

# CPUC Central Procurement Entity Decision

**CAISO Stakeholder Meeting**

November 22, 2021



California Public  
Utilities Commission

# Table of Contents

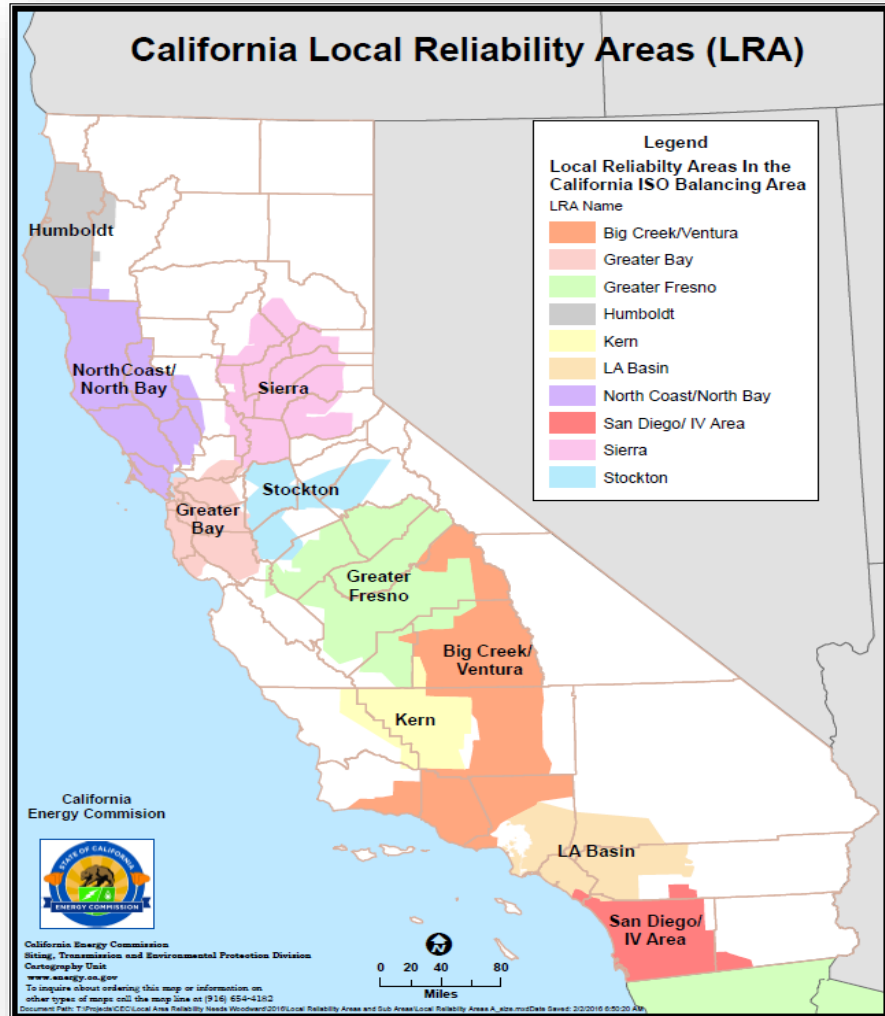
- **Central Procurement Entity (CPE) and Hybrid Framework, adopted in Decision (D.) 20-06-002**
- **Local Resource Adequacy Requirements (RAR)**
- **CPE Hybrid Framework and CPE Procurement Framework**
- **Cost Allocation Mechanism (CAM)**
- **Details of Timeline Adopted by D. 20-06-020**
  - **Local Capacity Resource (LCR) CPE Procurement Timeline**
  - **Current Annual Local RAR Timeline**
  - **Load Serving Entity (LSE) Year Ahead (YA) Filing and Compliance Schedule**

# Central Procurement Entity (CPE) and Hybrid Framework

Beginning with the 2023 RA Compliance Year, Decision (D. 20-06-002):

- Adopts a hybrid central buyer framework for local resource adequacy (RA) in PG&E + SCE service areas only. **Load serving entities (LSEs) in PG&E + SCE distribution service areas will no longer receive a local allocation**
- Designates PG&E + SCE to serve as CPEs for respective distribution service areas
- For the time being, declines to adopt hybrid central buyer framework for SDG&Es service territory because it would eliminate most autonomy for procurements performed by LSEs who serve load in this TAC area.

# Local RA Requirements



## Determination and Allocation

- CAISO performs annual Local Capacity Requirement (LCR) study based on a 1-in-10 weather year (i.e., probability of an event happening once in ten years) and a N-1-1 contingency (e.g., the loss of two generators consecutively), for a total of ~45 sub-local areas that make up 10 Local Areas.
- CPUC distributes LCRs pro-rata to LSEs based on peak month load ratio shares in each Transmission Access Charge (TAC) area.
- ***Under Hybrid CPE Framework, CPUC distributes LCRs to CPEs for PG&E + SCE TACs.***

## Requirement

- **Three-year ahead Requirement –**
  - Year 1 and Year 2 - 100%
  - Year 3 - 50%

# Central Procurement Entity (CPE) Hybrid Framework

- If an LSE procures its own local resource, it may
  - (1) sell the capacity to the CPE,
  - (2) utilize the resource for its own system and flexible RA needs, or
  - (3) voluntarily show the resource to meet its own system and flexible RA needs and reduce the amount of local RA the CPE will need to procure for the amount of time the LSE has agreed to show the resource.\*
- If an LSE elects to show a local resource, it may either:
  - (1) do so in advance of the CPE's solicitation, if it does not intend to bid it into the solicitation, or
  - (2) bid resource into the CPE's solicitation but indicate in its bid that the resource will be available to meet local RA requirements even if it is not procured by the CPE, which may reduce the total procurement costs the CPE incurs on behalf of *all* LSEs.

\* Shown option includes a non-compensation and a compensation option (LCR RCM)

# CPE Procurement Framework

- The CPE procurement framework requires:
  - Use of an all-source solicitation process that utilizes least-cost-best fit criteria (and additional criteria),
  - Use of an independent evaluator (IE) to oversee procurement,
  - Use of existing CAM Procurement Review Group,
  - A pre-approval process that allows the IOU to submit Tier 2 AL for approval of the CPEs' procurement.
- CAM resources and investor-owned utility (IOU) local Demand Response (DR) resources shall reduce local RA amount that the CPE must procure.
- The CPE shall include dispatch rights, or other means that stipulate how local resources bid into energy markets, in its solicitation, as an optional term that bidders are encouraged to include.
- If bid costs are unreasonably high, CPE given discretion to defer procurement to CAISO's backstop mechanisms, rather than through the solicitation process

# Cost Allocation Mechanism (CAM)

- Adopts the Cost Allocation Mechanism (CAM) methodology as the cost recovery mechanism to recover procurement and administrative costs associated with the central procurement function.
  - CPEs to establish a balancing account to facilitate cost recovery\*
  - Administrative costs are submitted through annual ERRA forecasts and supplemental testimony
- RA attributes remain bundled, and LSEs receive credit for system or flexible capacity during the local RA or backstop procurement, based on coincident peak load shares, consistent with CAM resources.

\*Centralized Local Procurement Balancing Account as a sub-account of the New Generation Services Balancing Account

# Timeline

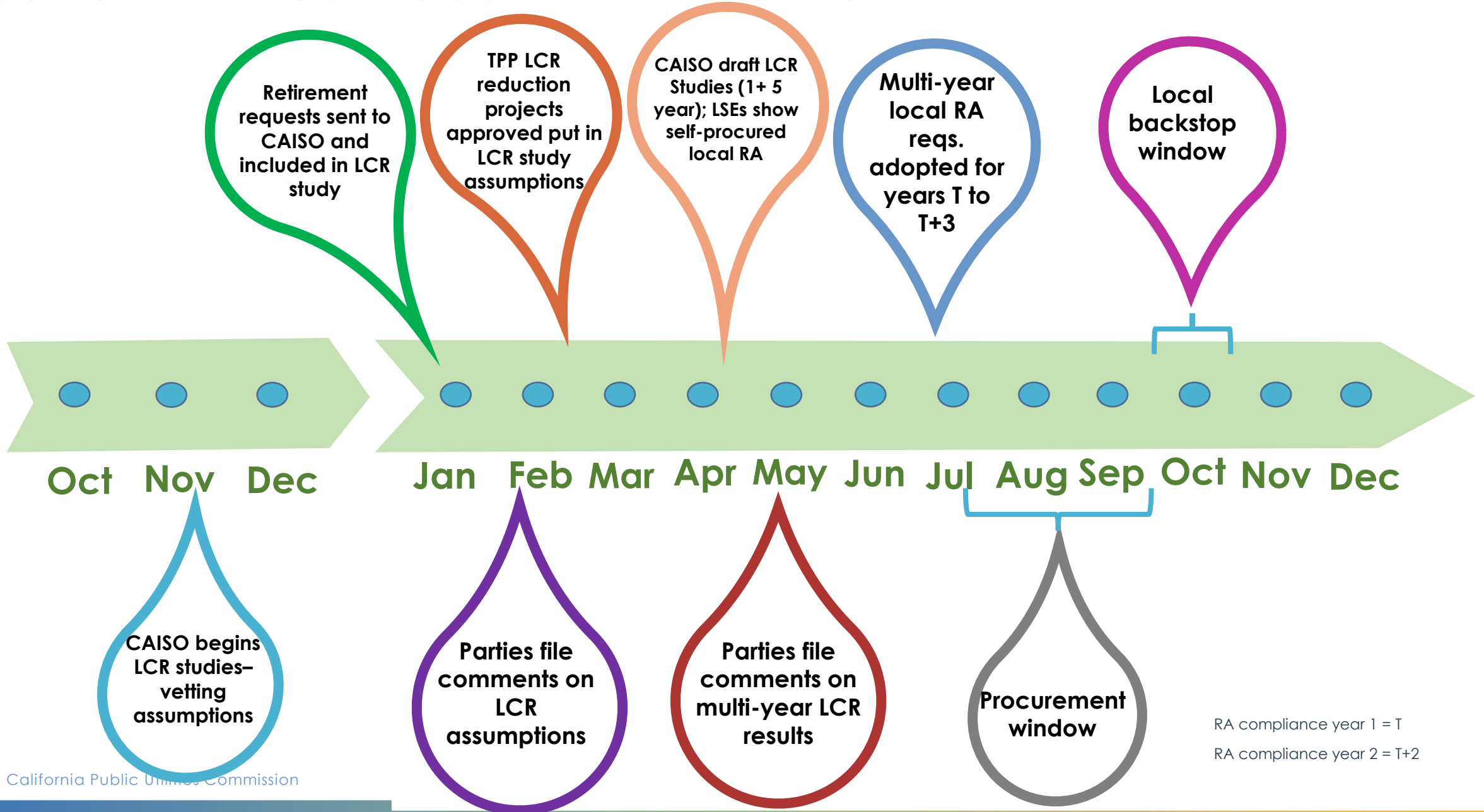
- Decision adopts a procurement timeline beginning with the 2023 RA compliance year
- CPE permitted to launch solicitations prior to final local capacity requirements (LCR) to allow more time for bid preparation and evaluation
- The CPE is permitted to conduct *multiple, iterative* solicitations per year, as needed.
- Adopts adjustments to the current three-year local requirement to transition to CPE hybrid framework.
  - This includes elimination of a 50% LSE requirement in 2020 for 2023.
  - LSEs still have 100% requirement in year 2021 and 2022.
  - CPE will begin central procurement in 2021 for the 2023 and 2024 compliance years.



# LCR CPE Procurement Timeline

<b>April – May 2021</b>	CAISO draft and final LCR 1- and 5-year ahead studies, includes any TPP upgrades
	LSEs in PG&E + SCE TAC commit to CPE to show self-procured local resources in RA filing for 2023 + 2024
	Parties file comments on draft and final LCR.
<b>June 2021</b>	Commission adopts multi-year local RA reqs. for 2022-24 as part of June Decision
	CPE receives total jurisdictional share of multi-year local RA reqs. for 2022-24
<b>July 2021</b>	For SCE + PG&E TACs, LSEs receive initial RA allocations, inc. CAM credits, and system, flexible, and local reqs. for 2022 (but are not allocated local reqs. for 2023 + 2024)
	For SDG&E TAC, LSEs receive initial RA allocations (system, flexible, local reqs.) and CAM credits
<b>Late September 2021</b>	CPEs + LSEs that voluntarily committed local resources to CPE make local RA showing to Commission + CAISO
<b>Late September/early October 2021</b>	For PG&E + SCE TACs, LSEs allocated final CAM credits (based on coincident peak load shares) for any system and flexible capacity that was procured by CPE during local RA procurement or by CAISO through RMR process
<b>End of October 2021</b>	LSEs in PG&E + SCE TACs make local showing only for 2022, along with 2022 YA system and flexible showings.

# Current Annual Local RAR Timeline



RA compliance year 1 = T  
RA compliance year 2 = T+2

# LSE Year-Ahead Filing + Compliance Schedule

- All LSEs must participate in the year-ahead filing process
  - **March:** LSEs submit hourly historical load data for previous year.
  - **April:** LSEs submit initial peak load forecasts for each month of the next RA compliance year.
  - **July:** CEC reviews electric forecasts; CPUC issues initial year-ahead requirements.
  - **August:** LSEs submit revised year ahead load forecasts.
  - **September:** CEC reviews load forecasts; CPUC issues final year-ahead requirements.
  - **October:** LSEs make-year ahead filings.

# Thank you.

Jaime Gannon, Supervisor

Natalie Guishar, Energy Policy Analyst

Resource Adequacy and Procurement Oversight Section | Energy Division | CPUC