

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 18, 2020

Scott Olson
Director, Western Government & Regulatory Affairs
Direct Energy Business, LLC
12 Greenway Plaza, Suite 250
Houston, TX 77046

Dear Mr. Olson,

On October 30, 2020, Direct Energy Business, LLC (Direct Energy) filed a waiver request via Advice Letter 56-E for its 2021 year-ahead local Resource Adequacy (RA) requirement in three of the disaggregated PG&E Other local areas. However, Direct Energy has also demonstrated that it met the local RA obligation in the aggregated PG&E Other local area. Direct Energy seeks relief from its remaining 2021 year-ahead local RA obligation and any potential Commission-imposed penalties for deficiencies. Direct Energy's waiver request demonstrated that it pursued all commercially reasonable efforts in procuring local capacity to meet its local RA obligations in the six disaggregated local areas. The Energy Division of the California Public Utilities Commission (Commission) approves Advice Letter 56-E, Direct Energy's request for a penalty waiver.

Commission Decision (D.) 06-06-064 established waiver provisions for local Resource Adequacy (RA) procurement. D.20-06-031 established criteria for fulfilling local RA obligations in the six disaggregated PG&E Other local areas. D.20-06-031 also established 2021 compliance year obligations for all Load Serving Entities (LSEs). On October 30, 2020, Direct Energy submitted its year-ahead local RA compliance filing, showing a deficiency in three of the disaggregated PG&E Other local areas, but also showing that it has met the local RA obligation in the aggregated PG&E Other local area. Direct Energy submitted a request for penalty waiver for this deficiency via Advice Letter 56-E pursuant to D.06-06-064 and D.20-06-031.

Section 3.8 of D.20-06-031 establishes criteria for fulfilling local RA obligations in the six disaggregated local areas:

Accordingly, an LSE shall have fulfilled their RA obligations in the six disaggregated LCAs if the following requirements are met:

- (1) The LSE makes the required demonstration as part of the current local waiver process through the Tier 2 Advice Letter for its disaggregated PG&E Other local capacity requirements; and*
- (2) The LSE, in its Year Ahead compliance filing, demonstrates procurement of local RA capacity within the PG&E Other LCAs such that the LSE's collective*

procurement in the six disaggregated PG&E Other LCAs meets the LSE's collective requirement for the disaggregated PG&E Other LCAs.

The process and standard for applying for the PG&E Other waiver will otherwise be the same process and standard for all local waiver requests. An LSE may still seek a waiver of one or more of the disaggregated PG&E Other obligations, even if it has not met the aggregation obligation despite commercially reasonable efforts.

Section 3.3.12 of D.06-06-064 describes a standard that an LSE may use to demonstrate that it could not reasonably achieve its LCR obligations:

(1) a demonstration that the LSE reasonably and in good faith solicited bids for its RAR capacity needs along with accompanying information about the terms and conditions of the Request for Offer or other form of solicitation, and

(2) a demonstration that despite having actively pursued all commercially reasonable efforts to acquire the resources needed to meet the LSE's local procurement obligation, it either

(a) received no bids, or

(b) received no bids for an unbundled RA capacity contract of under \$40 per kW-year or for a bundled capacity and energy product of under \$73 per kW-year, or

(c) received bids below these thresholds but such bids included what the LSE believes are unreasonable terms and/or conditions, in which case the waiver request must demonstrate why such terms and/or conditions are unreasonable.

An LSE's waiver request that meets these requirements is a necessary but not a sufficient condition for the grant of such waiver. The Commission will also consider other information brought to its attention regarding the reasonableness of the waiver request.

Energy Division has reviewed Direct Energy's 2021 year-ahead compliance filing and determines that Direct Energy has met its local RA obligation in the aggregated PG&E Other local area. Energy Division also reviewed Direct Energy's actions to procure local RA resources to meet the local RA requirements of the six disaggregated local areas, and finds them reasonable considering the capacity available to meet Direct Energy's local RA obligation. In this case, Energy Division finds that Direct Energy held solicitations and pursued all commercially reasonable efforts to acquire the resources needed to meet the LSE's local procurement obligation. Direct Energy's waiver request includes confidential market-sensitive information supporting this finding. Thus, Energy Division grants Advice Letter 56-E, Direct Energy's request for a waiver of Commission penalties related to its 2021 year-ahead local RA procurement for 2021 to 2023.

Advice Letter 56-E is effective on December 18, 2020.

Sincerely,



ER (for)

Edward Randolph
Deputy Executive Director for Energy and Climate Policy /
Director, Energy Division

Cc: EDComplianceReports@cpuc.ca.gov