July 14, 2026

INFORMAL COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY ON THE JULY 23, 2026 INTEGRATED RESOURCE PLANNING WORKSHOP ON THE UPCOMING PROCUREMENT COMPLIANCE STAFF PROPOSAL ADDRESSING GOOD FAITH EFFORT AND NET COST OF NEW ENTRY (R.25-06-019)

In accordance with the guidance provided by staff of the Energy Division ("ED") of the California Public Utility Commission ("Commission" or "CPUC") to aid in preparation for the July 23, 2026 Integrated Resource Planning ("IRP") Workshop on the Upcoming Procurement Compliance Staff Proposal Addressing Good Faith Effort And Net Cost Of New Entry ("CONE"), San Diego Gas & Electric Company ("SDG&E") submits these informal responses to questions presented by ED on July 14, 2026.

SDG&E appreciates ED's exploration of issues related to procurement compliance and its consideration of whether to apply a "good-faith" standard. SDG&E's comments herein reflect its initial thinking on these matters; since the Staff Proposal has not yet been released and many of the questions posed by Staff require additional context, SDG&E's views on the topics covered may evolve as additional information becomes available. For example, it is unclear whether the compliance regime contemplated by ED would only apply to Mid-Term Reliability ("MTR") compliance, or if it would also apply to the Commission's recent 6 GW procurement order.[1/].

SDG&E notes further that to the extent the Commission has already addressed and resolved certain issues raised by ED staff – *e.g.*, whether Net Cost of New Entry ("Net CONE")

1/ *See* Decision (D.) 26-02-057.

is the appropriate penalty price for MTR non-compliance, which was settled in Decision ("D.") 21-06-035 – there is little to be gained by covering the same ground again in informal comments. As a general rule, the Commission should not change compliance constructs after the fact; doing so introduces regulatory uncertainty that undermines the overall compliance framework and could disadvantage customers of LSEs who have endeavored to comply with the existing compliance requirements. Similarly, ED staff solicits parties' views on aligning the IRP, Resource Adequacy ("RA") program, and the Renewables Portfolio Standard ("RPS"), which has been a significant part of the discussion within RCPPP and is included in the latest RCPPP ALJ Ruling questions.[2]

SDG&E's preliminary recommendations are summarized as follows and discussed in more detail below:

- The Commission should treat compliance penalties for MTR procurement (addressed in D.21-06-035 and D.23-02-040) as a settled issue and should not seek to change the rules after the relevant procurement has been conducted;
- The Commission should continue utilizing a "good faith effort" approach in evaluating compliance with procurement orders, as well as extending the treatment afforded in D.25-09-007. There continue to be procurement issues that are beyond a load-serving entity's ("LSE's") control; therefore, the Commission should afford LSEs compliance flexibility; and
- ED staff should avoid duplication of efforts by eliminating the request for input on consolidation of RA, RPS, and IRP proceedings and programs, since this is already part of the discussion related to the RCPPP.

[2/] See, ALJ's Ruling Seeking Comments on Additional Proposal for a Reliable and Clean Power Procurement Program (June 23, 2026) questions 19-20.

A. 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?

The question of the appropriate penalty for procurement non-compliance was settled in the MTR Decision, D.21-06-035, and reaffirmed in D.23-02-040. The Commission adopted Net CONE expressed as $/MW as the penalty price for non-compliance in D.21-06-035 and explicitly declined to modify the penalty structure in D.23-02-040,[3] finding that "any laxity in the penalty structure up front may directly harm any ratepayers of LSEs that have endeavored to procure capacity, sometimes under difficult or costly terms."[4] The Commission recognized that penalty structures must be set up front in order to incentivize appropriate economic behavior and compliance. Additionally, the Commission noted that "if the [Integrated Distributed Energy Resources] IDER proceeding does not publish an updated net CONE figure for the year a penalty would be imposed (i.e., 2025 or later), we will find another way to maintain the calculation of these values to be used for IRP penalty purposes . . . Regardless, Commission staff will maintain and publish the net CONE calculation for IRP purposes with notice to the service list of this proceeding."[5] While SDG&E believe that some degree of flexibility is appropriate (as addressed below), previous decisions established that net CONE is the penalty price for MTR and Supplemental MTR procurement non-compliance, and the Commission should not revisit that determination here.

---

[3] D.21-06-035 COL #26, FOF #26, and pp. 74-76; D.23-02-040, OP #6, COL #5, FOF #11, and pp. 32-36.

[4] D.23-02-040, pp. 35-36.

[5] D.23-02-040, p. 36.

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.**

Please see response to Question 1.

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?**

Please see response to Question 1. Even assuming for argument's sake that the penalty for MTR non-compliance was not a settled issue, SDG&E cannot comment on a specific dollar amount penalty because it is unclear what the specific dollar amount would be based upon. Generally, penalties should be cost-based to incentivize responsible procurement and economic market behavior. However, as noted in SDG&E's response to Question 1, Net CONE in $/MW is the adopted penalty for MTR and Supplemental MTR non-compliance.

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

Please see response to Question 1; *see also* D.21-06-035 at pp. 74-75 and D.23-02-040 at pp. 35-37.

B. 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?**

There is still a need for a "good faith effort" or similar policy that accounts for factors outside an LSE's control in any procurement order. LSEs should not be penalized for attempting to comply and failing because of externalities like lack of projects, unforeseen delays, etc.

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.**

The Commission defined a "good faith effort" for long-lead time ("LLT") resources in D.21-06-035, OP #5, stating "[e]vidence of a good faith effort shall include, but may not be limited to, at least two of the following: (a) Evidence of a solicitation; (b) Evidence of bids in a solicitation; (c) An executed contract; (d) Evidence of site control; (e) An interconnection agreement; and (f) A notice to proceed." This definition could be applied universally to all ordered procurement, as it accounts for most situations and still allows the Commission to exercise judgment on additional facts that might impact procurement, as these may not be the only factors that result in an LSE not meeting compliance. There is also an affordability-based extension process in place for LLT resources pursuant to D.24-02-047, which requires bid pricing data to be submitted with a Tier 2 AL.[6] The Commission should account for affordability and pricing in its extension of "good faith effort".

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.**

The limited availability of resource types that LSEs are ordered to procure may in turn limit an LSE's ability to procure a particular resource type. For example, the clean firm resource category with an 80% capacity factor is limited to certain biofuel resources and geothermal resources, which are currently not readily available in the market. If an LSE holds solicitations and does not receive any bids for geothermal or resource types that fulfill the requirements for a clean firm resource, it should not be penalized. In this instance, the LSE has made a good-faith effort to procure the resource with these attributes by holding multiple or extended solicitations,

[6] D.24-02-047, OPs 16-17.

but might fail to secure the resource type of lack of availability or other reasons. Even with an alternative approach, compliance is not guaranteed if the alternative is not available: The LSE should not be penalized for failure to procure resources that are not available.

C. 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?**

Yes, "online" or, more specifically, Commercial Operations Date ("COD"), per the terms of a power purchase agreement (PPA) may be conditioned on additional requirements, such as engineering assessments, testing for minimum performance indicators such as efficiency and capacity, final permitting requirements, Federal Energy Regulatory Commission (FERC) market-based rate authorization, and posting of additional performance assurance, if necessary. For clarity, PPAs may also have a window of time that allows for COD to occur, such as an earliest date that COD could occur and a date that is the latest date or guaranteed date that the project could achieve COD, excluding allowed delays. SDG&E believes that this window of time is referenced in the phrase "'and contracted to deliver by the specified compliance tranche date'" in the "online" definition in this question.

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

Yes, it is SDG&E's understanding that California Independent System Operator ("CAISO") Commercial Operations for Market ("COM") requirements, defined in the CAISO Generation Interconnection and Deliverability Allocation Procedures ("GIDAP") or the CAISO Tariff, as applicable, are independent of, and generally occur prior to, COD as this term is defined in off-taker PPA terms and conditions. PPAs may require, among other things, that the project be COM with CAISO as a condition of the project declaring COD and that the project

product(s) be exclusively delivered to the off-taker from either the effective date of the project (*i.e.*, upon CPUC approval) or COD.

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?**

SDG&E addresses this question from the perspective of the impacts that result to the PPA. If a project increases its output, it is a material change to the existing PPA and project description previously approved by the Commission, which would require the IOU and the developer to amend the existing PPA and seek Commission approval of the revised expected product output and rate recovery. Beyond this general observation, the answer to this question would be specific to the project and its capabilities, such as physical constraints related to land and engineering, as well as its interconnection and study limitations, which broadens the scope of this question beyond SDG&E to the developer of specific projects and CAISO requirements, as defined in the GIDAP or the Tariff, as applicable.

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**.

SDG&E believes that there are configurations of paired resources that may have negative impacts to off-takers if the delivery term of the generation portion and the energy storage portion of the project are not matched; thus, it is necessary to account for a project's specific design and configuration to determine impacts from mis-matched delivery terms. For example, true hybrid projects with a single CAISO resource ID, where the battery energy storage system is solely charged by solar generation, could not have mis-matched delivery terms because, among other things, the energy storage system would have no right to use the energy to charge the system, no arrangement to account for lost energy in the charging/discharging process, and uncertainty

regarding CAISO scheduling and settlements for energy at the single resource ID. Similarly, co-located resources that are DC coupled behind the meter without a metering configuration that allows each off-taker the ability to track energy from the CAISO grid and from the energy generating facility would have similar difficulty determining which energy is grid-supplied and which is renewable energy for RPS compliance purposes. Alternatively, purely co-located resources (*e.g.*, only sharing the tie line, step-up transformer and interconnection) with separate CAISO resource IDs, distinct metering to track renewable generation separate from grid energy may be indifferent about the duration of the delivery terms. Generally, questions regarding specific configuration limitations are best addressed by developers of specific projects.

D. 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.

The Commission should permit any industry-standard engineering method that produces a transparent, auditable expected annual capacity factor, anchored to the standard capacity factor formula and supported by an independent engineering assessment. The Commission should, however, require that any engineering assessment incorporate an industry-standard forced outage allowance derived from applicable class averages or comparable operating history, based on the resource's specific attributes and circumstances, including technology type, equipment configuration, fuel or resource supply, and site conditions. It should not prescribe a single mandatory method, given the variety of qualifying resource types. SDG&E's PPAs will state that the counterparty must maintain an 80% capacity factor. For compliance purposes, the LSE should demonstrate the Qualifying Capacity ("QC") showing through an independent evaluation or an otherwise certified resource data sheet with supporting data required for ED to audit the findings.

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.**

The Commission should adopt Option (b): an annual capacity factor of 80% measured in at least the first full year of the resource's commercial operation. A first-year determination gives the Commission and the LSE timely certainty about compliance, rather than deferring that determination to the end of a multi-year contract term. Procurement contracts will obligate the resource to maintain the required 80% capacity factor, so the measurement period must be defined clearly and at the outset. A term average standard cannot be evaluated until the contract has run its full length, because the average cannot be calculated until the final year's output is recorded. That approach would leave compliance status uncertain for the life of the contract and expose LSEs to retroactive penalties, assessed years after the procurement decision, for a shortfall that is not determined until term end. Averaging is also a poor fit for the LLT resource types at issue here. A geothermal or battery storage resource either performs at its expected/required level, or it does not; a first-year measurement is sufficient to confirm that, without averaging performance across many years.

In adopting Option (b), the Commission should clarify how the first-year capacity factor is measured. A market participating resource's metered generation is a function of externalities such as CAISO market awards, dispatch instructions, and economic curtailment, as well as potential transmission outages or other factors. A first-year verification calculated on unadjusted settlement data would measure market conditions rather than resource capability. Further, resource underperformance attributable to forced outages within the resource operator's control are appropriately remedied through contractual availability guarantees between LSEs and

resource operators, and shortfalls should not retroactively unwind a compliance showing made on a verified expected capacity factor.

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

No. The existing capacity factor construct is adequate for firm, baseload generation, and a different definition is neither necessary nor advisable. The standard ratio of net energy delivered to a resource's maximum nameplate output over the year is well understood. A new or resource-specific definition would introduce inconsistency across resources and developers and invite disputes over qualification, as well as change the rules of compliance after many LSEs may have already procured these resource types under the assumption that capacity factor for compliance purposes is the same as the well-defined capacity factor concept.

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?

Assuming the question here relates to LLT resources as identified in D.21-06-035, SDG&E submits that the decision applies a sufficient standard to LLT resources, and thus a varied definition of capacity factor is not needed. The decision creates two LLT categories and measures each by a standard suited to it. The 80% capacity factor applies only to the firm, baseload generation category, such as geothermal. For that category, capacity factor is calculated in the conventional manner, the net energy the resource delivers over the year divided by its maximum continuous output, and the resource must reach at least 80%, must not be use-limited or weather-dependent, and must be a generator rather than storage.[7] Long-duration storage is not measured by capacity factor at all. It qualifies on duration, the ability to discharge at maximum

[7] D.21-06-035, pp. 94-95, OP 2.

capacity over at least an eight-hour period from a single resource.[8] A continuous-output capacity factor is neither applied to, nor appropriate for, energy storage, which is energy-limited and a net consumer of energy. Because D.21-06-035 already measures clean firm generation by its capacity factor and long-duration storage by its duration, it applies the correct standard to each, and the premise that a single capacity-factor ratio governs all LLT resources is mistaken.

E. 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?

If a resource is delayed but paired with an alternative compliance pathway, the LSE should have the option to apply the ELCC from the applicable tranche. Even if the LSE has made a good-faith effort to procure the resource, delays are not uncommon and often outside of an LSE's control. The LSE would have procured an amount pursuant to the ELCC applicable to that tranche. Changing ELCC years based on delays introduces uncertainty into the compliance construct and could contribute to over-procurement if LSEs anticipate ELCCs will be lower in future years.

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

SDG&E's PPAs require, among other things, monthly/quarterly progress reports and achievement of development milestones remitted from the counterparty to SDG&E, both of which require appropriate documentation to satisfy completion. If a delay to COD occurs, it would be known through these administrative requirements and SDG&E will actively require the applicable supporting documentation, depending upon the root cause of such delay. If a delay

[8] *Id.*

does occur that is not categorized in the PPA as an allowable or excused delay, then the project may be subject to daily delay damages.

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

Assuming that "and a long-term contract is not procured" in this question refers to a contract that was signed but subsequently terminated, where possible SDG&E would use all or a portion of the delayed resource to meet compliance for the period that the terminated contract was originally intended and apply the ELCC applicable to the period when the delayed project actually achieves COD. In this case, an LSE procured the resource in good faith, contracting so that it would come online on the ordered timeframe. An LSE should not be penalized as the terminated contract was procured on the original timeline.

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?**

The alternative compliance mechanism should cure both deficiencies. It is possible that during a solicitation, the most economic project (least-cost, best fit) is a project that will not come online until after the compliance deadline. LSEs should have the flexibility to contract for resources to come online within a reasonable timeframe after the compliance deadline in order to procure the best value resources for ratepayers. In the case where a project is contracted to come online sometime after the compliance deadline, there would not be a reliability concern if the LSE meets the requirements of the alternative compliance mechanism. Additionally, for resources with certain attributes, it may not be possible to contract with a resource to come online within the compliance deadline if there are no resources with those attributes available. The Commission should afford compliance flexibility to LSEs to manage their portfolios in a

way that is best for their customers while providing the capacity sought by the Commission. If needed, the Commission could judge these situations in a case-by-case scenario.

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.**

The executed contract is the appropriate document to establish the intended online date.

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

LSEs have the freedom to negotiate various solutions. For example, a PPA could end on the anniversary of COD, meaning the clock doesn't start until COD and would terminate, for example, 10 years after COD.

F. 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.**

SDG&E does not object to public disclosure of this information included in citations.

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

Citations should be issued as soon as practicable after the instance of non-compliance occurs.

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

Please see response to Question F.3.

G. 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, opportunities to align the three programs exist, but the RCPPP is the venue the Commission has already established to pursue them, and these matters are under active discussion in that forum.[9] The Commission should address alignment through the RCPPP rather than this MTR procurement compliance track.

IRP, RA, and RPS serve distinct statutory mandates, but alignment opportunities do exist. For example, harmonizing the analytical foundations the programs already share so that each resource is valued consistently across programs, standardizing modeling inputs, coordinating compliance calendars and reporting templates, and employing joint, simultaneous, or consolidated IRP and RPS filings would be beneficial. In addition, SDG&E supports consideration of the proposal to bring RPS under the IRP proceeding. However, the instant process is not the appropriate venue to consider these matters. The RCPPP is intended as a durable, long-term procurement framework within IRP that complements RA and RPS program requirements. Thus, it makes sense to concentrate alignment efforts within the RCPPP rather than separately initiating parallel or duplicative alignment efforts here, which could produce conflicting outcomes and impose unwarranted stakeholder burden.

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

Please see response to Question G.1 above.

---

[9] R.20-05-003, Assigned Commissioner's Amended Scoping Memo and Ruling Extending Statutory Deadline (April 18, 2024) at 3.

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

Yes. Stakeholder time constraints are a material consideration. Parties already carry concurrent obligations across the IRP, RA, and RPS programs, the RCPPP itself, and the instant MTR procurement compliance track. Initiating an additional separate alignment effort would multiply that burden and be duplicative of the RCPPP's scope.

***