

Local Capacity Requirement Reduction Compensation Mechanism

Decision (D.) 20-12-006 adopted a Local Capacity Requirement Reduction Compensation Mechanism (LCR RCM) to encourage development of preferred and energy storage resource in local areas.

As set forth in D.20-12-006, the CPE may choose whether or not to select the shown local resource and “If selected, the LSE shall be paid the showing price (pre-determined price or below) without annual adjustment for effectiveness. The showing price shall not exceed the pre-determined local price, which is calculated as follows:

- Year 1: Use the weighted average price from the last four quarters of Energy Division PCIA responses for both system and local RA; subtract system RA price from local RA.
- Subsequent Years: Use the weighted average price from the last four quarters of Energy Division PCIA responses for system RA and the most recent weighted average price reported in the CPE solicitation results (prior year’s results) for local RA price; subtract system RA price from local RA price.”¹

Accordingly, 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 2020, for delivery in 2021 and 2022. For local areas with weighted average price greater than the system price, the local premium is the difference between the two, otherwise it is \$0.

Local Area	Capacity (MW-month)	% of Total Capacity	Weighted Average Price (kW-month)	Local Premium
Bay Area	50,304	24.2%	\$6.28	\$0.00
Big Creek-Ventura	41,551	20.0%	\$6.20	\$0.00
Fresno	9,231	4.4%	\$6.41	\$0.00
Humboldt	296	0.1%	\$8.23	\$1.78
Kern	2,220	1.1%	\$8.01	\$1.56
LA Basin	41,511	20.0%	\$6.48	\$0.03
NCNB	3,514	1.7%	\$6.82	\$0.37
Sierra	2,916	1.4%	\$8.20	\$1.75
Stockton	1,162	0.6%	\$6.57	\$0.12
System	55,020	26.5%	\$6.45	-

The Central Procurement Entities should use these local premiums as the pre-determined prices for Year 1.

¹ D.20-12-006 at 23.