
**Resource Adequacy Central
Procurement Framework
Joint Parties Settlement Agreement**

R.17-09-020 Workshop

November 1, 2019

Overview

Settlement Agreement Objectives


Key Program Elements

CPUC and RA-CPE Roles

Procurement Cost Allocation

Issues Unaddressed by RA-CPE Framework

Settlement Agreement Objectives

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- Advance the Commission's stated preference for a central buyer framework
 - Maintain reliability
 - Reduce the need for CAISO backstop procurement
 - Reduce the risk of over-procurement
 - Preserve LSE self-procurement autonomy
 - Facilitate a liquid and robust bilateral market
 - Preserve a meaningful role for the state in ensuring reliability

Settling parties include: CalCCA, Calpine, IEP, Middle River Power, NRG Energy, SDG&E, Shell Energy, and WPTF

Settlement Agreement Key Terms

RA Central Procurement Entity (RA-CPE)

- Independent, competitively neutral and credit worthy

Scope of Procurement

- Capacity only
- Multi-year framework includes Local, System and Flex
- Procurement limited to three (3) years

Residual Procurement Model

- Preserves LSEs' Procurement Autonomy
- RA-CPE's scope of procurement is limited to the residual need
- Cost allocation follows cost causation principles
- Preserves customer billing transparency

Timeline

- RA-CPE to be established by 2021 to procure for 2022 forward

Program Review

- Review two years after formation to review the effectiveness of the RA-CPE
- Review five years after formation to confirm if a CPE is still needed

CPUC and RA-CPE Roles

CPUC

- Framework will be implemented under authority delegated to the Commission under Section 380(i)
- CPUC will validate and review RA-CPE procurement and Shown RA annually
- CPUC continues to provide to LSEs an estimate of its individual share of the Collective RA Requirement
- Will develop and oversee the selection criteria for the RA-CPE procurement process

RA-CPE

- Obligation to meet the Collective RA Requirement
- Must procure up to the multi-year target requirements

RA	Year 1	Year 2	Year 3
System	100%	75%	50%
Local	100%	100%	75%
Flex	100%	75%	50%

- Procurement cost should be reasonable and consistent with CPUC-approved criteria:
 - a) Procure at or below the CAISO capacity procurement mechanism (CPM) “soft offer” cap, applied on an annual basis
 - b) If reasonable, procure above the “soft offer” cap, seller must accompany offer with confidential declaration that justifies the price

Procurement Cost Allocation

Cost Causation

- RA-CPE costs allocated to LSEs based on their share of the residual need

Voluntary self-procurement

- Reduces RA-CPE procurement on LSEs' behalf

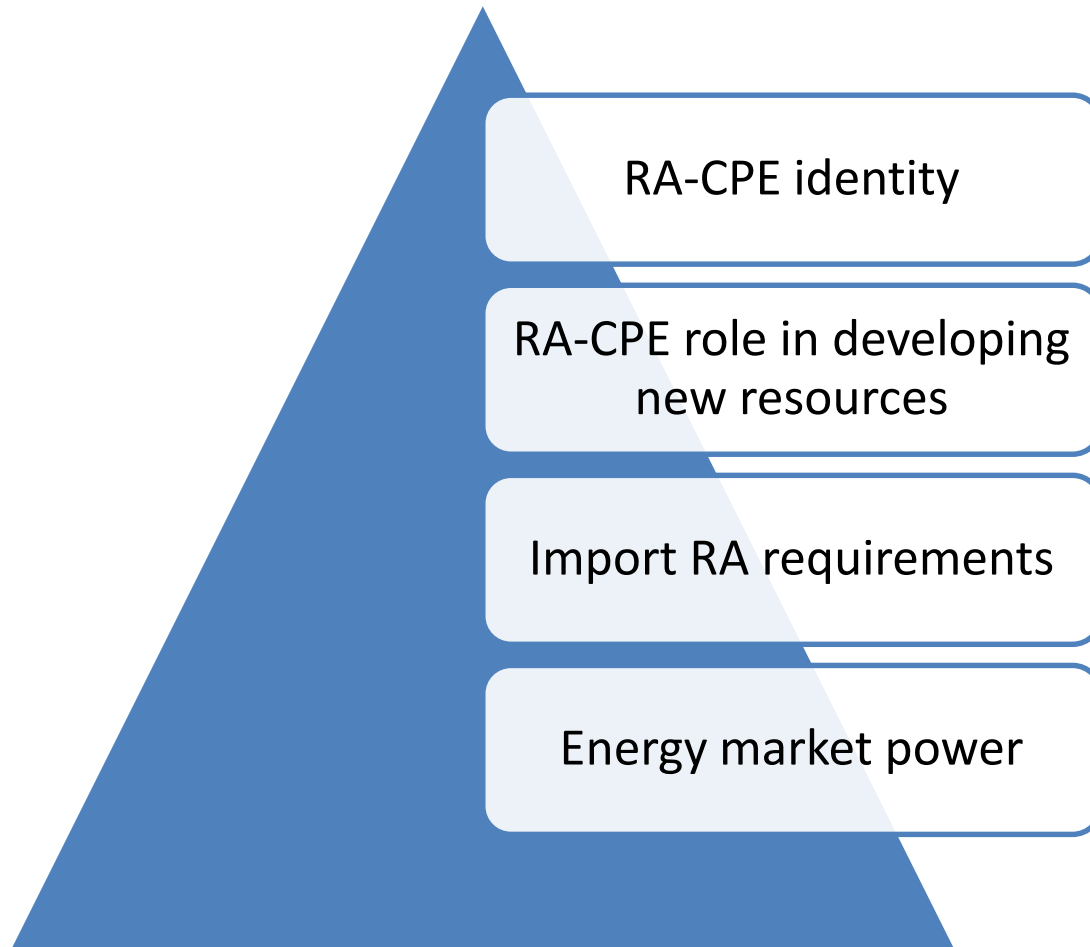
Benefits

- Reduces LSEs' potential stranded costs
- Minimizes over-procurement

Customer Billing

- Costs collected directly from LSEs
- LSEs determine how to collect from customers
- Rate transparency

Topics Independent of Procurement Framework



RA-CPE Framework Details

APPENDIX

RA-CPE Role

General

Framework will be implemented under authority delegated to the Commission under Section 380(i) or any subsequently enacted statute conferring such authority

RA-CPE will be a competitively neutral, independent, and credit-worthy entity

RA-CPE assumes the obligation to ensure the Collective RA Requirement is met, in lieu of individual LSE's compliance obligations contemplated by Section 380(a)

RA-CPE will exercise its authority to minimize the need for CAISO Backstop

RA-CPE will coordinate with Commission, Energy Commission and CAISO

RA-CPE Role

Scope of Responsibility

- Ensure annually that the Target Percentage for the rolling three-year Collective RA Requirement is met by determining and procuring Residual RA Requirement to supplement LSE's Shown RA

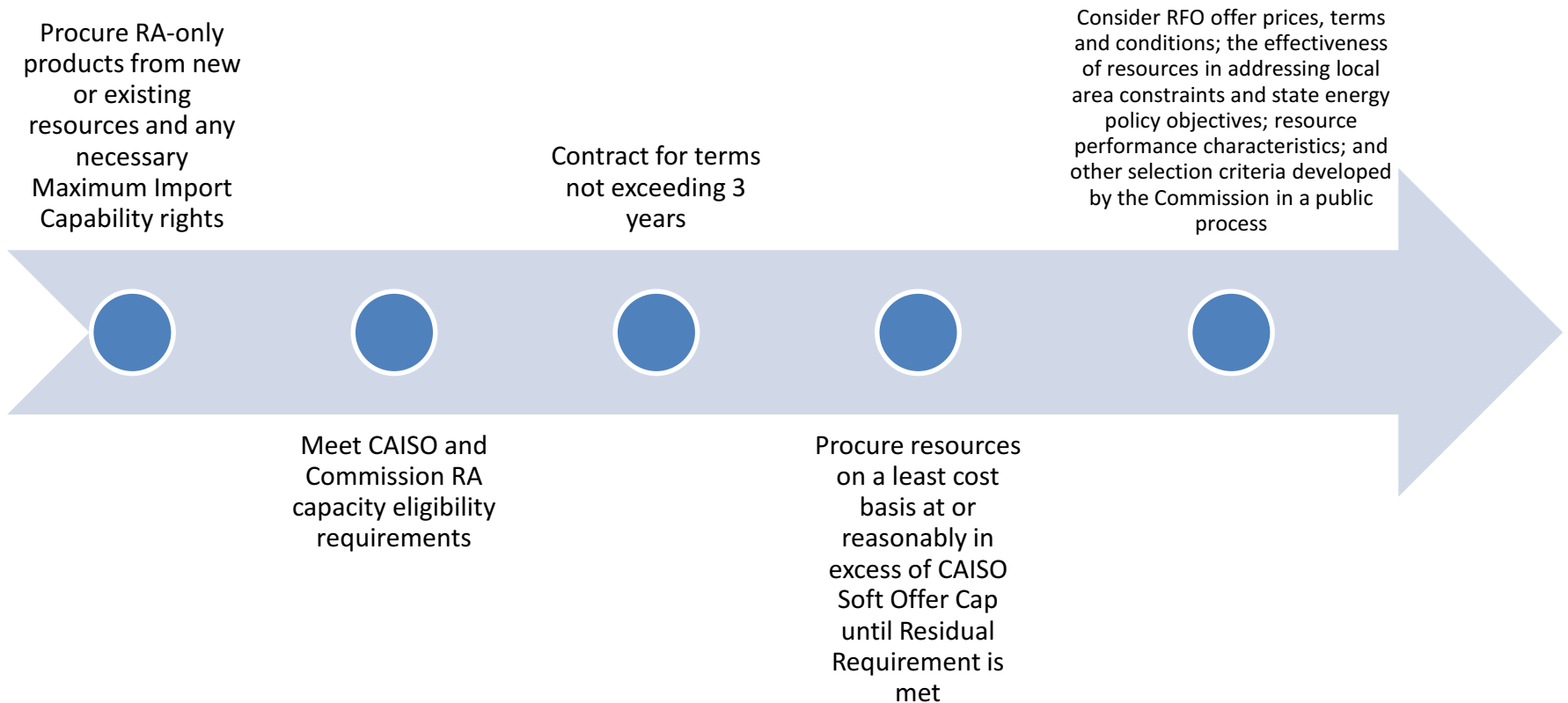
Product Type	Year 1	Year 2	Year 3
System RA	100%	75%	50%
Local RA	100%	100%	75%
Flex RA	100%	75%	50%

- Rely on CAISO backstop procurement only if there are insufficient resources meeting its procurement criteria at or reasonably in excess of the CAISO Soft Offer Cap on an annualized basis

RA-CPE Role

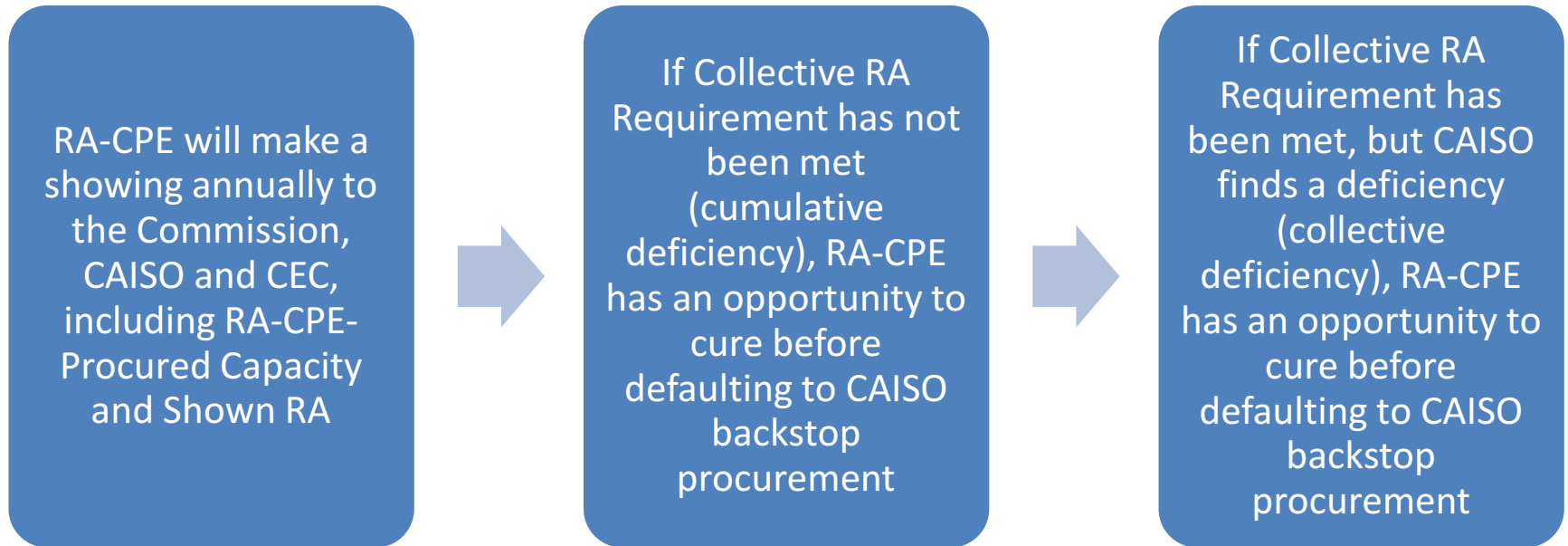
Procurement

Annual “pay as bid” Request for Offer solicitation:



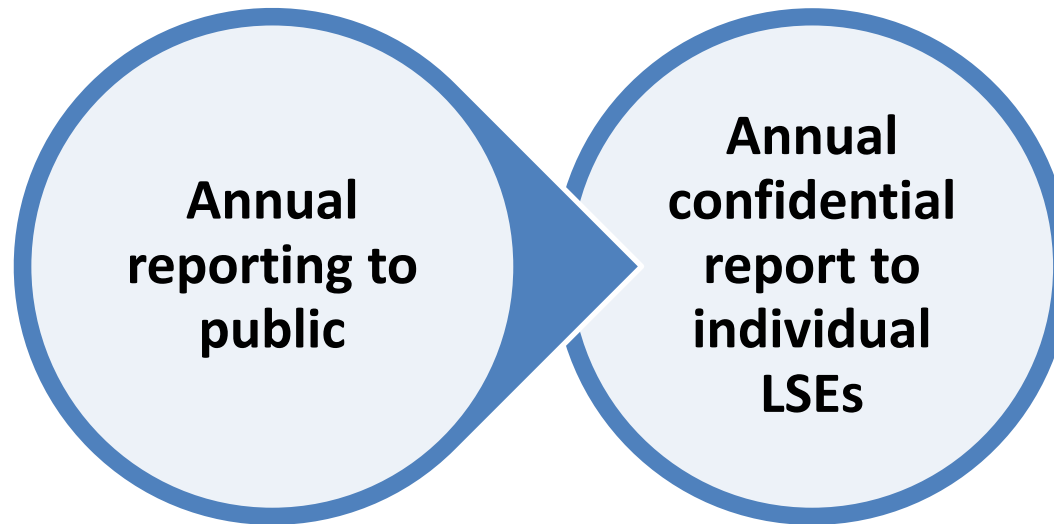
RA-CPE Role

Procurement (2)



RA-CPE Role

Transparency



- Quantity and weighted average price for each type of RA Capacity by delivery year and, if applicable, by local area and sub area (subject to aggregation to protect market sensitive information)
- Quantity and cost of RA Capacity procured by the CAISO on behalf of the RA-CPE to address a cumulative and/or collective deficiency
- Formation and administrative costs

- LSE's estimated Cost Responsibility for each delivery period
- LSE's estimated MW share of RA-CPE-Procured Capacity

RA-CPE Role

Transparency (2)

Annual confidential reporting to Commission

Specific prices paid for each RA Capacity contract, which will be aggregated in Energy Division's annual Resource Adequacy Report LSE's share of RA-CPE-Procured Capacity

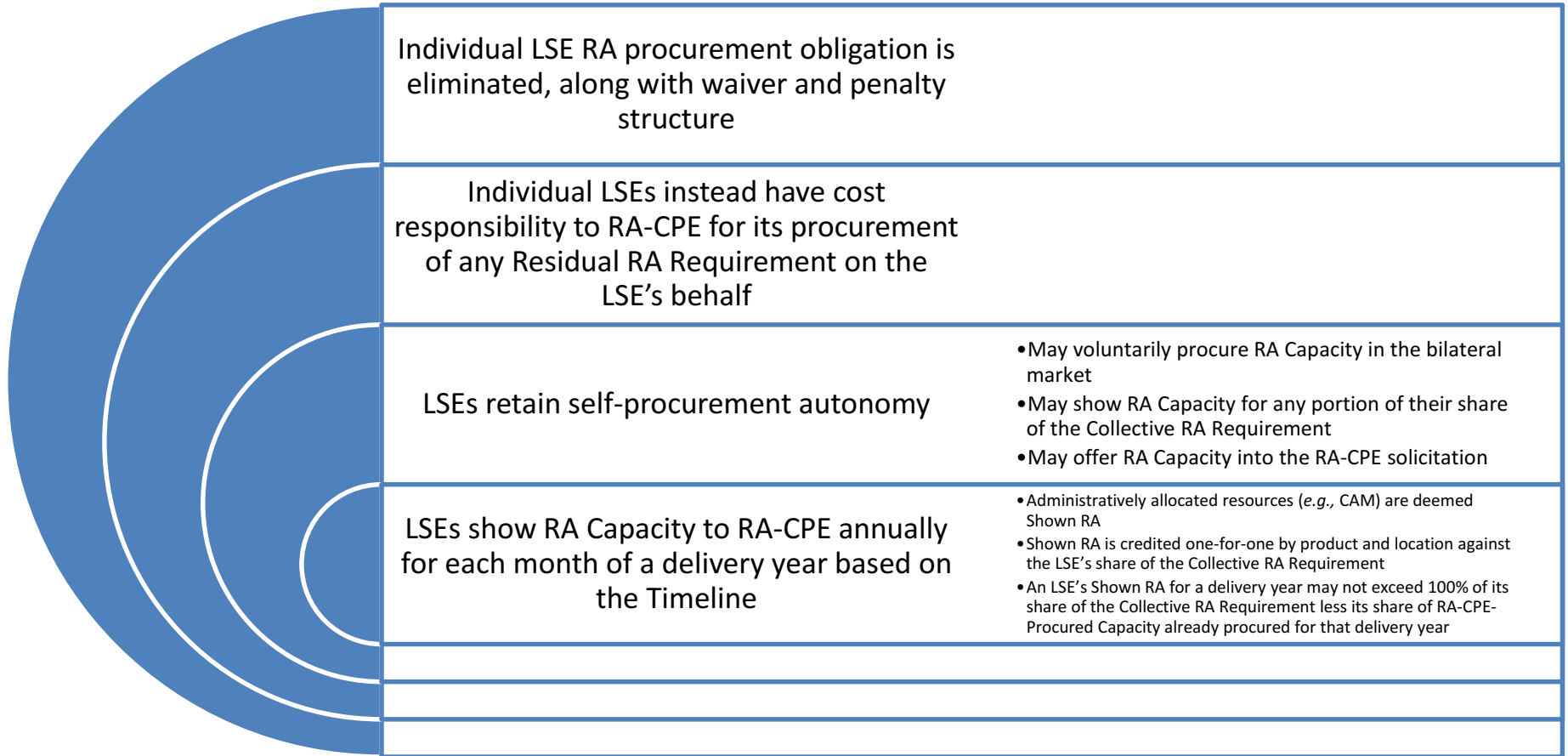
Monthly reporting to LSEs

Actual quantity and cost deviations from annual estimates

Annual solicitations will be publicly noticed and will clearly define products and volumes needed to meet Residual RA Requirements

LSE Role

Showing Self-Procured RA Capacity



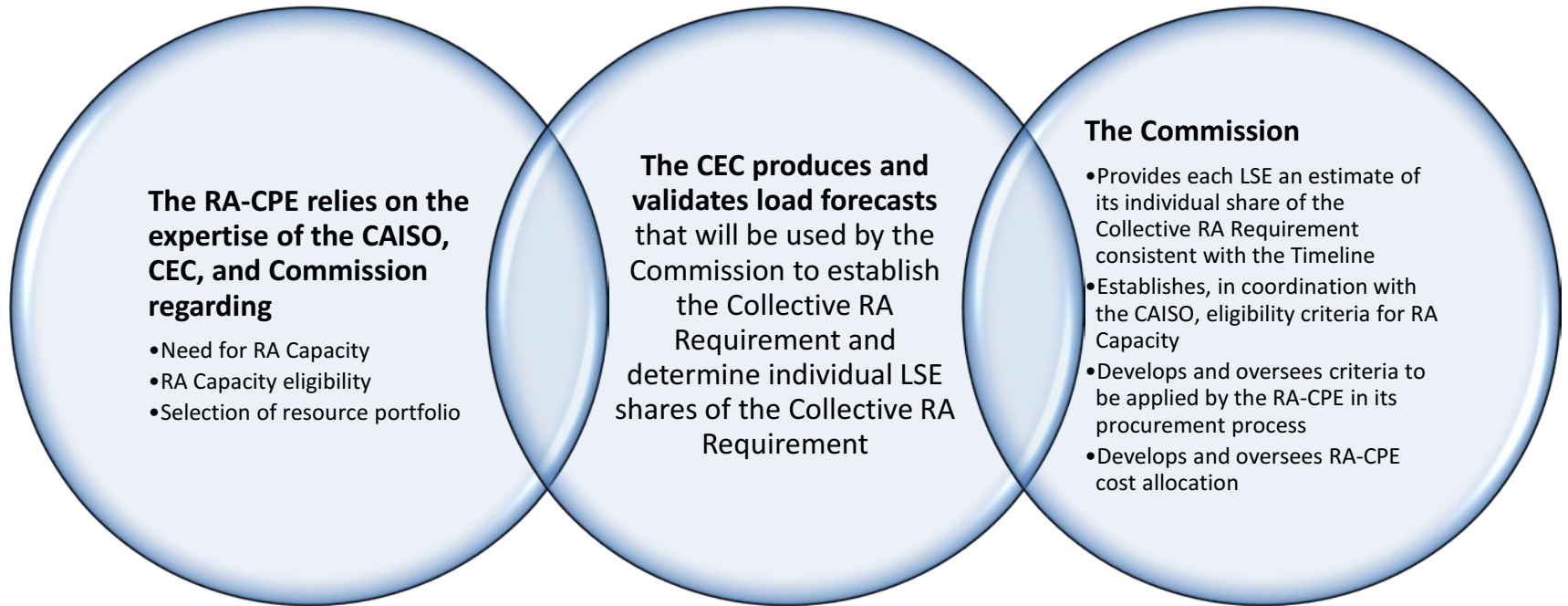
LSE Role

Showing Reconfiguration

All Shown RA is committed to the RA-CPE, subject to the following exceptions:

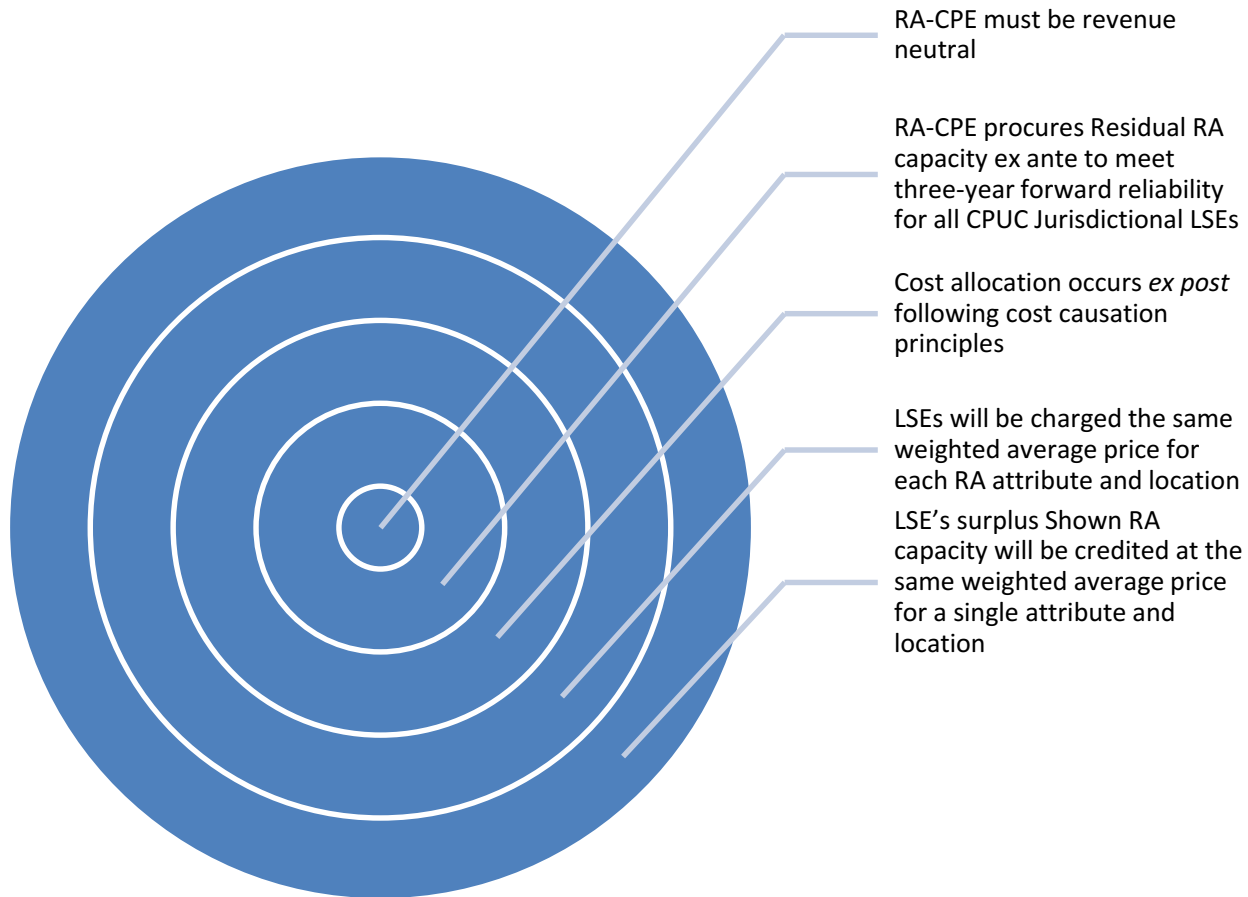
- An LSE may substitute resources subject to approval by the RA-CPE in consultation with the CAISO
- An LSE may bilaterally transact Shown RA to another LSE
- If an LSE's forecast share of the Collective RA Requirement declines, an LSE will reduce its Shown RA in its annual showing to a level not greater than its reduced share of the Collective RA Requirement, and the excess Shown RA must be either transacted with another LSE or offered to the RA-CPE in its annual RFO
- Solely for cost allocation purposes, excess Local Shown RA may be applied to the LSE's System Shown RA

CPUC, CEC & CAISO Roles



General Cost Allocation

Principles



RA-CPE Cost Allocation

Cost Categories

RA-CPE Procured

Capacity costs: Costs incurred by RA-CPE to procure RA Capacity to meet the Residual RA Requirement

- Allocation principle: Share of Residual RA Requirement procured by RA-CPE to meet an LSE's share of the Collective RA Requirement net of Shown RA and allocated capacity (*e.g.*, CAM)



Cumulative RA-CPE

deficiency cure costs: Costs incurred by RA-CPE to cure deficiency if its showing to the Commission/CAISO falls short of the Collective RA Requirement

- Allocation principle: Share of Residual RA Requirement procured by RA-CPE to meet an LSE's share actual of the Collective RA Requirement (net of Shown RA and allocated capacity (*e.g.*, CAM))



Collective deficiency

cure costs: Costs incurred by RA-CPE to cure deficiency when its showing meets the Collective RA Requirement but CAISO finds a deficiency

- Allocation principle: Share of Collective RA Requirement

RA-CPE Cost Allocation

Cost Categories

Forecast “Error” costs: Costs of excess RA-CPE-Procured Capacity above the Year n-1 Residual RA Requirement

- Allocation principle: Forecast error costs are shared among all LSEs based on their share of the actual Collective RA Requirements



Administrative costs: Costs incurred by the RA-CPE for administration and operation

- Allocation principle: Primarily based on LSE’s share of RA-CPE procurement with small portion based on share of Collective RA Requirements



Formation costs: Costs, if any, incurred in the formation of the RA-CPE entity

- Allocation principle: Share of Collective RA Requirement

Cost Recovery

RA-CPE Billing

- Direct to each LSE monthly in arrears
- Payments will be secured using creditworthiness requirements and collateral where necessary
- If an LSE fails and does not pay its bill, shortfall (net of collateral received) will be allocated to all LSEs in proportion to their share of the Collective RA Requirement

LSE Cost Recovery from Customers

For IOU consolidated billing to customers of IOUs or other LSEs, costs are allocated to customers in their generation rate on customer bills

For other LSEs, no directives on cost recovery