

Local Capacity Requirement Reduction Compensation Mechanism

3/17/2026

In this document, CPUC staff provides data to support the implementation of a CPUC decision related to a mechanism to support Local Capacity payments. Decision (D.) 20-12-006 adopted a Local Capacity Requirement Reduction Compensation Mechanism (LCR RCM) to encourage development of preferred and energy storage resources in local capacity areas. The two Local Capacity Central Procurement Entities, PG&E and SCE, are responsible for implementing the Local CPE program in accordance with the decision, and this data supports their related efforts.

D.22-03-034 updated the LCR RCM price calculation. It states that “if selected, the load-serving entity shall be paid the showing price (pre-determined or below) without annual adjustment for effectiveness. The showing price shall not exceed the pre-determined local price, which is calculated as follows:

- Use the weighted average price from the last four quarters of the Energy Division Power Charge Indifference Adjustment responses for system and local Resource Adequacy (RA); subtract system RA price from local RA price.”¹

2026 LCR Reduction Compensation Mechanism Calculation

In accordance with the D.22-03-034, the table below summarizes the weighted average price for system RA and local RA in the SCE and PG&E territories based on Energy Division PCIA responses from Quarters 1-4 2025, for delivery in 2026 and 2027. For local areas with a weighted average price greater than the system price, the local premium is the difference between the two, otherwise it is \$0.

Table 1. Weighted Average Price for System and Local RA in SCE and PG&E Territory, based on contracts entered between Q1-Q4 2025 for deliveries in 2026 and 2027

Local Area	Capacity (MW-month)	% of Total Capacity	Weighted Average Price (kW-month)	Local Premium
Bay Area	14,107	21.4%	\$8.83	\$0.00
Big Creek-Ventura	2,192	3.3%	\$10.12	\$0.93
Fresno	2,777	4.2%	\$5.47	\$0.00
Humboldt	713	1.1%	\$2.59	\$0.00
Kern	416	0.6%	\$2.93	\$0.00
LA Basin	11,036	16.7%	\$12.10	\$2.91
NCNB	79	0.1%	\$11.36	\$2.18
Sierra	3,678	5.6%	\$5.65	\$0.00
Stockton	2,793	4.2%	\$8.29	\$0.00
System	28,236	42.8%	\$9.19	-

¹ D.22-03-034 at Ordering Paragraph 15.