



**REGULAR MEETING of the Energy Planning & Resources
Committee
of the Clean Power Alliance of Southern California
Wednesday, February 24, 2021
12:15 p.m.**

SPECIAL NOTICE: Pursuant to Paragraph 11 of Executive Order N-29-20, executed by the Governor of California on March 17, 2020, and as a response to mitigating the spread of COVID-19, the Energy Planning & Resources Committee will conduct this meeting remotely.

[Click here to view a Live Stream of the Meeting on YouTube](#)

*There may be a streaming delay of up to 60 seconds. This is a view-only live stream.

To Listen to the Meeting:

<https://zoom.us/j/91565451568>

or

Dial: (669) 900-9128 Meeting ID: 915 6545 1568

PUBLIC COMMENT: Members of the public may submit their comments by one of the following options:

- **Email Public Comment:** Members of the public are encouraged to submit written comments on any agenda item to clerk@cleanpoweralliance.org up to four hours before the meeting. Written public comments will be announced at the meeting and become part of the meeting record. Public comments received in writing will not be read aloud at the meeting.
- **Provide Public Comment During the Meeting:** Please notify staff via email to clerk@cleanpoweralliance.org at the beginning of the meeting but no later than immediately before the agenda item is called.
 - You will be asked for your name and phone number (or other identifying information) similar to filling out a speaker card so that you can be called on when it is your turn to speak.
 - You will be called upon during the comment section for the agenda item on which you wish to speak on. When it is your turn to speak, a staff member will unmute your phone or computer audio.
 - You will be able to speak to the Committee for the allotted amount of time. Please be advised that all public comments must otherwise comply with our Public Comment Policy.
 - Once you have spoken, or the allotted time has run out, you will be muted during the meeting.

If unable to connect by Zoom or phone and you wish to make a comment, you may submit written comments via email to: clerk@cleanpoweralliance.org.

*While downloading the Zoom application may provide a better meeting experience, Zoom does not need to be installed on your computer to participate. After clicking the webinar link above, click "start from your browser."

Clean Power Alliance Energy Planning & Resources Committee
February 24, 2021

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact the Clerk of the Board at clerk@cleanpoweralliance.org or (213) 713-5995. Notification in advance of the meeting will enable us to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.

PUBLIC COMMENT POLICY: *The General Public Comment item is reserved for persons wishing to address the Committee on any Clean Power Alliance-related matters not on today's agenda. Public comments on matters on today's Consent Agenda and Regular Agenda shall be heard at the time the matter is called. Comments on items on the Consent Agenda are consolidated into one public comment period. As with all public comment, members of the public who wish to address the Committee are requested to complete a speaker's slip and provide it to Clean Power Alliance staff at the beginning of the meeting but no later than immediately prior to the time an agenda item is called.*

Each speaker is customarily limited to two (2) minutes (in whole minute increments) per agenda item with a cumulative total of five (5) minutes to be allocated between the General Public Comment, the entire Consent Agenda, or individual items in the Regular Agenda. Please refer to Clean Power Alliance Policy No. 8 – Public Comments for more information.

CALL TO ORDER & ROLL CALL

GENERAL PUBLIC COMMENT

CONSENT AGENDA

1. [Approve Minutes from January 27, 2021 Energy Committee Meeting](#)
2. [Receive and File January 2021 Risk Management Team Report](#)

REGULAR AGENDA

3. [Resource Adequacy \(RA\) Market and Regulatory Review](#)

COMMITTEE MEMBER COMMENTS

ADJOURN – NEXT MEETING MARCH 24, 2021

Public Records: *Public records that relate to any item on the open session agenda for a Committee Meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all, or a majority of, the members of the Committee. Those documents are available for inspection online at www.cleanpoweralliance.org/agendas.*

REGULAR MEETING of the Energy Planning & Resources Committee
of the Clean Power Alliance of Southern California
Wednesday, January 27, 2021, 12:15 p.m.

MINUTES

The Energy Planning & Resources Committee conducted this meeting in accordance with California Governor Newsom's Executive Order N-29-20 and COVID-19 pandemic protocols.

CALL TO ORDER & ROLL CALL

Committee Chair McKeown called the meeting to order at 12:15 p.m. and Clerk of the Board, Gabriela Monzon, conducted roll call.

ROLL CALL			
Alhambra	Jeffrey Maloney	Committee Member	Remote
Arcadia	Tom Tait	Committee Member	Absent
Carson	Reata Kulcsar	Committee Member	Remote
Santa Monica	Kevin McKeown	Committee Chair	Remote
Thousand Oaks	Helen Cox	Committee Member	Remote
Ventura County	Carmen Ramirez	Committee Member	Remote

All votes are unanimous, unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from December 16, 2020 Energy Committee Meeting
2. Receive and File November and December 2020 Risk Management Team Reports

Motion: Committee Member Ramirez, Ventura County
Second: Committee Member Maloney, Alhambra
Vote: The consent agenda was approved by a roll call vote, with Committee Members Parkhurst and Cox abstaining.

REGULAR AGENDA

3. Approve Shortlist Projects as Recommended by the Review Team for the 2020 Clean Energy Request for Offers (RFO)

Natasha Keefer, Director of Power Planning & Procurement, and Erik Nielsen, Senior Manager of Structured Contracts, provided a background on the RFO results, noting that CPA enters long-term contracts to ensure affordable, reliable, clean power that supports load-resource balance and meet compliance obligations. This RFO is the third cycle with a targeted procurement of 1.5 to 2 million megawatt-hours (MWh) of annual generation. Ms. Keefer explained that the RFO Review Team consisted of Chair McKeown and Committee Member Cox and reviewed confidential offer information that formulated a recommended shortlist and waitlist. Ms. Keefer reviewed the RFO process, goals, eligibility, and key considerations, specifically noting that CPA has a strong preference for near-term online date projects to fulfill CPA's requirements under Senate Bill (SB) 350 and support CPA load requirements with a diverse portfolio of cost-effective and clean technologies. Ms. Keefer reviewed CPA's current online portfolio, SB 350 compliance position, and local procurement opportunities through the CPA Local Programs Strategic Plan, noting that there were significant gains over the past year in contracting for new resources, but generation is needed through the night when solar is not generating. Mr. Nielsen reviewed the offers received by technology and resource type, stating that there were limited local projects; only generation projects count toward SB 350; reviewed the qualitative range of offers. Mr. Nielsen touched on the evaluation criteria and discussed the quantitative valuation approach, adding that offers were valued and ranked based on their Net Present Value (NPV) per MWh and noted that a handful of fourth quartile offers were a combination of alternative technologies, out of market bids, and long-duration storage. Ms. Keefer provided a detailed analysis of the shortlist recommendation, which also includes a waitlist; and demonstrates a preference for near-term online date projects; secures diverse resources for load-resource balance; and noted that the 13 shortlist projects had a high NPV value, high qualitative scores, 2021 to mid-2023 online dates, with the exception of one in-state wind project, and provided diversity in technology. Additionally, Ms. Keefer noted that 24 offers were removed from consideration in the initial screen that scored low in environmental stewardship or were out of state PV projects. Ms. Keefer concluded with a review of metrics and the RFO schedule and highlighted key takeaways: workforce development was high across the offers and there were a significant number of projects in disadvantaged communities (DACs); and noted that there were not many geothermal projects in California.

Committee Member Cox noted that staff simplified the RFO process, making it easy for the RFO Review Team to make decisions on projects. Committee Member Parkhurst asked how agricultural land ("Ag land") was evaluated using the environmental stewardship criteria. Committee Member

Kulcsar inquired as to the term of contracts and the distinction between workforce development and the DAC evaluation criteria. In response, Ms. Keefer stated that prime ag land is one of CPA's avoidance criteria, the standard contract term is 15 years, with those offers with better value deviating from that term; and explained that workforce development evaluation considers commitments to project labor agreements or other targeted hire commitments; the DAC evaluation criteria considers whether or not the project is located within a DAC and is committing to local hires within a DAC or providing other non-workforce economic benefits to the community.

In response to an additional question from Committee Member Parkhurst about project delays and for further clarification on the neutral category of the environmental stewardship criteria, Ms. Keefer clarified that the power purchase agreements (PPAs) are intended to deal with risks associated with either development or operation of a project. Staff explained that environmental stewardship aims to categorize projects that do not demonstrate multiple benefits but are also not on an avoidance area for CPA, and further noted that the low category in environmental stewardship is unique in that projects placed in the low category are actually harmful to the environment.

Motion: Committee Member Parkhurst, Sierra Madre
Second: Committee Member Maloney, Alhambra
Vote: Item 3 was approved by a roll call vote.

COMMITTEE MEMBER COMMENTS

Committee Member Cox thanked staff for their handling of the RFO. Chair McKeown noted the importance of President Biden's recent decision to rejoin the Paris Climate Agreement, and Santa Monica's commitment to its principles by participating in CPA. Committee Member Parkhurst emphasized that CPA is creating a renewable energy economy, with a vast majority of projects located in Southern California.

ADJOURN

Chair McKeown adjourned the meeting at 1:42 p.m.

Staff Report – Agenda Item 2

To: Clean Power Alliance (CPA) Energy Planning & Resources Committee

From: Matthew Langer, Chief Operating Officer

Approved by: Ted Bardacke, Executive Director

Subject: Risk Management Team Report

Date: February 24, 2021

JANUARY 2021 RMT REPORT

Key Actions

- Discussed October 2020 market performance and impacts of above-normal heat.
- Reviewed short-term and long-term energy position and approved energy hedge solicitations for 2021 – 2023.
- Reviewed renewable energy and carbon free positions for 2020-2024 and approved a solicitation for 2021 – 2024 PCC2 and carbon free purchases.
- Reviewed Resource Adequacy position and discussed Q3 2021 compliance. Approved a solicitation to purchase 2022-2025 System, Local, and Flex RA.

Policy Compliance

No policy deviations to report.

ATTACHMENT

None.

Staff Report – Agenda Item 3

To: Clean Power Alliance (CPA) Energy Committee

From: Natasha Keefer, Director of Power Planning & Procurement
C.C. Song, Director of Regulatory Affairs

Approved by: Ted Bardacke, Executive Director

Subject: Resource Adequacy (RA) Market and Regulatory Review

Date: February 24, 2021

RECOMMENDATION

Receive and file.

ATTACHMENT

- 1) [Resource Adequacy \(RA\) Market and Regulatory Review Presentation](#)



Item 3

Resource Adequacy Update

Wednesday, February 24, 2021

Executive Summary

- The goal of California's Resource Adequacy (RA) program is to ensure a reliable supply of electricity for the grid
- All load serving entities (LSEs), including CPA, must procure sufficient resources to ensure grid reliability
- Current conditions related to the RA program, including supply/demand dynamics as well as regulatory factors, are making compliance more difficult and has resulted in increasing costs to CPA over time
- Potential regulatory changes will continue to make RA compliance challenging
- This presentation is for information purposes only and will provide context for the broader 2021-2022 Fiscal Year budget discussion that will happen with the Board in the spring
 - CPA forecasts FY 21/22 RA costs to be 35% higher than FY 20/21

Agenda

- Resource Adequacy Overview
- Current Market Conditions
 - General market outlook on supply
 - Regulatory factors affecting supply
- PCIA Impacts on Resource Adequacy
- Potential Regulatory Changes
- Key Takeaways

Resource Adequacy Overview

- The RA program was adopted by the California Public Utilities Commission (CPUC) in 2004 and was designed to secure sufficient resources on the grid and to incentivize future new construction to ensure grid reliability
- A new RA proceeding is initiated every two years to further refine and improve the RA program
- All LSEs, including CPA, must procure sufficient resources to meet their System, Local, and Flex RA compliance obligations on an annual and monthly basis
 - To date, CPA has successfully met all RA requirements, despite challenging market dynamics

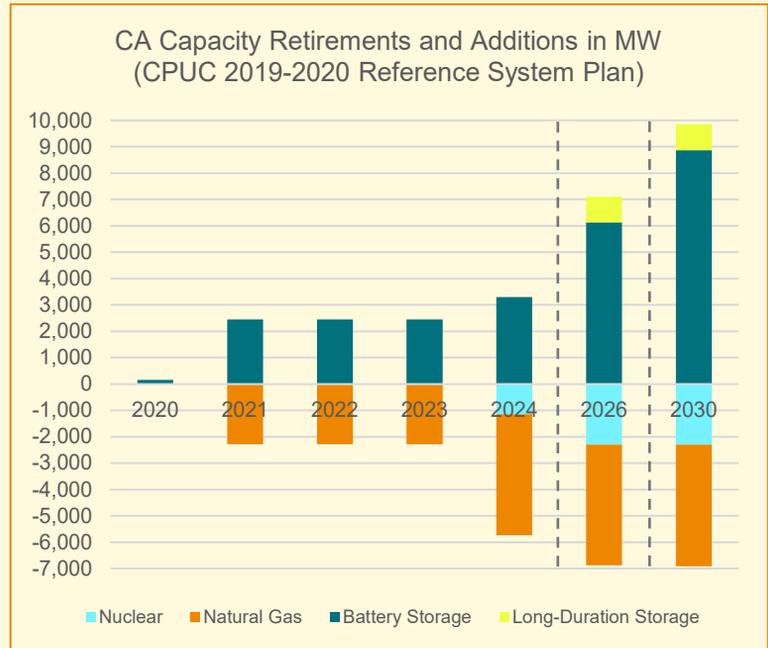
Resource Adequacy Overview (Cont.)

- Several state agencies participate in the RA program:
 - **CPUC** – sets and enforces the RA rules for its jurisdictional LSEs¹, including establishing the demand forecast basis, planning reserve margin, determining the amount of capacity that can be counted from each resource toward meeting RA requirements, and may order procurement
 - **California Independent System Operator (CAISO)** – oversees reliability of electricity demand, ensures must-offer obligations within the CAISO market, and can procure additional backstop capacity
 - **California Energy Commission (CEC)** – develops the electricity demand forecasts used by the CPUC and provided to the CAISO

(1) CPA is a CPUC-jurisdictional entity

General Market Outlook on Supply

- California currently has a tight supply of RA, and supply will continue to be strained for through 2025
 - The remaining once-through cooling gas fleet (~4,500 MW) is expected to retire by 2024
 - The Diablo Canyon nuclear facility (2,300 MW) will fully retire by 2026
- While energy storage provides new, reliable capacity to the grid, storage additions aren't expected to outpace retirements until the latter half of the decade
 - How the CPUC will count storage for RA in the future is subject to some uncertainty



Regulatory Factors Affecting Supply

- Differences between CAISO and CPUC program rules create compliance challenges for LSEs
- Over time, CPUC rules have reduced how much wind and solar resources count for RA
- In June 2020, the CPUC enacted significant changes to how imports count for RA, applicable for 2021 and beyond RA procurement obligations
 - Historically, CAISO is a net importer and counts import capacity as part of reliable supply
 - The change placed burdensome rules on how energy is delivered that significantly decreased the amount of compliant product import suppliers are willing to offer to LSEs
 - CPA's percentage of total RA met with import RA went from 16% in 2020 to an estimated 12% in 2021
 - CPA's total cost for import RA product increased 120% from 2020 to 2021

Regulatory Factors Affecting Supply (Cont.)

- Central Procurement Entity (CPE)
 - Adopted in June 2020, the CPUC directs PG&E and SCE to serve as the Local RA procurement entities for their respective territories beginning in compliance year 2023
 - The CPE procure Local RA on behalf of all LSEs in its service territory, and LSEs may choose to show their resources to the CPE to reduce the overall territory obligations, or to bid their resources in these auctions and receive compensation for the resources
 - Reduces incentive for LSEs like CPA to procure local resources

Regulatory Factors Affecting Supply (Cont.)

Power Charge Indifference Adjustment (PCIA)

- A portion of the PCIA is based on the value of the RA in SCE's portfolio
- The value of RA, or market price benchmark, is determined by the CPUC as is meant to reflect the market value of RA based on transactions by LSEs
- As RA prices have risen in the last few years, the market price benchmarks are a lagging indicator that have increasingly understated the true cost of RA
- Part of this is reconciled in annual true-ups, but CPA believes that the market price benchmarks understate the value of RA, providing a competitive advantage to IOUs by increasing the PCIA
- CPA has advocated for an option for CCAs to accept their portion of the RA in the IOU portfolios, which would make the benchmark issue moot
 - The CPUC has failed to act on the proposal for over a year, and SB 612 has been introduced to ensure CCA customers have access to legacy resources, including RA resources, in IOU portfolios

Anticipated RA Program Changes

- Overall structural reform to meet evening peak hours, especially during summer
- Changes to the amount of capacity that can be counted from each resource toward meeting RA requirements, particularly use limited resources, including renewable resources, demand response, and energy storage
- Potential further restrictions on import RA products
- Increase penalty for RA non-compliance
- Adopting more stringent accounting and reporting mechanisms for demand response resources

Key Takeaways

- Summer 2020 heat events highlighted the need for RA program reform to account for fundamental changes to the grid due to climate change, California's transition to a clean grid, gas retirements, and the proliferation of new LSEs in the State
- While regulatory reform of the RA program is necessary, anticipated changes to the RA program are expected to make compliance more challenging
- In the near term (1-5 years), tightening supply with the retirement of gas resources and Diablo Canyon will continue to place upward pressure on prices and potentially competitive challenges absent PCIA reform
- Over the next decade, as storage resources proliferate to fill the capacity gap left by retiring resources, RA costs may decrease with new reliable supply coming online

END OF DOCUMENT