PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE

Fact Sheet on
Decision in Track 1 of the Resource Adequacy (RA) Proceeding (R.23-10-011)

On June 20, 2024, the CPUC released Decision (D.) 24-06-004 that resolves issues scoped in Track 1 of the of the Resource Adequacy (RA) Proceeding, Rulemaking (R.) 23-10-011. Specifically, the Decision affirms the Commission's decision to implement the Slice of Day (SOD) Framework for the 2025 RA compliance year, as summarized below.[1] Additionally, it sets the near-term reliability requirements for CPUC's jurisdictional Load Serving Entities' (LSE) obligations to procure System, Local, and Flexible RA capacity. The Decision adopts Local Capacity Requirements (LCR) for 2025-2027, Flexible Capacity Requirements (FCR) for 2025, and sets a 17 percent Planning Reserve Margin (PRM) for LSEs under the SOD Framework. The Decision also makes rule clarifications and refinements to the RA program.

Decision Summary

1. **Affirms the decision to implement the SOD Framework for 2025 RA compliance year and declines to delay the implementation another year.**
   - Under the SOD framework, each LSE will procure their load share of system capacity for each of the 24 hours of the day – instead of the current RA program that requires capacity procurement sufficient to meet only the peak hour. As the system experiences more variable renewable energy and storage, and as the periods of system scarcity or stress conditions emerge outside of the system peak hours, it is increasingly important for all LSEs to procure reliability capacity to meet the periods of system stress and not just 'peak' load.
   - The Decision finds that LSEs have had ample time to prepare their RA portfolios for implementation of the SOD framework in 2025. Delaying would be unfair to those LSEs that have been adjusting their RA portfolios to meet the SOD requirements. Further, delaying implementation by one year does not guarantee that all issues with the SOD framework will be resolved to all parties' satisfaction.
2. **Establishes near-term RA requirements for Local, System, and Flexible RA Programs.[2]**
   - **System Requirements at a 17 Percent PRM[3]:** Affirms the use of a 17 percent PRM for setting individual LSE RA requirements under the SOD Framework. While the 17 percent PRM was already adopted under the traditional program, the SOD Framework does not necessarily need the same PRM to achieve a comparable level of reliability.
   - **Local and Flexible Requirements for 2025-2027:** Local RA requirements are set annually to ensure that transmission constrained local areas have sufficient resources to serve load

[1] D.23-04-010

[2] The CPUC requires all LSEs 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 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.

[3] The PRM is the proportional value needed to achieve a given reliability metric, in this case the metric is .1 LOLE (one loss of load event every ten years) (e.g., the margin required to avoid the probability that demand will exceed available generating capacity, or a loss of load scenario).

based on a 1-in-10 weather year and N-1-1 contingency criteria. Flexible requirements were developed in response to the increased penetration of variable resources on the system and the need to ensure there would be enough flexible capacity to meet energy demands when variable energy resources stop producing. Flexible RA requirements are set based on an annual CAISO study that looks at the largest three-hour ramp for each month needed to run the system reliably. The Decision adopts FCR for 2025 and LCR for 2025-2027. Specifically, the Commission adopts:

- 2025 FCRs that range from 19,708 MWs in March to 25,709 MWs in September. This represents a shift from historical FCRs where the largest three-hour ramp has been expected to occur in the spring months and the smallest ramps in the summer. The total 2025 FRCs have increased by ~3 percent when compared to 2024.
- LCRs that would be set annually at 22,782 MWs for 2025; 23,093 MWs for 2026, and 23,547 MWs for 2027. This reflects a ~3 percent increase in total LCRs from the prior year's study.

3. **Modifies RA program rules in key areas to support affordability, reliability and compliance.** Considering the tight supply and demand balance as well as the transition to the new framework, parties offered a variety of proposals to support RA program success in 2025; the Commission adopts:
   - **Extension of cure periods:** On an interim basis, LSEs with new resources may cure their deficiencies during the June-September month-ahead RA filings if the resources are participating in CAISO's energy markets under its Must Offer Obligation (MOO) and the resources are online and deliverable before the start of the compliance month. The MOO requirement ensures that LSEs make capacity available to the CAISO markets.
   - **Temporarily amends bidding requirements for certain imports:** On an interim basis, non-resource specific imports are exempt from their bidding requirements if LSEs submit an attestation with their RA filings from import providers attesting specific conditions. In these cases, these resources will instead be subject to the same MOO requirements as resource specific imports.
   - **Off-peak import energy:** For Q3 2025 only, the Decision adopts SCE's proposal that LSEs may count off-peak import energy that is not available during the AAH window towards meeting its RA requirement under the SOD framework, regardless of whether the import is paired with the on-peak import on a specific branch group, so long as the off-peak import energy adheres to the other existing import requirements and provide the Energy Division with proof demonstrating: (1) the availability of import allocation rights, and (2) if there is an associated on-peak import on the branch group, to avoid over and under accounting of import allocation right availability.
   - **Proposals for resource counting methodologies and compliance showing requirements under SOD Framework:**
     - Modifies the QC value for hybrid and co-located resources that have grid charging restrictions to be the sum of the two components limited by Point of Interconnection (POI) limit and the value of the SOD compliance tool's State-of-Charge (SoC) test.
     - Clarifies that the Energy Only (EO) portion of a paired resource may count towards the storage charging sufficiency requirement if the EO resource is charging exclusively paired storage, regardless of whether the paired storage is able to charge from the grid.

    - Modifies the QC methodology for wind and solar resources to be based on monthly exceedance levels, with the next update to occur in 2024 and subsequent updates made every three years thereafter. This change is meant to better represent the solar and wind values across each month. The Decision agrees with parties that adjusting exceedance levels for these resources from s seasonal to monthly level would improve accuracy in exceedance levels.
  - **Allocation of Diablo Canyon Power Plant (DCPP) benefits**: Confirms the allocation DCPP RA benefits to all LSEs within each IOUs' service territory using the Cost Allocation Mechanism (CAM). Provides PG&E the authority to file a limited system waiver for an unplanned outage on DCPP, demonstrating it made every reasonable effort to procure replacement resources for mitigation.
4. **Proposals not adopted**:
  - **Unforced Capacity (UCAP) evaluation:** Declines to adopt a UCAP methodology for thermal and storage resource currently but encourages parties to continue development discussions of a UCAP framework in Track 2.
  - **System waivers:** Declines to adopt a system waiver process as the Commission continues to be concerned that system waivers raise system reliability issues and leaning concerns, resulting in reliability risk to all ratepayers. Leaning occurs when some LSEs do not procure sufficient capacity and leans on other LSEs that over procured capacity.
  - **Residual capacity auction:** Declines to adopt Cal Advocates' Residual Capacity Auction proposal. The Decision finds that the proposal would require significant stakeholder discussion and development before it could be considered for implementation.

Background

This Decision addresses implementation details related to RA program refinements in R. 23-10-011. The following processes resulted in the proposals considered in this Decision.

- On December 18, 2023, the Commission issued a Scoping Memo and Ruling which set forth a schedule for parties to address outstanding issues, including the LCR for 2025-2027 and FCR for 2025; UCAP; DR LIP simplifications; RA compliance and penalties; modifications to the SOD PRM; and other issues identified by parties and Energy Division.
- On January 22, 2024, the Commission staff issued a Staff Proposal on numerous items including the results of stress tests conducted on the monthly PRM for certain months; an evaluation of the UCAP or UCAP-light for RA; a proposal for the allocation of DCPP RA credits; and a proposed stress test on Path 26 Zonal Requirements.
- On February 6, 2024, the Commission staff issued a Report on the Implementation of Slice of Day and Year Ahead Showings.
- On February 14 and 28, 2024, Commission staff hosted Workshops on Track 1 Issues.
- On March 18, 2024, Commission staff issued its Inputs and Assumptions Report, which was followed by a round of comments.
- On May 2, 2024, the Commission issued a Ruling Modifying the Track 2 Schedule and a Ruling Modifying the Track 2 Schedule for the FCR.
- On May 17, 2024, the Commission issued a Proposed Decision. This was followed by Revision 1, which was subsequently voted on by the Commission.

Links to Additional Information:

- 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

About the RA Program's Citation and Penalties History

The CPUC RA Program establishes obligations for LSEs as a key means of ensuring electric grid reliability for all Californians. The CPUC strictly enforces non-compliance with RA obligations via citations and associated financial penalties. The CPUC expects all LSEs to maintain full compliance with the RA program and to avoid citations. There is no waiver for LSEs who are unable to provide their share of System RA; failure to do so jeopardizes the reliability of all customers since insufficient electricity capacity resources can directly cause grid emergencies or outages. The CPUC's LSEs are required to meet RA obligations, irrespective of price, availability, or penalties, with the limited exception of waiver opportunities.

- For an overview of RA Citations issued from 2010-2023, please see this RA Citations Briefing (February 2024)
- For a database of all RA citations by data, type of citation, name of load serving entity, citation amount, status of citations payment, please see RA Citations Database (current as of February 2024)