

Procurement Compliance Staff Proposal - Workshop Questions

Introduction

Pacific Gas and Electric Company (“PG&E”) respectfully submits these informal responses to Energy Division Staff’s questions on Integrated Resource Planning (“IRP”) Procurement Compliance Questions in advance of Energy Division’s workshop scheduled for July 23, 2026. PG&E offers its responses with the following principles in mind:

- 1) The Commission should not alter the existing procurement enforcement rules unless absolutely necessary due to either market feasibility or cost concerns. LSEs have reasonably relied on the existing rules, and modifications as applied to in-effect procurement orders, and the Commission must account for that reliance.
- 2) PG&E does not support carrying over the existing compliance paradigm into the Reliable and Clean Power Procurement Program (“RCPPP”) context as that paradigm remains undetermined as of today. While some of the compliance mechanisms below may be needed in the ultimate RCPMP, PG&E’s responses below should not be construed as an endorsement of any particular design element in the RCPMP (or future procurement order) context.

Section 1. Net Cone

1. Should a mechanism other than Net Cost of New Entry (CONE) be used to determine the penalty for procurement non-compliance? If yes, what mechanism?

No. D.21-06-035 established net CONE as the appropriate penalty for procurement non-compliance, based on the cost of a new battery storage facility, and, per PG&E’s comments above, PG&E does not believe the Commission should revisit its compliance framework absent a pressing need.¹ In any event, because the majority of the current IRP procurement orders are likely to be met by battery storage resources, it continues to be reasonable to use net CONE as the most appropriate metric. However, PG&E urges the Commission to provide LSEs with a current reference to the net CONE value as it is unclear to PG&E what exactly is the penalty amount for IRP procurement non-compliance purposes.

2. Should the penalty be proportionate to the Load Serving Entities (LSE’s) load served so that its ratepayers are not disproportionately and inequitably affected? Explain.

PG&E interprets this question as asking whether the penalty amount should be adjusted based on an LSE’s load share. For example, if an LSE makes up 10 percent of the total load served then its penalty amount would be 10 percent of the net CONE value. With that in mind, PG&E believes that the potential for penalties is already proportional to each

¹ D.21-06-035, pp. 74-75.

LSE's existing IRP procurement requirements given that the procurement requirements were allocated based on load share. Accordingly, PG&E does not see a need to modify the existing paradigm.²

- 3. It is proposed to replace existing language that sets the procurement penalty amount (Net CONE) -- set at the price of a battery energy storage facility-- to a specific dollar amount. Is there a reason that a specific dollar amount should not be provided to replace Net CONE? If yes, explain why?**

See PG&E's response to Section 1.1 above.

- 4. Should application of procurement penalties be determined annually following June 1st?**

Application of procurement penalties should be determined per the cadence specified in each of the relevant decisions.³

Section 2. Good Faith Effort

- 1. With the implementation of the alternative compliance approach, it is proposed to sunset the "good faith effort" policy. Is there a need for a complementary policy for the existing alternative compliance approach? Why or why not?**

PG&E does not recommend sunsetting the "good faith efforts" policy because procurement challenges experienced by LSEs, which are likely to continue, are not addressed by the alternative compliance framework under D.25-09-007 despite reasonable and diligent efforts by LSEs. In addition to PG&E's responses on a "good faith efforts" policy below, PG&E believes that, as a first step, it may be reasonable to extend the use of the alternative compliance mechanisms currently available to LSEs for the long-lead time ("LLT") category through June 1, 2034.

The existing alternative compliance mechanisms do not specifically recognize the compliance hurdles associated with procuring LLT resources. For example, in D.24-02-047, the Commission acknowledged the challenges with procuring LLT resources and allowed LSEs to request an extension – by June 1, 2025 – for their respective LLT procurement obligation from June 1, 2028, to no later than June 1, 2031.⁴ In allowing for an extension request, the Commission stated, "the constrained number of projects in CAISO interconnection Cluster 13 is the strongest indicator that more time is likely needed. [The Commission] prefer[s] to allow more projects in Cluster 14 and possibly Cluster 15 to compete for contracts...to allow the LSEs to take this into account in their

² D.21-06-035, pp. 54-55.

³ See D.21-06-035, p. 74-76; D.23-02-040, pp. 36-37; D.26-02-057 pp. 49-50.

⁴ See D.24-02-047, p. 101.

solicitations.”⁵ However, as indicated in PG&E’s comments in this proceeding,⁶ both Cluster 14 and Cluster 15 do not have sufficient volumes of FZE-eligible resources to ensure that all LSEs’ FZE procurement obligations can be achieved or achieved affordably by June 1, 2031. Moreover, in D.25-09-007, the Commission acknowledged that LLT procurement is “inherently riskier and more complex than generic procurement” and requested that Energy Division bring forward a proposal in this proceeding to “consider other flexibility options in the future to preserve affordability options for LLT procurement requirements” and to provide further clarification and guidance on the “good faith efforts” standard.⁷ Thus, extending the alternative compliance mechanisms to June 1, 2034 for LLT resources is a reasonable first step.

2. Should “good faith effort” be defined? If yes, what should be the definition of “good faith effort”. Note: Any definition should be objective and measurable.

Yes, PG&E recommends “good faith efforts” be defined and applicable to each of the current IRP procurement categories. For example, regarding the LLT category, to the extent that an LSE cannot meet its procurement obligation despite PG&E’s proposed extension to the alternative compliance mechanisms through June 1, 2034 described in Section 2.1, the Commission could rely on good faith efforts as a complementary policy.

Thus, for example, for the LLT category, PG&E proposes that good faith efforts should be applicable under two clearly defined paths: (1) an LSE has executed an LLT contract prior to June 1, 2034, or (2) an LSE has not executed an LLT contract prior to June 1, 2031. In both instances, under the good faith efforts policy, the LSE’s compliance status would be deferred until no later than June 1, 2036. If the LSE’s compliance obligation remains unmet after June 1, 2036, the LSE would then be deemed non-compliant and assessed a penalty amount. To help demonstrate the application of the good faith efforts policy, PG&E provides the following examples:

- Good Faith Efforts – Path #1: In the event that an LSE has executed an LLT contract prior to June 1, 2034, and the resource is delayed to no later than June 1, 2036 (i.e., resource must be online by June 1, 2036), an LSE will have met the good faith efforts standard if the LSE can demonstrate that:

(1) an interconnection facility study has been completed for the project or deliverability has been allocated to the project;

⁵ Ibid.

⁶ For Cluster 13-14 and Cluster 15, see <https://www.caiso.com/documents/publicqueueereport.xlsx> and <https://www.caiso.com/documents/cluster-15-interconnection-requests.xlsx>, respectively.

⁷ See D.25-09-007, p. 27

- (2) an interconnection queue number has been assigned, and the project is not an energy only project; or
- (3) deliverability has been allocated to the project and interconnection agreement has been signed between the developer, CAISO, and participating transmission owner.

It is PG&E's understanding that these items are likely to demonstrate that the contracted resource has made sufficient progress towards coming online and, thus, could help distinguish between contracts for viable projects and "paper contracts" that are executed without a meaningful assessment of whether the resource is likely to achieve commercial operation.⁸

- Good Faith Efforts – Path #2: If an LSE has not executed an LLT contract prior to June 1, 2031, an LSE will have met the good faith efforts standard if the LSE can demonstrate:

- (1) evidence of a solicitation; and
- (2) evidence of insufficient capacity in the interconnection queues or evidence of insufficient offers that fail a "competitive market" test.

Under the "competitive market" test, the LSE would need to further demonstrate:

- (1) at least three non-affiliated sellers have participated/submitted offers for eligible resources into its solicitation; and
- (2) the total capacity offered for such eligible resources from the non-affiliated sellers must be greater than the LSE's total procurement requirement for such resources.

Under this definition, as an example, if an LSE has a 500 MW FZE requirement and conducts a solicitation but only receives two non-affiliated seller offers for FZE-eligible resources totaling 600 MW, the solicitation will fail the "competitive market" test. A failed test would help support a determination that the LSE has made good faith efforts to meet its procurement obligation but may not be able to meet it due to circumstances out of its control such as an insufficient volume of offers, lack of market competitiveness, etc.

3. With the implementation of the alternative compliance approach, please explain why the "good faith effort" policy may still be necessary. Provide an example scenario.

⁸ This path could be relevant to the other procurement categories under a scenario in which the resource is delayed beyond the three-year grace period provided in D.25-09-007.

See PG&E's response to Sections 2.1 and 2.2 above.

Section 3. Definition of "Online"

- 1. The proposed definition of online is "the resource is delivering power to the grid and contracted to deliver by the specified compliance tranche date." Other than Commercial Operations Date (COD), are there any other determinants that meet the proposed definition?**

PG&E believes that the use of the term "Commercial Operations Date" or COD can be confusing for certain LSEs and developers. A new resource can become commercially operational but not necessarily achieve CAISO deliverability. Because the current IRP procurement orders are intended to meet a system reliability (i.e., resource adequacy) need, it would be more useful to indicate that a resource's online date will be measured based on when it has achieved deliverability status and/or is no longer energy-only. This will ensure that resources that must achieve CAISO deliverability status to count towards the current IRP procurement orders are not being measured solely by their COD.

- 2. Can a resource receive a Commercial Operations for Market (COM) notice without ever receiving a COD notice? Please explain.**

No. A CAISO COD notice is a one-time event marking when a resource becomes commercially operational and eligible to participate in CAISO's energy markets. Meanwhile, a COM notice is tied to the ongoing operational status of that resource once it is participating in the market, meaning the resource is actively bidding, dispatching, and complying with CAISO's energy market rules. This cannot occur until the resource becomes commercially operational.

- 3. What modifications or upgrades can or should occur that would result in incremental capacity of a resource? Is there anything else other than physical modifications or upgrades that can result in an increase in a resource's deliverability capabilities?**

PG&E has no comment at this time.

- 4. When looking at how energy and storage resources can be paired, are there negative impacts to a resource having intermittent pairing with an energy resource that does not fully span the contract term of the storage? Explain.**

PG&E has no comment at this time.

Section 4. Capacity Factor

- 1. What engineering assessment calculation methods can be used by an LSE to demonstrate an 80% capacity factor? Explain specific calculation methods and how this would be demonstrated.**

PG&E has no comment at this time.

- 2. Should the 80% annual capacity factor requirement be determined by: (a) An average annual capacity factor of 80% across the entire term of the contract or (b) An annual capacity factor of 80% in at least the first year of a contract? Explain.**

PG&E has no comment at this time.

- 3. Should there be a different definition for capacity factor? Why?**

PG&E has no comment at this time.

- 4. Due to the Long Lead Time (LLT) requirement for the ratio of the actual amount of electrical power produced by a generating unit and the required continuous generation at full maximum discharge for 24 hours a day, 7 days a week, over a year, should there be a varied definition of capacity factor for LLT resources?**

PG&E has no comment at this time.

Section 5. Resource Delays

- 1. If a resource is delayed or contracted with a later online date and paired with a bridge or alternative compliance pathway, should the LSE get to apply the selected tranche Effective Load Carrying Capability (ELCC), or should they be required to use the later ELCC associated to the online date?**

Consistent with prior guidance from Energy Division, if a resource is delayed or contracted with a later online date, LSEs should be permitted to apply the selected tranche of ELCCs to that resource.

- 2. How should resource delay be defined? What evidence can be provided to prove a resource delay?**

PG&E supports defining “resource delay” in a manner that clarifies that LSEs are permitted to use the alternative compliance mechanisms adopted in D.25-09-007, including where a resource’s online date is delayed due to market feasibility and/or cost concerns.

An interpretation of online dates for alternative compliance purposes that does not account for market feasibility and/or cost would harm customers. It would severely limit the pool of competitive offers, resulting in increased market power and contracting costs that would be locked in over a ten-year or greater period. For example, assume an LSE has a 500 MW procurement obligation for 2030 and receives a total of 750 MW of offers from various counterparties. Based on its assessment, the LSE finds that 500 MW of offers are likely to be online by or prior to June 1, 2030, while the remaining 250 MW would be online just two months later on August 1, 2030. If the LSE is not permitted to execute contracts for the 250 MW expected to be online on August 1, 2030, and rely on the alternative

compliance mechanism due to cost concerns, the LSE would effectively be forced to procure the 500 MW of offers expected online by June 1, even though those offers could have significantly higher costs. In other words, a stringent interpretation of resource delays sets up a “comply at any cost” paradigm that could undermine current customer affordability efforts. Meanwhile, reliability would not be jeopardized, with such a clarification, during the resource delay because, per D.25-09-007, LSEs are required to either achieve compliance with month-ahead system resource adequacy requirements for each month of the delay or procure sufficient incremental net qualifying capacity to meet the balance of unmet LLT requirements.⁹

Accordingly, PG&E recommends defining resource, procurement, or online “delay” as encompassing circumstances where an LSE’s procurement is delayed due to cost considerations or insufficient competitive offers, including where viable offers have later online dates. Specifically, PG&E requests clarification that, under the alternative compliance mechanism adopted in D.25-09-007, an LSE would be deemed compliant if the LSE has signed contracts with later commercial online dates based on cost considerations or an insufficiency of offers received.¹⁰

3. If a resource is delayed and a long-term contract is not procured, how should the ELCC for the initial tranche be applied?

See PG&E’s response in Section 5.1 above.

4. Should the alternative compliance mechanism cure a deficiency gap for a resource that is contracted for a later date, or should the alternative compliance mechanism only close the gap if a resource was originally contracted for an earlier online date?

See PG&E’s response in Section 5.2 above.

5. What documentation should be required to demonstrate a resource was originally intended for an earlier contract date other than an executed contract? Please explain.

An executed contract should be sufficient evidence to demonstrate that a resource was intended to come online at a defined date. Executed contracts represent a binding legal obligation between the seller and the buyer and identifies the resource’s expected online date. To the extent this question is asking what additional milestones or documentation may demonstrate that a resource could reasonably be expected to come online by the date reflected in the executed contract – or by the date represented by the seller – PG&E notes that those requirements should vary based on the resource’s expected online date. For example, in Section 2.2 above, PG&E recommends documentation criteria as part of its

⁹ See D.25-09-007, OP 6.

¹⁰ See PG&E’s Opening Comments on the ALJ Ruling, pp. 17-18.

“good faith efforts” response that could be used to demonstrate a resource could reasonably be expected to come online within a reasonable time.

6. If a resource is delayed, can an LSE negotiate language that requires the delivery period be extended to maintain a 10- year tenure?

It is PG&E’s understanding that many LSEs’ contracts have upfront provisions to address contract tenure should there be a delay in the resource coming online. Specifically, an LSE’s contract may include a static tenure from a specified online date. For example, with PG&E’s executed and resource adequacy contracts, a fifteen-year contract will be a fifteen-year contract even if the resource is delayed for six months. Further, it is PG&E’s understanding that most contracts for new resources will be for a tenure of fifteen to twenty years. Meaning, to the extent such provisions are not included, contract tenure will still typically be for at least ten years. To the extent an LSE does not have such provisions, it should be able to re-negotiate them.

Section 6. Issuance of Citations

1. Since citations are currently issued publicly, is there a reason that procurement citations should not include the following information: Citation Number, LSE, Date Notified, Date Issued, LSE CPUC ID, LSE Type, Specified Violation, Citation Amount, Pay Status, Appeal Status, Appeal Number? If yes, please explain.

For the current IRP procurement orders, PG&E supports a transparent process where citations are issued publicly, including the information described above.

2. Should citations be issued annually? Why or why not?

See PG&E’s response in Section 1.4 above.

3. What timeframe should be implemented for issuance of procurement citations?

See PG&E’s response in Section 1.4 above.

Section 7. Aligning Integrated Resource Planning (IRP), Resource Adequacy (RA), and Renewables Procurement Section (RPS)

1. Given that IRP, RA, and RPS have different goals and mandates, are there opportunities to align the three programs? Please explain.

Yes. See PG&E’s Opening and Reply Comments on the Administrative Law Judge’s (“ALJ”) Ruling Seeking Comments on Reliable and Clean Power Procurement Program Staff Proposal from July 15, 2025, and August 25, 2025. Further, PG&E will provide Opening Comments to the ALJ Ruling Seeking Comments on Additional Proposal for a Reliable and Clean Power Procurement Program to be submitted on August 14, 2026.

2. What burdens need to be overcome to align IRP, RA, and RPS?

See PG&E's response to Section 7.1 above.

- 3. Are there stakeholder time constraints inherent in an effort to align IRP, RA, and RPS? Please explain.**

See PG&E's response to Section 7.1 above.