



## Fact Sheet on the Final Decision (D.26-07-008) in Track 1 of the Resource Adequacy Proceeding (R.25-10-003)

On July 2, 2026, the California Public Utilities Commission (CPUC) adopted a final decision in Track 1 of the Resource Adequacy (RA) proceeding (R.25-10-003). The Decision establishes near-term Local and Flexible Resource Adequacy requirements for CPUC-jurisdictional load-serving entities (LSEs), adopts targeted reforms to Resource Adequacy program rules affecting resource counting, procurement, compliance, and market implementation, and identifies several issues for additional analysis in Track 2.

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### Proposed Decision Summary

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#### 1. Establishes Near-Term Local and Flexible Resource Adequacy Requirements

- **Local Capacity Requirements (LCRs):** Set annually to ensure transmission-constrained areas have sufficient capacity to meet demand under 1-in-10 weather and N-1-1 contingency conditions. The Commission adopted LCRs of 23,618 MW (2027), 24,545 MW (2028), and 25,480 MW (2029)—about a 2% increase from the prior year's study.
- **Flexible Capacity Requirements (FCRs):** Based on the annual California Independent System Operator (CAISO) study of the largest three-hour ramps to ensure adequate flexibility as variable renewable generation increases. For 2027, the adopted FCRs range from 23,824 MW (December) to 29,063 MW (March), representing an approximately 10% increase over 2026 and a shift in peak ramping needs from June to March.

#### 2. Modifies or Clarifies Resource Adequacy Program Rules in Key Areas to Support Reliability and Compliance

- **Energy Storage Resources:** Clarifies and modifies the Qualifying Capacity (QC) methodology for storage resources to account for foldback constraints, resulting in a more accurate reflection of storage capabilities beginning with the 2027 RA compliance year.
- **Long Duration Energy Storage (LDES):** Defines LDES as a storage resource capable of discharging at maximum capacity for at least eight hours. Adopts a LDES charging sufficiency framework that applies a forward charging period multiplier, which increases with the duration of the battery, and allows LSEs to count LDES capacity across the 24-hour Slice-of-Day (SOD) period, consistent with each resource's capabilities.
- **Energy Only (EO) Counting:** Adopts SCE's proposal to allow co-located EO resources to count for charging sufficiency in hours when the paired storage is not shown, up to the Point of Interconnection limit.
- **Demand Response (DR):** Adopts Energy Division's proposal to use the average hourly MW value during the Availability Assessment Hour (AAH) window as a near-term solution to align California Energy Commission peak hours with demand response participation windows. Effective immediately, the Commission will provide the CAISO with three monthly values for each demand



response resource: the maximum showing value, the peak showing value, and the average hourly MW value during the AAH window.

- **Unforced Capacity (UCAP) Framework:** Adopts a unit-specific UCAP framework for RA capacity counting values for natural gas and storage resources beginning in 2028, with modifications. The framework uses a best-three-of-four-years historical outage methodology to calculate unit-specific effective forced outage duration (EFORD) and UCAP values for existing resources. New resources will initially use class-average EFORD values and transition to unit-specific values through a phase-in period as operating history is established. The Commission will consider updates to the planning reserve margin and address remaining UCAP implementation issues in Track 2.
- **Residual Unit Commitment (RUC) and Imbalance Reserve (IR) Products:** Clarifies how the new Reliability Capacity (RC) and Imbalance Reserve (IR) products are treated under the Resource Adequacy (RA) program following the launch of the Extended Day-Ahead Market (EDAM). The Decision maintains the long-standing requirement that RA resources bid Reliability Capacity products at \$0 and prohibits double compensation for both RC and the capacity portion of IR products, while declining to impose a \$0 bid requirement on IR products. These requirements apply prospectively to new contracts, while existing contracts remain in effect, subject to reasonable efforts to enforce existing provisions consistent with prior Commission policy. The Commission will monitor EDAM market outcomes and may revisit these rules as pricing data becomes available.
- **Load Forecast Process:** Formalizes implementation of the SOD load forecasting framework and adopts new large-load reporting requirements to improve forecast accuracy and transparency beginning with the 2028 RA compliance year. Investor-owned utilities (IOUs) must share information on expected large customer interconnections with Community Choice Aggregators (CCAs) before or during the annual year-ahead forecast meet-and-confer process and include the information in load forecasts submitted to the California Energy Commission. All LSEs must also identify new or expanding large customers in their annual load forecasts. The Energy Division, IOUs, and the CEC will finalize implementation details through the annual meet-and-confer process.
- **Central Procurement Entity (CPE) Framework for Local Resource Adequacy Procurement:** Increases transparency by directing Energy Division to publish the aggregated, anonymized CPE procurement data file and clarifies that, consistent with prior Commission decisions, CPEs will use aggregated LSE local procurement data to assess whether total contracted capacity is sufficient to meet local resource needs. Beginning with the 2027 procurement cycle, CPEs must ensure procurement decisions address both LCA and sub-LCA requirements identified in the annual CAISO LCR studies, including applicable storage charging limitations, and explain in their annual compliance reports how these considerations informed their procurement decisions.
- **RA Penalty Structure:** Adopts Energy Division's proposal to modify the RA penalty structure to address enforceability of the SOD charging sufficiency requirement. The new methodology would convert the MWh charging deficiency into a MW-equivalent amount at the deficiency notification stage. This amount would be added to any hourly RA deficiency amounts. The Decision encourages parties and Energy Division to submit proposals in Track 2 on how penalty points should be applied to this framework.



- **Off-peak Import Counting Rule:** Extends the off-peak import counting rule adopted in D.24-06 004, and extended in D.25-06-048, which will allow LSEs to count off-peak imports towards their SOD RA requirements, beyond Q3 2026 to future Q3 years, as it provides LSEs with more flexible options for managing their RA portfolio.
- **Year Ahead (YA) Compliance Filing:** Adopts Energy Division's proposal to allow under-construction flexible RA resources to count towards the YA flexible RA requirements promoting consistent treatment of under-construction resources across system, local, and flexible RA compliance obligations.

3. **Authorizes Additional Analysis and/or Future Development Regarding Certain Topics:**

- **Hourly Load Obligation Trading:** Declines to adopt a proposal to allow load-serving entities (LSEs) to trade hourly load obligations under the slice-of-day (SOD) framework. The Decision finds that the current record does not demonstrate a need for an hourly trading mechanism, at this time, and concludes that its potential benefits do not outweigh the added complexity, implementation challenges, and risk of unintended consequences. The Commission leaves open the possibility of considering a future proposal supported by additional analysis, resolution of outstanding implementation issues, and a feasible implementation plan (which may include a plan for Commission development of necessary software and process enhancements).
- **Accreditation for Solar and Wind Resources:** Declines to eliminate the exceedance methodology and will consider future proposals for a probabilistic, effective load carrying capability (ELCC) based alternative. Encourages Energy Division and/or stakeholders to further develop a QC translation methodology to resolve the issue of overcounting solar resources in the summer and undercounting in the winter for consideration in Track 2.
- **Central Procurement Entity Framework:** Declines to adopt the elimination of Local Capacity Requirement Reduction Compensation Mechanism (LCR-RCM) as potential replacement or modifications to the mechanism should first be considered. Will continue to monitor participation in the LCR-RCM and may consider modifications to the mechanism, as warranted.

## Procedural Background

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This Decision addresses topics and implementation details related to RA program refinements in R.25-10-003. The following processes resulted in the proposals considered in this Decision:

- On December 12, 2025, the Commission issued a Scoping Memo and Ruling which set forth a schedule to address a scope of issues into Tracks 1, 2, and 3. Track 1 issues are being considered in this Proposed Decision. Track 2 issues are currently in progress.
- On January 27, 2026, the Commission staff issued a Staff Proposal on numerous items including UCAP, LDES, energy-only counting, RUC, the load forecast process, etc.



- On February 10 and 11, 2026, the Commission staff hosted workshops addressing the staff proposals and party proposals topics.
- On May 1, 2026, CAISO filed its Final 2027 and 2031 LCR Study.
- On May 13, 2026, CAISO filed its Final 2027 FCR Study.

### **Links to Additional Information**

- The CPUC RA Program: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/resource-adequacy-homepage>
- The Procedural History of this Proceeding: <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/resource-adequacy-homepage/resource-adequacy-history>