexible RA obligations, the LSE will need to procure system and potentially flexible resources. In addition to this cost, if the LSE cannot find a local resource replacement, the self-showing LSE would be subject to the entirety of CAISO backstop costs with a soft-offer cap of \$6.31/kW-month. The sum of the LSE procuring to meet system RA and the CAISO backstop costs will clearly be higher than the \$1.78/kW-month maximum LCR RCM payment the self-showing LSE would receive. Taken together, the LCR RCM and pro-rata reduction in CPE costs will likely not be enough to outweigh the risks of self-showing via replacement or CPM costs as established in the PD.

**C. The PD Must be Modified to Confirm that the Replacement Obligation for Self-Shown Resources Belongs to the CPE**

The PD should be modified to require the CPE to allocate backstop costs pro-rata to all LSEs including the self-showing LSE, commensurate with the benefits received. This modification would eliminate the risk of self-showing present in the PD's proposal for the CPE to allocate the full backstop costs to self-showing LSEs who only receive a pro-rata share of the benefits. The PD must be modified such that the following steps are taken when a self-shown resource does not perform:

1. Allow, but do not require, self-showing LSEs to substitute non-performing self-shown resources with another resource as the like-for-like local resource;



2. If the self-showing LSE does not substitute, allow the CPE to replace the non-performing self-shown resources and allocate the costs to all LSEs in the TAC area, as all LSEs receive benefit from the self-shown resource or its replacement; and
3. If CAISO backstop is necessary, the CPE should allocate the CAISO backstop costs to all LSEs, as all LSEs receive the local benefit.

This approach will allow LSEs to self-show without taking on additional replacement or backstop risk beyond what it would have if it did not self-show. It also allows for replacement capacity to be provided when available, either by the self-showing LSE or the CPE, to avoid the need for the CAISO to exercise its backstop authority. The Commission should modify the PD's self-showing process in this way to align the risks and benefits to self-showing and, in turn, improve the likelihood LSEs will choose to self-show.

**V. A NEW ORDERING PARAGRAPH SHOULD BE ADDED REQUIRING A HOLISTIC REVIEW OF THE CPE FRAMEWORK IN PHASE 3 OF R.21-10-002**

D.20-06-002 stated, "The Commission will continue to evaluate and monitor the central procurement function in SCE and PG&E's TAC areas and remains open to designating a different CPE in future years. To that end, we authorize Energy Division to prepare a report assessing the effectiveness of the CPE structure by 2025."<sup>17</sup> Progress made on CPE procurement thus far has highlighted challenges with the hybrid framework adopted in D.20-06-022, revealing the Commission cannot wait until 2025 to assess the effectiveness of the CPE framework. The Commission must perform a comprehensive review of the CPE framework within Phase Three of the Implementation Track of R.21-10-002 to consider whether wholesale modifications to the CPE framework are warranted. CPE was designed in an environment in which local RA was constrained and system RA was not significantly constrained, leading to the assumption that local would be at a premium to system resources. With the changes in those assumptions, the

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<sup>17</sup> D.20-06-002 at 35.

Commission should investigate whether the circumstances leading to the conclusion that CPE was necessary are still relevant.

In 2020, PG&E LSEs were 0 percent short of their total PG&E local RA obligations for all PG&E local areas.<sup>18</sup> For 2023, thus far, the PG&E CPE is short up to 53 percent of its local obligation for all local areas.<sup>19</sup> These numbers prompt the question: Is the current CPE framework an improvement over the former LSE-based obligation framework? The Commission should examine in Phase 3 whether the current scarcity of both system and local is better addressed by LSE-based procurement or by shifting the CPE framework to a residual model as contemplated by the parties in the CPE settlement that was ultimately rejected in favor of the hybrid structure.

## VI. 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,



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CALIFORNIA COMMUNITY CHOICE  
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March 2, 2022

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<sup>18</sup> CPUC 2020 Resource Adequacy Report Table 5 at 20. Note that 2020 was the first year of disaggregating the PG&E “other” local areas into their component parts. While individual local areas were left unmet, experience from the 2020 local RA showings resulted in D.20-06-031 which allowed entities not meeting individual local areas to obtain a waiver if they had met the aggregated PG&E “other” local area needs.

<sup>19</sup> *Supplemental: Pacific Gas and Electric Company (“PG&E”) Central Procurement Entity (“CPE”) Annual Compliance Report*, Nov. 19, 2021, Attachment 1.

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

**FINDINGS OF FACT**

8. ~~The timeline adopted in D.20-06-002 strikes a reasonable balance between PG&E's proposed CPE procurement timeline strikes a reasonable balance between~~ the need of LSEs to have sufficient time for RA portfolio planning and the need for the CPEs to have adequate time to complete an all-source solicitation. Given the shortfall in CPE procurement for RA year 2023, the CalCCA proposed timeline strikes a reasonable balance in allowing the CPE to fill its shortfall while also allowing time for LSEs to meet their system and flexible procurement obligations. PG&E's proposal gives both LSEs and the CPEs a similar amount of time (6-8 weeks) to complete necessary procurement after receiving allocations.

**CONCLUSIONS OF LAW**

5. ~~PG&E's proposed CPE procurement timeline should be adopted to replace the timeline previously adopted in Ordering Paragraph 28 of D.20-06-002. The CPE should complete 2023 procurement by the time system and flexible requirements are adopted in late June 2022. The timeline previously adopted in Ordering Paragraph 28 or D.20-06-002 should continue beginning for compliance year 2024.~~

**ORDERING PARAGRAPHS**

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

a. Self-showing LSEs shall be allowed, but not required, to provide a substitute resource as the like-for-like local resource to replace non-performing self-shown resources.

b. If the self-showing LSE does not substitute, CPE shall be allowed to replace the non-performing self-shown resources and allocate the costs to all LSEs in the TAC area.

~~c. a-~~ If the California Independent System Operator (CAISO) makes a local Capacity Procurement Mechanism (CPM) designation, the central procurement entity (CPE) shall be charged any associated CAISO backstop procurement costs, including for the non-performance of self-shown resources. Any backstop procurement costs allocated to the CPE should be allocated to all LSEs in the TAC area on a load ratio share basis.

~~b. If the CPM designation was due to the non-performance of self-shown local resources that failed to perform due to (1) a planned outage, or (2) any reason if the load-serving entity (LSE) is outside of the CPE's transmission access charge (TAC) area, then the CPE shall distribute the backstop costs evenly to all LSEs in the CPE's TAC area through the Cost Allocation Mechanism.~~

~~e. If the CPM designation was due to (1) the non-performance of a self-shown resources for any reason other than a planned outage, and (2) the resources were self-shown by an~~

~~LSE within the CPE's TAC area, the CPE shall be charged any associated CAISO backstop procurement costs. The CPE will then identify the non-performing self-shown resource, in coordination with Energy Division, and assign the resulting CAISO backstop costs to the LSE that attested to self-show the resource.~~

~~“Non-performance” is defined as the failure to provide: (a) the Commission with a Resource Adequacy plan with the self-shown local resource, and (b) the CAISO with a matching supply plan for the self-shown local resource. Cost allocation shall not exceed the amount that was provided by the self-shown resource.~~

5. If a load-serving entity (LSE) either: (a) declines to self-show a local resource to the central procurement entity (CPE), or (b) declines to bid a local resource into the CPE's solicitation process, the LSE shall file a justification statement in its year-ahead Resource Adequacy filing explaining why the LSE declined to self-show or bid the local resource to the CPE. The justification statement is not meant as an enforcement mechanism but to improve the CPE framework and make adjustments as necessary.

12. The following timeline is adopted for central procurement entity (CPE) procurement for compliance year 2023, and replaces the The timeline adopted in Ordering Paragraph 28 of Decision 20-06-002 will continue beginning for compliance year 2024.

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

- For the San Diego Gas and Electric Company (SDG&E) TAC area, LSEs receive initial RA allocations (system, flexible, local requirements) and CAM credits.
- **Mid-August:** CPE makes local RA showing to the Commission.
- **End of August:** LSEs in the SCE and PG&E TAC areas receive updated CAM credits for multi-year system/flexible capacity that was procured by the CPE and the CPE's multi-year local RA showing to the Commission in Mid-August resulting only from marginal changes between the 2021 and 2022 LCR.
- **September:**
  - For PG&E and SCE's TAC areas, LSEs are allocated final year-ahead system and flexible RA allocations, including CAM credits from CPE-procured system and flexible RA capacity based on revised year-ahead load forecast load ratios.
  - For the SDG&E TAC area, LSEs receive final RA allocations (system, flexible, local requirements) and CAM credits.
- **End of October:**
  - LSEs in the SDG&E TAC make system, flexible, and three-year local RA showing
  - LSEs in PG&E and SCE TACs make year-ahead system and flexible showings, and provide justification statements, if applicable, for local resources not self-shown or bid to the CPE.
  - The CPEs and LSEs that committed to self-show make year-ahead showing to CAISO.

**New Order:** Energy Division shall prepare a report assessing the effectiveness of the central procurement entity framework within Phase 3 of the Implementation Track in R.21-10-002.