



March 13, 2019

# R.17-09-020 Track 3 Proposal



A  Sempra Energy utility<sup>SM</sup>

# Background

- Decisions 06-06-064 and 07-06-029 established rules regarding Local RA waivers.
- A Local capacity cost “trigger” of \$40/kW-year was adopted as a threshold to grant Local RA waivers.
- The Commission emphasized that “we are not adopting a trigger price of one-twelfth of the yearly price trigger (\$3.33 per kW-month), as we would not expect RAR prices to be uniform throughout the year.”
- The Commission adopted a \$40 per kW-year capacity cost “trigger” that could lead to the granting of a Local RA waiver, while clarifying that \$40 per kW-year value was not intended to operate as a price cap on what load-serving entities (“LSEs”) might be willing to pay.

# Partial Year Offer Issue

- Offers for delivery of less than a full year are being compared to the full year trigger price for the waiver approval process
  - *i.e.* 3-month offer @ \$10/kW-month is evaluated as \$30/kW-year
- This creates an inconsistent methodology for evaluating partial year offers versus full year offers in the context of the Local RA waiver approval process
- Ambiguity in the Local waiver process creates regulatory uncertainty

# SDG&E's Proposal for Evaluating Partial Year Offers

- SDG&E proposes to create an “equivalent” annual offer price for partial year offers by substituting weighted average prices of Local RA capacity from the most recent CPUC RA report for the months not covered in an offer.
- Through this approach, the “equivalent” annual offer price can be used to compare against the \$40/kW-year trigger price for the purposes evaluating a Local RA waiver request.

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	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total (\$/kW-yr)
Offer A (\$/kW-mo)	\$0.00	\$0.00	\$0.00	\$0.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$0.00	\$0.00	\$36.00
Equivalent Annual Offer A (\$/kW-mo)	\$3.18	\$3.18	\$3.18	\$3.18	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00	\$3.18	\$3.18	\$55.08

- Proposal does not create a monthly trigger price
- Proposal allows Energy Division Staff to utilize the Commission-approved \$40/kW-year trigger price to evaluate partial year offers
- Proposal continues to allow the LSE to procure above the trigger price, where the LSE deems it to be reasonable to do so

