**IRP Procurement Track Frequently Asked Questions**

The responses below represent Energy Division staff’s understanding of CPUC Decisions. CPUC Decisions are the official directions of the Commission, and Energy Division Staff may not modify Decisions.

Energy Division staff prepared this list of responses to Frequently Asked Questions to provide interested parties a consistent understanding of staff’s interpretation of CPUC Decisions relevant to Load Serving Entities’ IRP procurement requirements.  Staff has endeavored to ensure that the content of this FAQ is consistent with the CPUC Decision language and other relevant statutes, case law and rules.  In the event of any inconsistency, the CPUC is bound to operate pursuant to its Decisions and relevant statutes, case law and rules.   Parties should contact Energy Division staff if they have additional questions or concerns about the interpretations offered by staff in this document.

1. **Fossil Generation on Greenfield Sites**: Is fossil generation allowable on greenfield sites if it is paired with storage?

*Energy Division staff interprets language in the IRP procurement decision that identifies hybrid storage and fossil resources on greenfield sites as allowable resources to be referring to examples cited in the record of storage facilities that use fossil fuel in their operations – such as some compressed air storage technologies – and not to traditional fossil generation facilities with battery (or other storage) backup. (See* [*11/25/19 sample letter from Ed Randolph*](https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442463807) *to IOUs.)*

1. **Impacts from Changing RA Accounting Methodologies:** For purposes of the IRP Procurement Track, how should LSEs account for resources with RA values which may change prior to the compliance period? Can LSEs expect compliance value based on the ELCC methodology at the time an irrevocable commitment was entered into? Similarly, if the CPUC adopts a different approach to RA counting in the future (e.g., the UCAP approach currently being considered by the CAISO), how will it impact the IRP procurement requirements (or RA requirements, for that matter)?

*For RA purposes, RA values of resources are counted based on the current NQC of the resource (i.e., NQC values are currently not “grandfathered” for RA purposes). However, Energy Division staff believes that for the procurement ordered in Decision D.19-11-016 for all resource types other than hybrid resources, the QC methodologies in force at the time of the decision will be acceptable for determining compliance with the procurement quantities identified for each LSE in the decision. For hybrid resources, Decision D.19-11-016, Order 14, stated that compliance for hybrid resources will be based on the QC methodology adopted in the RA proceeding, R.19-11-009. An interim methodology adopted in proceeding R.19-11-009 has subsequently been replaced with a revised computational method for hybrid resources in D.20-06-031. Staff believes that the QC values associated with the current, more recently adopted methodology are consistent with the intent of the Commission and absent other information, staff plans to use this methodology when determining IRP procurement compliance.*

1. **Resale of Procurement Track Compliance Resources:** To deal with the “lumpiness” of procurement, can LSEs that wind up with excess incremental resources above their procurement requirement sell portions of those incremental resources to other LSEs to use to meet their procurement obligations?

*Decision D.19-11-016 is silent on whether LSEs must directly contract for the resources they procure to meet their incremental resource procurement obligations. Consequently, staff believes that LSEs can use contracts for resources procured from other LSEs to meet their procurement obligations, provided the underlying resource meets the D.19-11-016 definition of an incremental resource (and, of course, provided that the LSE from which the resource was purchased backs the sold portion of the resource out of their own compliance showing).*

1. **Coordination on LSE Procurement Track Progress:** Will there be a formal (or informal) process to engage with Energy Division on LSE progress and issues that arise during the procurement / project development process (e.g., will LSEs be alerted to any issues associated with the resources they procure that are described in their annual IRP filings as the issues are identified)?

*No formal engagement process was developed in the decision other than the various filing requirements related to the IRP procurement. Staff is already working informally with LSEs, directly in some cases and via the development of the* [*expanded IRP Procurement webpage*](https://www.cpuc.ca.gov/General.aspx?id=6442463413) *and this response to frequently asked questions. Staff plans to review all LSE filings related to the IRP Procurement track and communicate any identified concerns regarding the resources identified with LSEs as these concerns are identified. The lack of a formalized citation program for failure to comport with IRP orders at this time does not negate the Commission’s ability to enforce our Decisions through any and all available legal means.*

1. **Procurement Exceeding Required Quantities:** If some LSEs over-procure now in recognition of the forecast persistent system need and their own long-term IRP obligations, will this excess procurement be reflected and credited to them in any future reliability need requirements, or will that need be “peanut buttered” to all LSEs based on load share regardless of their own procurement actions in the interim?

*The decision refers to the procurement it orders as “least regrets,” meaning that the CPUC considers this to be the minimum amount of procurement needed for reliability purposes, with the expectation that additional reliability resources will be needed, presumably in the relatively near future. With this in mind, staff strongly encourages LSEs to consider additional procurement beyond the quantities ordered in the decision. While staff does not speak for the CPUC, staff sees merit in and would likely support the proposal that any incremental procurement by LSEs beyond the quantities required by the IRP procurement decision be taken into consideration and reflected in the additional amounts of procurement ordered for each LSE in any future procurement ordered by the CPUC. That said, any additional procurement undertaken will provide LSEs with a resource that will help them meet their RA requirements. Given the tightness of the capacity market, staff believes that any LSE expecting to be short in meeting its 2021-2023 RA obligations after taking into account its IRP procurement targets should consider procuring additional new capacity.*

1. **“Opt Out” Costs, Quantities, and Timing:** Will procurement costs for LSEs that elect to have the IOUs procure on their behalf be pooled by the IOU and allocated on an equal $/MW basis for the LSEs’ shares of the backstop using the quantities from Ordering Paragraph 3, or will any “lumpiness” in procurement be allocated proportionally to backstopped LSEs? And will the procurement be phased consistent with the three tranches through the full period?

*Staff believes that IOU procurement costs on behalf of LSEs that elect to not self-procure will be executed in the same manner as the current CAM mechanism – costs net of any revenues will be charged to each LSE’s customers proportionally to “their” share of the procurement obligation and receive credit for this same share of the underlying RA benefits of these resources. Because LSEs are required to bring these resources on line in the three time periods identified in the decision, staff assumes that the IOUs’ “CAM-like” distribution of costs and benefits for these resources will occur consistent with those tranches (50% of the obligation beginning when resources come on line to meet the 8/1/2021 deadline for the first tranche, etc.). Since procurement is lumpy by nature, staff would expect that any lumpiness associated with this procurement be shared proportionally by all benefitting LSE customers (and the incremental RA value also shared proportionally by all benefitting customers), rather than borne strictly by bundled IOU ratepayers, though staff expects that any excess IOU procurement due to lumpiness of resources will be relatively small.*

1. **Backstop Procurement**: At what point will the IOUs be directed to undertake backstop procurement for LSEs that elected to self-procure but are deemed to not be able to meet their procurement obligation? Will backstop procurement be “all or nothing” like the self-provision decision, even if the LSE has successfully procured a portion of its procurement requirement? How will any unanticipated shortfalls be addressed (e.g., due to a developer’s failure to meet its milestones)? Should the costs for backstop procurement resulting from the failure by an LSE to meet its self-procurement obligation be allocated as a part of the “Opt Out” pool or separately?

*Staff believes that any backstop procurement IOUs perform on behalf of LSEs that elected to self-provide but fail to do so will need to be directed by the CPUC. The point at which a determination that an LSE is going to fail (or has failed) to meet its procurement obligations is not described in the decision, and staff believes that the CPUC will also need to develop formal rules for making this determination. Staff would not expect the CPUC to require backstop procurement for an LSE’s full procurement requirement if it had successfully procured a portion of its obligation – staff expects that the CPUC would require procurement of the LSE’s procurement requirement net of the resources it had successfully procured.

Staff does not believe that developer failure relieves LSEs from the procurement ordered by the CPUC (which is another argument for additional procurement beyond the “least regrets” amounts ordered in the decision, as discussed in the response to Question 5). As noted in the decision, the timing of when this backstop procurement is likely to occur and the expedited nature of bringing these resources on line will likely result in a cost premium; consequently, consistent with language in the decision dicta staff would expect the resources, costs, and benefits of this “just-in-time” procurement to be tracked and charged to backstopped LSE customers separately from the bundled customer and “Opt Out” LSE procurement.*
2. **“Opt Out” and Backstop Procurement Mechanisms.** What procurement mechanisms will be used for “Opt Out” or backstopped procurement, and how will the procurement be overseen? Will procurement include energy (e.g. tolling agreements)? How will dispatch rights, emissions, etc., be managed? Will the resource attributes procured under the backstop mechanism be allocated or liquidated?

*Staff expects that mechanics of IOU procurement of these resources on behalf of other LSEs to be identical to CAM procurement, in all respects except which customers are included (rather than being applied to all customers in the IOUs’ territory, the costs and benefits will be shared only by bundled customers and “Opt Out” or backstopped LSE customers). Staff assumes that LSEs currently operating in California understand how the CAM mechanism works, such that this response answers all of the subsequent questions above.*

*Specifically for backstopped LSEs, once a determination is made that backstop procurement is needed, and the CPUC orders an IOU to perform this role, staff would expect the IOU to re-start bilateral negotiations with resources “next up” the supply stack from their own procurement RFOs to identify and procure backstop resources that can be procured on an expected basis or request counterparties to refresh bids if too much time has passed since the RFO.*

1. **Procurement Obligation Timeframe.** When will an LSE’s obligation for “Opt Out” or backstopped procurement costs end (e.g., life of contract, reduction in load)?

*Staff assumes that the procurement obligation associated with the resource procured by IOUs on behalf of “Opt Out” or backstopped LSE customers will end at contract termination, because otherwise these costs would be borne solely by IOU bundled customers.*

1. **Resources Lacking Full Delivery Status from the CAISO.** What is meant by the following language in Conclusion of Law 27. “On an interim basis for the 2021 requirement, the Commission will consider resources that do not yet have delivery status for Resource Adequacy but are online and required to submit bids in the CAISOs markets consistent with the resource adequacy must offer obligations to be online for purposes of this requirement.”

*Staff believes that for 2021 IRP compliance only, the CPUC will allow* ***new*** *contracted resources that are online delivering energy, but do not yet have full deliverability status from the CAISO (and therefore do not have an NQC RA value) to count towards meeting their 2021 IRP requirements. However, these resources must have bidding requirements equivalent to the current “must offer obligations” on RA resources.*

1. **Procurement Allocations for individual Electric Service Provider (ESPs**). Given that there is no available ESP load data in the IEPR, how did the CPUC calculate individual ESP procurement targets?

*To produce individual ESP procurement obligations, and based on staff’s interpretation of the intent of the decision, in lieu of individual ESP IEPR load forecast information staff used the 2020 year ahead peak RA forecast load ratio shares by LSE type.*

*For example, if ESP A's peak load forecast reflected that it had 30% of all ESP peak load, then it was allocated 30% of the 9% ESP obligation. Total ESP obligation (9%) = 3,300 MW \*.09 = 297MW.  ESP A obligation (30%) = 297 MW \* .30 = 89. 1 MW.*

1. **Import Allocation Rights.** How should LSEs report import resources that they want to count towards their IRP requirements if they do not yet have an import allocation from the CAISO for these resources?

*LSEs will not need to report import allocations for purposes of IRP procurement. Reporting the import resource contract will be sufficient.*

1. **Demonstrating Incrementality**. What type of documentation will the CPUC be looking for as a demonstration of incrementality?

*Some of the elements staff will be looking for to determine incrementality include:*

* *Was it included in the baseline resource list?*
* *If it’s a hybrid resource, was any portion of resource included in the baseline list?*
* *For demand-side resources, incrementality is based on the principles adopted in D.16-12-036, as a starting point (i.e. is any part of the resource being paid an incentive payment such as NEM or SGIP)?*
* *What are the commercial online dates of the incremental resources?*
* *Are the contract lengths of incremental resources consistent with the requirements provided in the IRP decision for this type of resource?*
* *If the incremental resources are imports, are they dynamically scheduled or pseudo-tied imports**consistent with the requirements provided in the IRP decision?*
1. Alternative B in the IOU presentation at the 2/3/20 “CAM-Like Mechanism” workshop proposes that IOUs pass costs of the more expensive contracts procured through their RFOs to “Opt Out” and Backstopped LSEs. Is this consistent with decision D.19-11-016?

*As noted in the response to Question 8 and as stated in decision D.19-11-016, staff expects that resources procured to backstop LSEs who elect to self-provide but fail to do so will come at a premium. However, there is no similar discussion of “Opt Out” LSEs paying a premium for the resources procured on their behalf by IOUs in the decision, and the current CAM mechanism does not provide for a differentiation of costs for bundled versus non-bundled customers; consequently while there is nothing in the decision that explicitly prohibits the approach proposed in Alternative B, staff does not think that this element of Alternative B in the IOUs’ workshop presentation is consistent with the intent of the decision (as noted above, though, this is strictly* Energy Division staff’s understanding of the decision; staff does not speak for the Commission).
2. **Biomethane and Non-Combustion Turbine Gas Units.** Are greenfield combustion resources for the IRP procurement in D.19-11-016 allowable provided they use biomethane? If so, decision D. 20-03-028 only makes reference to gas turbines -- would other forms of generation (e.g., reciprocating engines) be permissible?

*Staff believes that the use of biomethane for greenfield sites would permissible, provided that resource complies with CEC RPS eligibility and ARB biomethane requirements, and all the other requirements articulated in D.19-11-016 are met (a 10 year contractual commitment to fuel the facility, etc.). Staff believes D.20-03-028 was using shorthand in referencing gas turbines, and that other forms of generation, such as reciprocating engines, would be permissible provided the resources meet the above requirements.*

1. **Extension of Procurement Reporting Deadlines.** Decision D.19-11-016 directs LSEs to provide updated procurement information in their May 1, 2020 IRP filings. Those filings were delayed to July 1, 2020, in the ALJ’s email of January 31, 2020, and then to September 1, 2020, in D.20-03-028 – does this mean that the procurement updates are delayed until September 1, 2020 as well?

*Yes.*