



## Fact Sheet on Decision in Phase 3 of the Implementation Track in the Resource Adequacy (RA) Proceeding (R.21-10-002)

On June 29, 2023, the CPUC released Decision ([D.](#) 23-06-029) that resolves issues scoped in Phase 3 of the Implementation Track of the Resource Adequacy (RA) Proceeding, Rulemaking ([R.](#) 21-10-002). Specifically, the Decision sets RA requirements for System, Local, and Flexible RA by adopting Local Capacity Requirements (LCR) for 2024-2026, Flexible Capacity Requirements (FCR) for 2024, and setting the 2024 and 2025 Planning Reserve Margin (PRM) for Load Serving Entities. The Decision also makes program rule refinements to the RA program, including amendments to the Demand Response (DR) counting requirements. The Decision directs Energy Division to conduct ongoing analyses to support future program refinements.

### Decision Summary

#### 1. Establishes Near-term Resource Adequacy Requirements for Local, System and Flexible Resource Adequacy Programs<sup>1</sup>

- **Local and Flexible Requirements for 2024-2026:** Adopts flexible capacity requirements (FCR) for 2024 and local capacity requirements (LCR) for 2024-2026. Specifically, the Commission proposes to adopt:
  - FCRs for 2024 that range from 24,446 MWs in March to 20,018 MWs in July
  - LCRs that would be set annually at 22,080 MWs for 2024; 22,191 MWs for 2025, and 23,058 MWs for 2026.
- **System Requirements at a 17% Planning Reserve Margin (PRM)<sup>2</sup> for 2024-2025:** Affirms the use of a 17 percent PRM for setting individual Load Serving Entity (LSE) resource adequacy requirements for 2024 and 2025. The 17 percent PRM represents an increase relative to the 16 percent PRM applicable in 2022 and the 15 percent PRM applicable from 2005 - 2021.
- **Effective Planning Reserve Margin at a ~22.5% PRM (or 1,700-3,200 MW) for 2024-2025:** Extends the use of an effective PRM procurement target to provide additional summer reliability targeted resources above the required resource adequacy PRM. The effective PRM mechanism orders Investor-Owned Utilities (IOUs) to procure both resource adequacy eligible and non-resource adequacy eligible reliability resources of 1,700-3,200 megawatts (MW). The effective PRM procurement target was initially adopted in [D.21-12-015](#) for the 2022-2023 summer season.

#### 2. Modifies or Clarifies Resource Adequacy Program Rules in Key Areas to Support Reliability and Compliance

- **LSE Expansion Requires RA Compliance:** Adopts requirements that LSEs seeking expansion -- such as a Community Choice Aggregator (CCA) filing an Implementation Plan to extend their

<sup>1</sup> The CPUC requires all Load Serving Entities (LSE) to maintain adequate generating capacity to meet each LSE's local, system, and flexible demands. To meet local requirements, LSEs must procure resources sited in locations where supply is needed due to insufficient transmission. For system requirements, LSEs must contract for or generate sufficient resources to meet their share of the system's peak demand, plus a Planning Reserve Margin (PRM). To meet flexible requirements, LSEs must procure resources that can ramp up or down on short notice to meet variations in demand and production

<sup>2</sup> The PRM is the proportional value needed to achieve a given reliability metric (e.g., the margin required to avoid the probability that demand will exceed available generating capacity, or a loss of load scenario).

service territory or an ESP increasing their number of customers -- must meet RA compliance requirements in the prior two calendar years. These new requirements apply to all LSEs except the Provider of Last Resort (POLR) LSEs, which are effectively the three IOUs.

- **LSEs Using Imports for System RA Must Procure Available Transfer Capacity (ATC)<sup>3</sup>:** Adopts an allowance for Commission-jurisdictional LSEs that procure ATC, or acquire the ATC through a resale, to pair the ATC with RA imports in order to meet RA requirements.
- **Rules for the Use of RA-Counted Demand Response (DR) During System Emergencies:** Clarifies that, as an RA resource, Reliability Demand Response Resources (RDRR)<sup>4</sup> should be enabled and available for economic dispatch upon the declaration of a day-of Energy Emergency Alert (EEA) Watch (or when a day-ahead EEA Watch persists in the day-of). Expands the current availability requirements for DR resources qualifying for RA capacity to include the duration of CAISO-issued notifications, warnings, and alerts, and Governor's Office-issued emergency notices.
- **Rules for Counting the Value of DR Resources**
  - **Based On Performance Results:** Adopts the application of DR test performance results when allocating capacity credits for DR resources filed under the Load Impact Protocols process.
  - **Elimination of Certain Adders:** Eliminates the Transmission Loss Factor (TLF)<sup>5</sup> and PRM adders from DR resources.
  - **Backup Generation:** Adopts a prohibition of fossil-fueled back-up generation for all RA-eligible DR resources, along with the verification on the uses of such resources.
- **Rules for RA-Counted DR Bidding into the Market:** Adopts a Proxy Demand Response bid cap of \$949/MWh for July-September for resources qualifying for RA capacity.
- **Rules for Local RA Central Procurement Entity (CPE):** Modifies the (CPE)<sup>6</sup> framework to allow LSEs that self-show local RA to a CPE to sell capacity to other LSEs, so long as the purchasing LSE assumes the selling LSE's obligation to self-show the RA.
- **Rule Clarification on the RA Penalty Point System:** Clarifies that penalty points accrued by an LSE applies to that LSE's Month Ahead or Year Ahead Resource Adequacy (RA) and can escalate.
- **Rules Concerning Filings:**
  - **Late-Filed Local RA Waivers:** Sets a requirement that late-filed RA waiver requests be denied.
  - **Late-Filed DR Requests:** Sets a requirement that late-filed DR net qualifying capacity requests be disqualified.

### 3. Directs Energy Division to Continue to Refine Future RA Program Via Additional Analysis, Administration Modifications and Working Group Efforts

- **Supply Side Demand Response Resource Counting Proposals:** Directs Energy Division to lead a working group to refine elements of the CEC's incentive-based Supply Side Demand Response Qualifying Capacity proposal and to submit a joint proposal by December 2024.

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<sup>3</sup> The ATC is a measure of the transfer capability in the physical transmission network that is available for further commercial activity over and beyond what is already committed. The CAISO calculates ATC on the interties and allows advance reservation to establish wheel-through scheduling priority on its system.

<sup>4</sup> RDRR is an emergency-responsive demand response product that is integrated into the CAISO wholesale market as a supply resource.

<sup>5</sup> The TLF is the factor by which load at the generation busbar is greater than the load measured at the CAISO interface. This is because losses occur between where electricity is generated and where it is transmitted.

<sup>6</sup> Under the CPE framework, a central buyer is required procure local, multi-year RA on behalf of all LSEs in the PG&E and SCE distribution service areas. This hybrid procurement model tasks the CPEs with the responsibility to procure, while allowing LSEs the opportunity to obtain their own local resources.

- **Reporting Related to Local RA Central Procurement Compliance:** Sets additional reporting requirements for the CPE Annual Compliance Report and August filings that make more transparent LSEs' potential risks for backstop procurement.
- **Publication of RA Deficiency Information:** Requires the Consumer Protection and Enforcement Division or Energy Division publish information on its website about LSE RA deficiencies.
- **Administrative Distribution of Credits to LSEs:** Allows Energy Division to provide first quarter Cost Allocation Mechanism (CAM) and Reliability Must Run (RMR) credits to LSEs no later than five business days after the CAISO provides the CPUC-jurisdictional RMR credits to Energy Division.
- **Load Forecast Changes Only Allowed Annually (not Monthly):** Allows one mid-year load migration update to LSEs' load forecasts.

## Background

This Decision addresses implementation details related to RA program refinements in Rulemaking (R.) 21-10-002. The following process resulted in the proposals and recommendations considered in this Decision.

- On September 2, 2022, the Commission issued an Amended Scoping Memo and Ruling which set forth a schedule for parties to address outstanding issues, including the LCR for 2024-2026, FCR for 2024, modifications to the PRM for 2024 and beyond; modifications to the qualifying capacity methodology for DR for the 2025 RA year; and other issues identified by parties and Energy Division.
- In January 2023, the Commission staff issued a Staff Proposal on numerous items, followed by a workshop and comment process.
- In April 2023, the CAISO filed its annual Local Capacity Technical Analysis, followed by a round of comments.

## Links to Additional Information About:

- The CPUC RA Program: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/resource-adequacy-homepage>
- The Procedural History of this Proceeding: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/resource-adequacy-homepage/resource-adequacy-history>