DOCKETED	
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Project Title:	Rulemaking on AB 1373 POU Capacity Payment to Implementation
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AB 1373 Pre-Rulemaking Workshop

California Energy Commission

Date: 05/31/2024

Housekeeping

- Administrative Questions – Zoom chat function
- Public Comments due June 14, 2024
- CEC Dockets: 24-OIR-01 and 21-ESR-01

Comments from the Dais

Pre-Rulemaking for Capacity Payments, Implementation of AB 1373

Liz Gill, Reliability Analysis Branch Manager

Date: 05/31/2024

Workshop Goals

- Inform stakeholders on the proposed implementation of AB 1373 capacity payments
- Answer questions related to the proposed approach and process
- Receive stakeholder feedback on how to further clarify the regulations

Overview

- Statutory Guidelines
- Staff Report
- Draft Regulations
- Proposed Implementation Timeline

Background

Strategic Reliability Reserve (SRR):

- Electricity Supply Strategic Reliability Reserve Program (ESSRRP)
- Distributed Electricity Backup Assets Program
- Demand Side Grid Support Program

SRR supports the state's electric grid during extreme and emergency events that fall outside typical planning standards

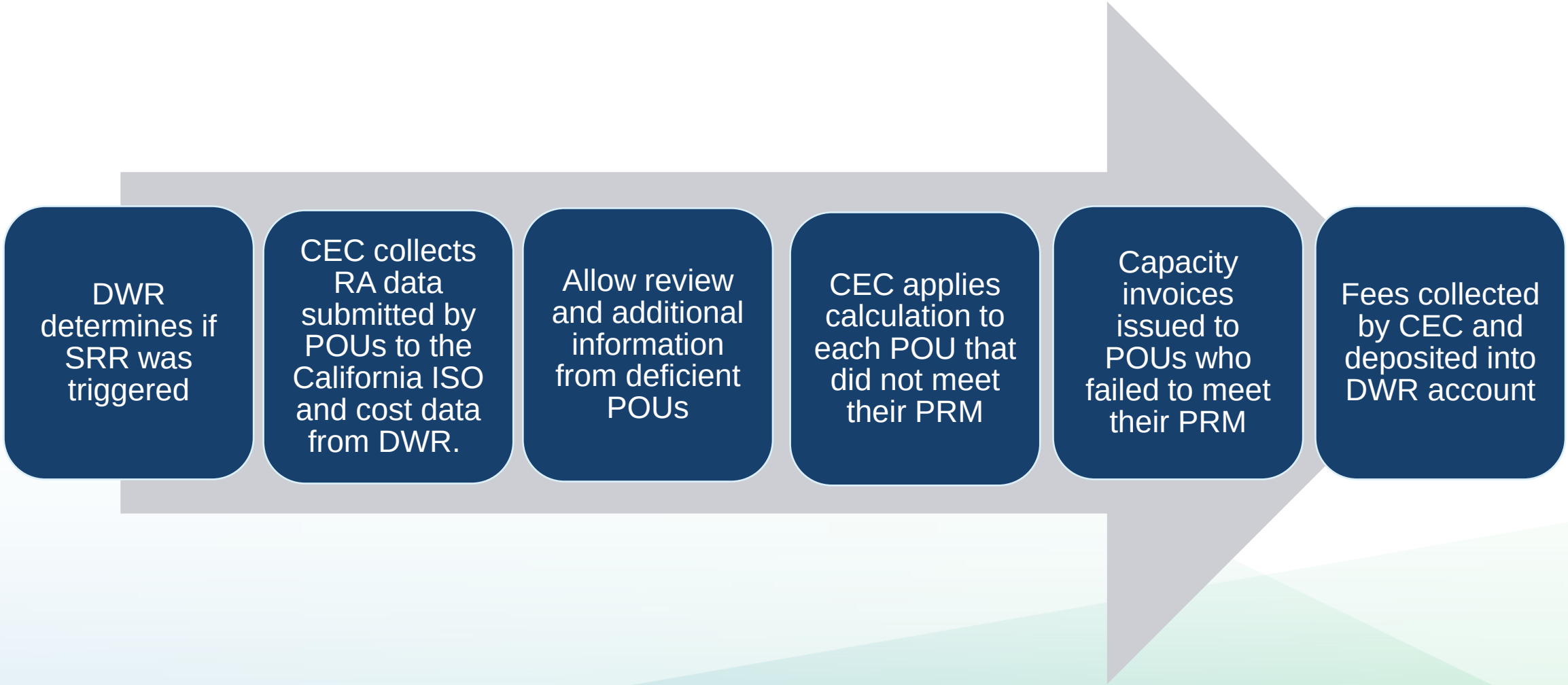
AB 1373 Statutory Requirements

- Establishes new fee structure for POUs and LSEs in the CAISO balancing area that fail to meet system resource adequacy requirements during a month where ESSRRP resources are triggered to meet a reliability need.
- CEC will assess capacity payments on each POU found deficient and determine a capacity payment unit cost.
- CPUC will determine capacity payments for its jurisdictional LSEs.
- Authorizes CEC to adopt regulations

Agency Responsibilities

- **DWR:** Identify when resources have been called through the Reserve and if those resources are being used in a month to meet an identified reliability need. DWR will also provide information on resource cost.
- **CEC and CPUC:** Determine capacity payment calculation method based on the monthly cost of the resources procured using money from DWR's ESRRF relative to the capacity in which the load-serving entity was deficient in its system RA requirements
- **CEC:** Assess capacity payments annually for each POU found deficient and deposit those payments into DWR's ESRRF.
- **CPUC:** Assess capacity payments for all CPUC-jurisdictional load-serving entities and annually deposit those payments into DWR's ESRRF.

CEC Implementation Process



Data Requirements

- DWR Electricity Supply Strategic Reliability Reserve Program (ESSRRP) Costs
  - Was ESSRRP triggered for the past calendar year?
  - What month(s) was ESSRRP triggered for?
  - What are the associated costs for resources procured for ESSRRP?

- POU Supply Plans that were submitted to the California ISO
  - Identify POUs that failed to meet system resource adequacy obligations for the month(s) ESSRRP was triggered
  - Determine magnitude of deficiency for the month(s) ESSRRP was triggered

Calculation – Monthly Deficiency

For each month that the ESSRRP is triggered, the monthly deficiency is determined by:

$$RA\ Postion/Monthly\ Deficiency(kW) = [Total\ Shown\ RA - \left(Peak\ Demand + PRM - \sum Credits \right)]$$

Where positive RA position is long or surplus, and

negative RA position is short or deficient

Total shown RA: the summed NQC of all resources shown on the POU's supply plan
Peak forecast: Month-ahead 1-in-2 coincident peak forecast
PRM: Planning reserve margin (%) multiplied by the peak forecast
Credits: any credited resources or program defined by the POU that do not have a specified net qualifying capacity

Calculation – Unit Cost

Water Code Section 80714(b), the unit cost is by statute as:

- Two-thirds weighting of costs incurred from June through September
- Remaining one-third to costs from the remaining months

Calculated based on the following equation:

$$Capacity\ Payment\ Unit\ Cost\left(\frac{\$}{kW}\right) = \frac{\left[\left(0.667 \times Cost\ for\ June\ thru\ Sept.\right) + \left(0.333 \times Cost\ for\ other\ months\right)\right]}{Total\ Capacity\ Procured}$$

Actual unit costs dependent on how often the resources run and performance – to be determined after the end of the calendar year
Costs based on contract provisions. Contracts may be requested from DWR via Public Records Act request

Calculation – Capacity Payment

- The capacity payment unit cost and monthly deficiency are used in the below equation to determine the capacity payment for the month the ESSRRP was triggered

The capacity payment will be calculated based on the following equation:

$$Capacity\ Payment(\$) = (Capacity\ Payment\ Unit\ Cost)\ x\ (Monthly\ Deficiency)$$

Example

- Going into the RA compliance month of September 2024, POU 1, POU 2, and POU 3 submitted their supply plans in their T-30 RA showings.
- On September 4, 2024, the DWR ESSRRP was triggered to meet a reliability need.
- POU 1 showed enough resources and is not deficient
- POU 2 did not show enough resources and is deficient
- POU 3 did not show enough resources but was credited for a DR program and is not deficient

Table 1: Summary of RA Showings

Utility	PRM %	1-in-2 peak demand (kW)	PRM (kW)	Shown RA (kW)	Credits (kW)	RA Deficiency (kW) = Shown RA – (Peak Demand + PRM - Credits)
POU 1	18%	85,000	15,000	100,000	-	0
POU 2	15%	200,000	30,000	200,000	-	-30,000
POU 3	15%	250,000	37,500	300,000	12,500	0

*If utility RA position is long/surplus, then RA deficiency is 0

This example is for illustrative purposes only.

Example

- Jun – Sept Rate: Defined as two-thirds weighting of costs incurred from June through September
- Other Months Rate: Defined as remaining one-third to costs from the remaining months

Table 2: Summary of Unit Cost Calculation

MWs Procured	Estimated Annual Cost ($Millions)	Jun-Sept Rate ($/kW-Mo.) [A]	Other Months Rate ($/kW-Mo.) [B]	Unit Capacity Cost ($/kW-Mo.) = [A] + [B]
3029.80	627.18	24.56	6.14	30.7

This example is for illustrative purposes only. Costs shown represent a high-end estimate of 2024 costs.

Example

- POU 1 and POU 3 do not have a capacity payment.
- POU 2 was deficient when ESSRRP was triggered and will be assessed a capacity payment for $920,824.40.

Table 3: Summary of Capacity Payment

Utility	RA Deficiency (kW)	Unity Capacity Cost ($/kW-Mo.)	Capacity Payment Calculation ($) = Total Rate * RA Deficiency
POU 1	0	30.7	0.00
POU 2	30,000	30.7	920,824.40
POU 3	0	30.7	0.00

This example is for illustrative purposes only.

Capacity Payments Assessment

- The Commission will consider the state's recommendation within 45 days after the recommendation is file.
- The deficient POU shall remit the assessed capacity payment within 30 calendar days from the date of adoption of that assessment to the Local Publicly Owned Electric Utility Capacity Payment Account under DWR's Electricity Supply Reliability Reserve Fund.

Draft Regs Overview

Processes to Include

- CEC to confer with DWR to determine if Reserve was triggered
- CEC to obtain needed data
- Applying the calculation
- Notifying POUs of their capacity payment
- Collecting payments and transferring to DWR's account

Key Feedback from Stakeholders

- What areas require further clarity?
- Are there other “RA-equivalent” resources that may not appear in supply plans but should be considered (e.g. contracted resources with a COD after T-30)?

Proposed Implementation Timeline

- March 12: Order Instituting Rulemaking opened
- May 31: Pre-Rulemaking Workshop, Request Stakeholder Feedback on Draft Regs
- CEC to Revise Draft Regs
- Q3 2024 – Initiate Formal Rulemaking:
  - Submit Draft Regs to Office of Administrative Law
  - Public Hearing
  - CEC Business Meeting, Request Adoption of Regs
- Q1 2025: Effective Date of Regs to Cover Summer 2024

Q&A

Public Comment

Instructions

- 3 minutes or less per person
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