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Filer:	Jordan Scavo
Organization:	California Public Utilities Commission
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Overview of Cost Allocation Mechanism (CAM) and Central Procurement for Reliability and Other Policy Goals

March 6, 2019

Jaime Rose Gannon

Cost Allocation Mechanism Overview

- To support the development of new generation and ensure reliability, the Commission's Long Term Procurement Plans (LTPP) Proceeding adopted a process known as the Cost Allocation Mechanism (CAM) in D.06-07-029.
- The CAM allows the cost and benefits of new generation to be shared by all benefiting customers in an IOU service territory.
- The Commission designated the IOUs to act as the procurement agent for new generation resources.

Cost Allocation Mechanism Overview (cont.)

- The Load serving entities (LSE) in the IOUs' service territories are allocated the capacity benefits which are applied towards meeting the LSEs' resource adequacy (RA) requirements.
- The LSEs' customers receiving the benefit of this additional capacity pay only for the net cost of this capacity, determined as the net of the total cost of the contract less the energy revenues associated with dispatch of the contract.

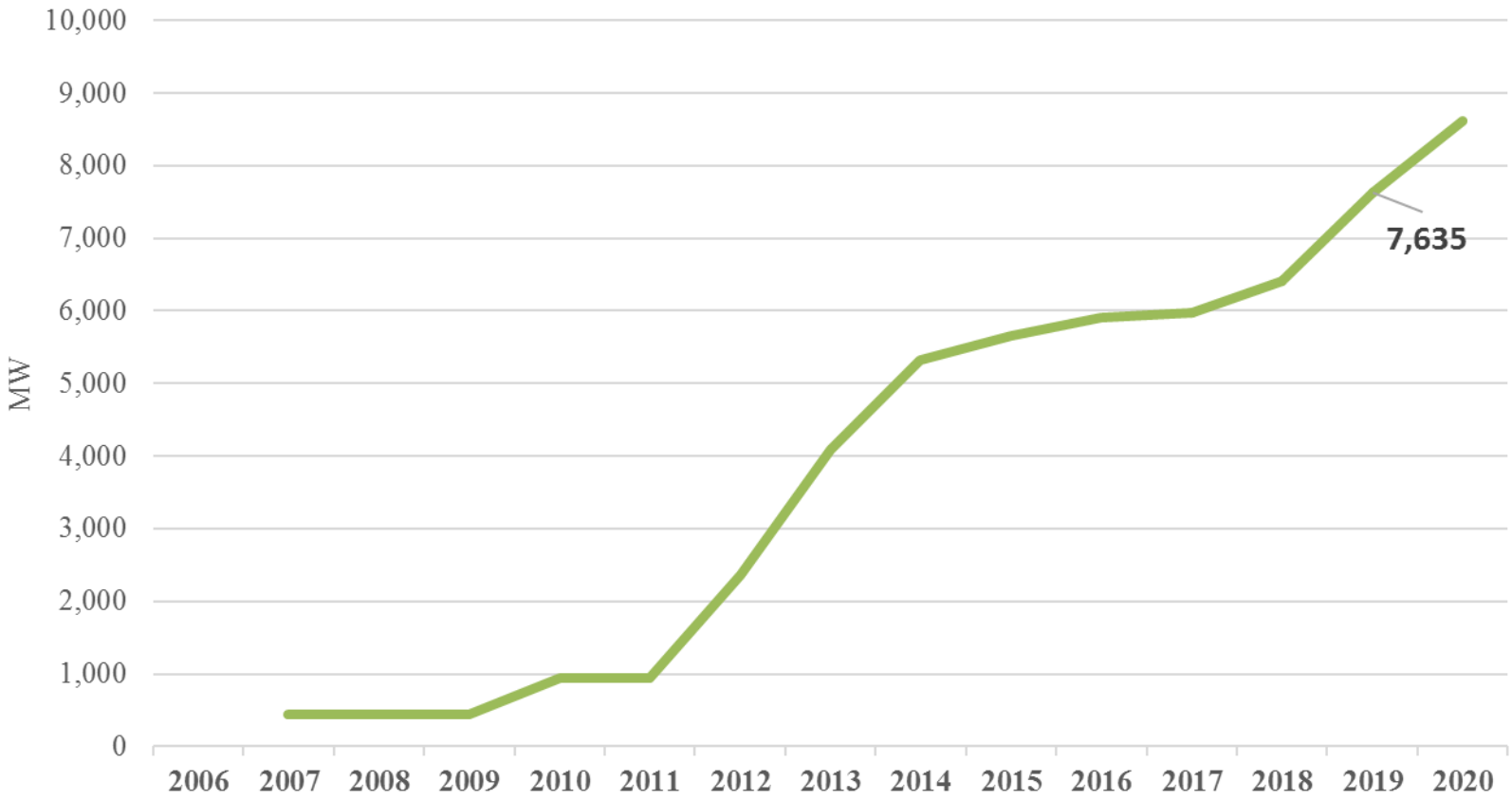
CAM-Like Procurement

- D.10-12-035 adopted the Qualifying Facility/Combined Heat and Power (QF/CHP) settlement agreement that requires the IOUs to procure a minimum of 3,000 MW of CHP over the program period. It also established a mechanism nearly identical to CAM.
- CAM treatment has also been extended to storage resources that the Commission deemed necessary to mitigate the Aliso Canyon gas shortage reliability issue.

CAM-Like Procurement (cont.)

- D.18-06-030 approved the use of a similar CAM mechanism for procurement with existing generation seeking to retire but needed for local reliability.
- Demand Response Auction Mechanism (DRAM) contracts also use a similar cost allocation mechanism, where the utility passes costs through the distribution charge and the capacity benefits are allocated similar to CAM resources.

CAM/CAM Like Resource Procurement, 2007-2020 (Aug. Value)



Different Types of CAM Contracts

- Most CAM resources are gas fired generation with gas tolling arrangements.
- For 2019, 81 percent of CAM contracts are with gas fired generation that include tolling.
- The other 19 percent of CAM contracts includes RA only, DRAM, and storage with dispatch rights.

CAM Contract Type	2019 (Aug) MWs	Percentage of total MW
RA + Tolling	6,181	81%
Storage w/dispatch	80	1%
RA Only	408	5%
DRAM (w/PRM)	967	13%
Total	7,635	100%