Fact Sheet:
Administrative Law Judge's Ruling Seeking Feedback on Mid-Term Reliability Analysis and Proposed Procurement Requirements

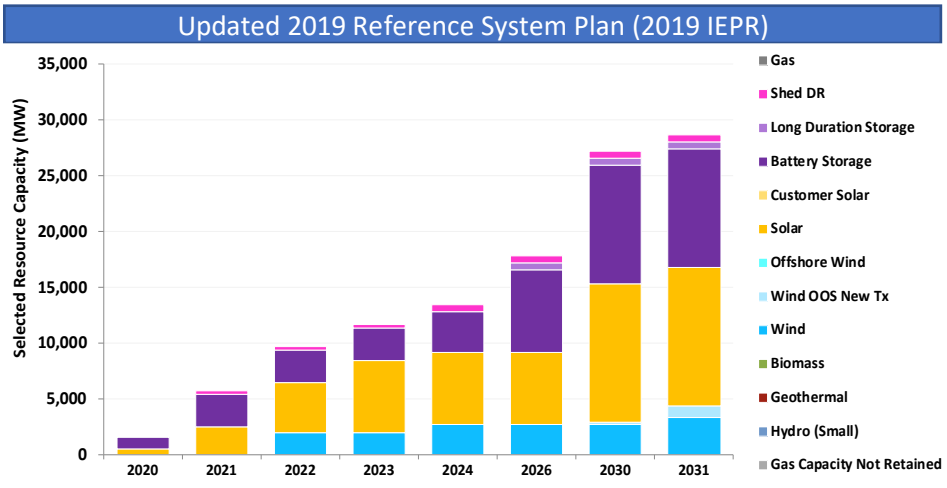
Overview of Ruling

On February 22, 2021, the California Public Utilities Commission (CPUC) issued *Administrative Law Judge's Ruling Seeking Feedback on Mid-Term Reliability Analysis and Proposed Procurement Requirements*:

- This ruling, issued in the CPUC's Integrated Resource Planning (IRP) proceeding (R.20-05-003), recommends that the CPUC order procurement of 7,500 MW of new net qualifying capacity (NQC) to come online 2023-2025. NQC refers to the power output that a resource is expected to be able to provide when the grid is most strained, generally in hot weather conditions. This differs from "nameplate capacity," which is the maximum power output of a resource under ideal conditions. Thus, a resource's NQC value is generally lower than its nameplate value.
- The proposal is driven by the need to support California's transition to an affordable and reliable clean energy grid and ensure that sufficient electric capacity exists to maintain reliability in light of the planned retirements of the Diablo Canyon Power Plant and other generating units by mid-decade, the need for a higher planning reserve margin, and an updated load forecast.
- Of the 7,500 MW NQC of new procurement proposed, the ruling recommends that at least 1,000 MW come from geothermal resources and 1,000 MW come from long-duration storage no later than 2025. These resource-specific requirements would enhance grid reliability and promote resource diversity.
- The procurement proposed in this ruling would be in addition to the 3,300 MW NQC that the CPUC previously ordered to come online 2021-2023 (see Decision D.19-11-016) to provide near-term reliability, and the 1,325 MW of nameplate energy storage capacity that the Legislature has required by 2020 (See AB 2514 [2010]). This procurement would also add to the 4,000 MW NQC from resources already contracted to come online between now and August 2024 associated with other state energy programs such as the Renewables Portfolio Standard (RPS). (See Status of New Resources Expected, 11/23/2020).
- The ruling would assign procurement responsibility to all Load Serving Entities (LSEs) based on allocations that account for their share of peak demand and their current contractual positions for new resources that will come online in the mid-decade timeframe.

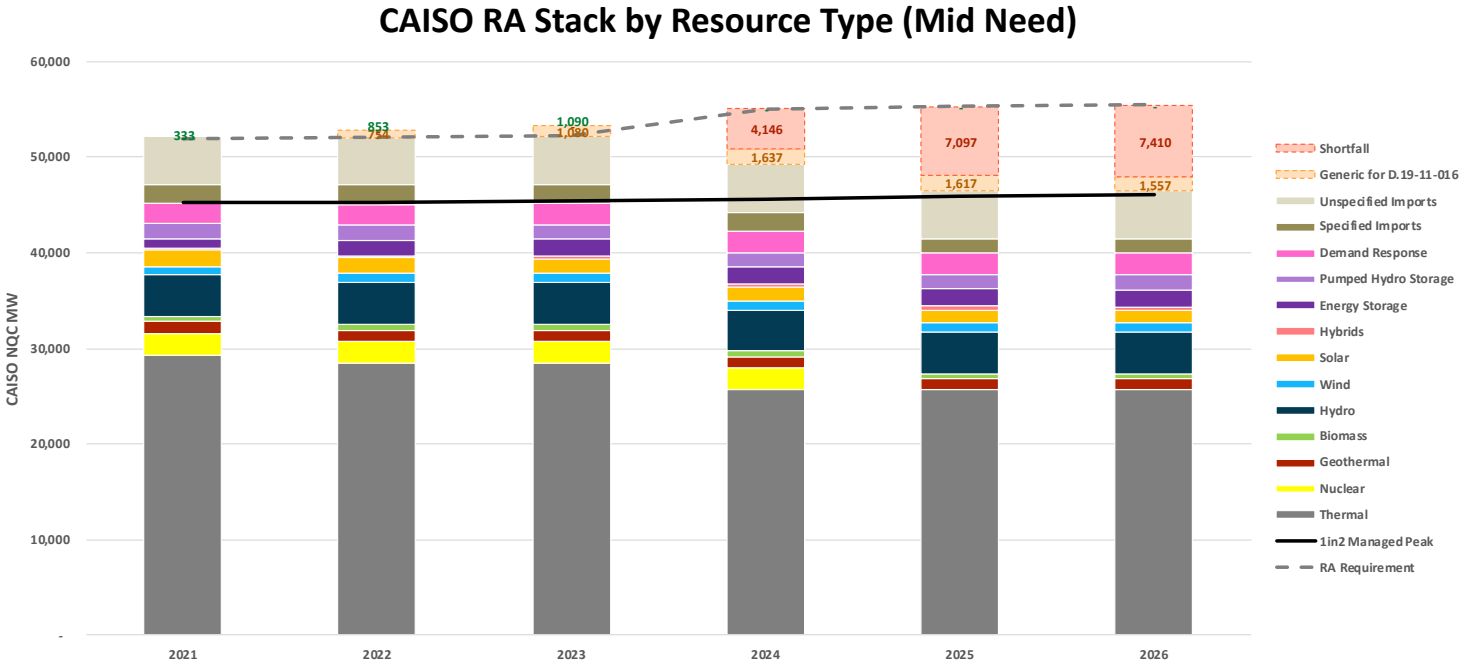
Assessing Reliability and Need for New Procurement

- **Relationship to Planning Track of IRP:** As part of each IRP cycle, CPUC adopts a greenhouse gas planning target for the electric sector and identifies a portfolio with the optimal mix of resources needed to meet state policy goals. In March 2020, the CPUC adopted a Reference System Plan (RSP) that identified the need for nearly 18,000 MW of new clean energy nameplate capacity by 2026 (see figure above and Decision, D.20-03-028 and fact sheet). The 7,500 MW NQC proposed in the ruling, when combined with the 3,300 MW NQC ordered in D.19-11-016, closely approximates the 18,000 MW of new nameplate capacity included in the RSP. The recent IRP Transmission Planning decision noted the addition of nearly 30,000 MW nameplate by 2031.



- **Analysis of Need:** To conduct the analysis of potential procurement needed by mid-decade, CPUC staff assessed the reliability need in each year based on the mid-demand forecast from the California Energy Commission's

2019 Integrated Energy Policy Report. The figure below shows the results of that analysis, including significant shortfalls from 2024 to 2026. Staff also considered "high need" and "low need" scenarios using different need and resource addition/retirement assumptions.



Key Ruling Details

- **Resource Eligibility:** Of the 7,500 MW proposed in the ruling, 1000 MW would come from geothermal and 1000 MW would come from long duration storage resources. There are several reasons for resource-specific requirements:
    - A significant amount of capacity needed from 2024-2026 is associated with the retirement of Diablo Canyon and natural gas plants utilizing once-through cooling. These are firm capacity resources and similarly firm replacements would be beneficial;
    - More resource diversity will augment the significant volumes of solar, battery storage, and solar plus storage procured in recent years; and
    - The RSP identified the need for some resources (chiefly long-duration storage) with long development lead times that would need to start development now to begin commercial operation by mid-decade.

  The ruling contemplates allowing redevelopment or repowering at existing fossil fuel electric generation sites as emergency capacity that would be expected to have very low run times, potentially with restrictions.
- **Need Allocation and Compliance:** The ruling would assign procurement responsibility to all LSEs based on their share of peak demand and their current contractual positions for the mid-decade timeframe. All LSEs would be required to procure their allocated amount and IOUs would be required to procure on behalf of other LSEs only if those LSEs are non-compliant. In that case, cost allocation would be required cover IOU costs; in addition, penalties for non-compliance would be imposed that equal the cost of new entry, as calculated by the Energy Commission, the required capacity that LSEs fail to procure.
- **Next Steps:** This ruling is the first step toward ordering procurement. The CPUC will hold a workshop about the ruling on March 10, 2021. Parties are then invited to submit formal comments and reply comments on March 19 and April 2, 2021. The CPUC will consider all party input before issuing a Proposed Decision setting final procurement requirements and associated guidance. The procurement order would go into effect after the Proposed Decision is adopted by the CPUC.

CPUC IRP Website: www.cpuc.ca.gov/irp
CPUC Ruling: https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M367/K037/367037415.PDF
CPUC IRP Procurement Track Website: https://www.cpuc.ca.gov/General.aspx?id=6442463413