



**MEETING of the Legislative & Regulatory Committee of the
Clean Power Alliance of Southern California
Wednesday, February 24, 2021
10:00 a.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 Legislative & Regulatory 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/93137717079>

or

Dial: (669) 900-9128 Meeting ID: 931 3771 7079

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."

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

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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 Legislative & Regulatory Committee Meeting](#)

REGULAR AGENDA

2. [Recommend that the Board of Directors Approve a Support Position on SB 612 in the 2021/2022 Legislative Session](#)
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.

MEETING of the Legislative & Regulatory Committee of the
Clean Power Alliance of Southern California
Wednesday, January 27, 2021 10:00 a.m.

MINUTES

The Executive 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 Lindsey Horvath called the meeting to order at 10:02 a.m. and Clerk of the Board Gabriela Monzon conducted roll call.

Roll Call			
Agoura Hills	Deborah Klein Lopez	Committee Member	Remote
Carson	Cedric Hicks	Alternate	Remote
Redondo Beach	Christian Horvath	Committee Member	Remote
West Hollywood	Lindsey Horvath	Chair	Remote

All votes are unanimous unless otherwise stated.

GENERAL PUBLIC COMMENT

There was no public comment.

CONSENT AGENDA

1. Approve Minutes from October 28, 2020 Legislative & Regulatory Committee Meeting

Motion: Committee Member Horvath, Redondo Beach

Second: Committee Member Lopez, Agoura Hills

Vote: Item 1 was approved by a roll call vote.

REGULAR AGENDA

2. Discussion of Preliminary Bill Themes for the 2021/2022 Legislative Session

Gina Goodhill, Policy Director, provided an oral report of the item and emphasized that COVID-19 continues to take legislative priority for the

2021/2022 legislative session, however, legislators are also introducing more bills related to changes to the electricity sector, climate change adaptation, and climate change mitigation. Ms. Goodhill reviewed Senate Bill (SB) 67, which would accelerate the state's progress toward having 100% of electricity provided by renewable or other zero-carbon sources; Assembly Bill (AB) 64, which would require the California Public Utilities Commission (CPUC), California Energy Commission (CEC) and California Air Resources Board (CARB) to develop a cost-effective strategy to promote the development and deployment of clean energy technologies and infrastructure and; SB 18, which would require the advancement of green hydrogen and require the CPUC to modify resource adequacy (RA) requirements. Ms. Goodhill provided details on climate change mitigation spot bills that would make building decarbonization and vehicle electrification a priority. Ms. Goodhill discussed AB 96, aimed at heavy-duty vehicle electrification and climate change adaptation legislation that would highlight funding for microgrids and direct the Strategic Growth Council to establish up to 12 regional climate change coordinating groups to develop and work on climate change for their communities and would include Community Choice Aggregators. Ms. Goodhill concluded with an announcement of CPA's Virtual Lobby Day on March 10, 2021, and briefly discussed a recent state workshop on Public Safety Power Shutoff (PSPS) events and the concerns over the handling of such shutoffs.

In response to Committee Member questions, staff explained that green hydrogen uses electrolysis and is considered different from hydrogen made from natural gas; clarified that there will be early outreach efforts to some authors whose bills more directly impact CPA; and noted that concern over PSPS events was prevalent amongst legislators and within the CPUC. Chair Horvath asked for further details on the tracking of bills that may have an adverse impact on CPA operations. Ms. Goodhill explained that CPA is tracking bills for unintended consequences and Ted Bardacke, Executive Director, added that it is important to strike a balance of equal treatment and enhanced regulation from the CPUC as a Load Serving Entity; and noted that there is some legislation pending to equity in the Power Charge Indifference Adjustment (PCIA) discussion.

COMMITTEE MEMBER COMMENTS

None.

ADJOURN

Chair Horvath adjourned the meeting at 10:25 a.m.

Staff Report – Agenda Item 2

To: Clean Power Alliance (CPA) Legislative & Regulatory Committee

From: Gina Goodhill, Policy Director

Approved By: Ted Bardacke, Executive Director

Subject: Recommend Support Position on SB 612 in the 2021/2022 Legislative Session

Date: February 24, 2021

RECOMMENDATION

Recommend that the Board of Directors approve CPA's Support position on SB 612 in the 2021/2022 legislative session.

SUMMARY

SB 612 (Portantino)¹ would add new sections to the Public Utilities Code that are designed to ensure fair and equal access to the benefits of legacy resources, and ensure resources held in the Investor Owned Utility (IOU) portfolios are managed to maximize value for all customers. Among other things, the bill would provide CCA customers equal right to receive legacy resource products that were procured on their behalf in proportion to their load share if they pay the full cost of those products.

DISCUSSION

When the original Renewable Portfolio Standard (RPS) was chaptered into law in 2002, the IOUs entered into contracts to procure renewable resources and resource adequacy on behalf of their customers that were very expensive. Over the last ten years, millions of utility customers have transitioned from investor-owned utility (IOU) electric service to community choice aggregators (CCA). When a customer transitions, the customer

¹ SB 612 Co-Authors: (Senators: Becker, McGuire, and Wiener) (Assembly Members: Bauer-Kahan, Berman, Bloom, Boerner Horvath, Kalra, Lee, Levine, Mullin, Stone, and Wood)

continues to share cost responsibility with IOU customers for the resources purchased prior to the customer's transition to CCA service. This legacy payment is known as the Power Charge Indifference Adjustment (PCIA). Over the years, the PCIA has grown, as the gulf between the cost of the resources at the time they were contracted, and the current market cost of the resources has increased.

Problem

While all customers bear cost responsibility for legacy resources, only IOU customers currently have the right to access the benefits of these contracts, such as renewable energy, resource adequacy, and greenhouse gas free energy. This inequity has long been recognized by regulators and stakeholders. The Commission first initiated a proceeding to resolve this issue in 2017, and subsequently directed CalCCA, SCE and Commercial Energy to work out a consensus proposal. The joint proposal – reflected in this bill – was presented to the CPUC in February 2020 but has not been given any procedural consideration in ten months.

Solution

SB 612 resolves this inequity by ensuring CCA customers have the ability to access their proportionate share of the benefits of IOU legacy contracts for which they are paying, and also ensures IOUs manage their legacy contracts to maximize their value for IOU and CCA customers alike. CCA customers will continue to be responsible for their fair share of the legacy costs. Specifically, this bill:

- 1) Provides IOU, CCA, and direct access customers equal right to receive legacy resource products that were procured on their behalf in proportion to their load share if they pay the full cost of those products.
- 2) Requires the CPUC to recognize the value of GHG-free energy and any new products in assigning cost responsibility for above-market legacy resources, in the same way value is recognized for renewable energy and other products.

- 3) Requires IOUs to offer any remaining excess legacy resource products not taken by IOU, CCA, or direct access customers to the wholesale market in an annual solicitation.
- 4) Requires each IOU to transparently solicit interest from legacy resource contract holders in renegotiating, buying out, or otherwise reducing costs from these contracts.

Alignment with CPA 2021 Legislative & Regulatory Platform

The issues addressed in this bill align with CPA's 2021 Legislative & Regulatory Platform (attached), specifically 2a, 2b, and 1c.

Additional Updates

CPA's 2021 virtual Lobby Day has been confirmed for March 10. This event will be an opportunity to hear from Sacramento leaders on the top priorities for the 2021/2022 Legislative session; to update legislators on the work that CPA is doing; and to advocate for CPA's priority bills. CPA staff and lobbyists are scheduling meetings with members whose districts include all or a part of CPA's service territory, as well as with members that sit on or Chair a policy committee that is relevant to CPA's work. Board members are encouraged to attend as much of the day as they can, and staff will work with members to include them in meetings that align with their districts. Staff will reach out to Board Members with specific meeting times, pre-meeting preparation information and collateral materials as we get closer to the date. SB 612 will likely be a major part of CPA's lobby day efforts.

ATTACHMENT

- 1) [2020 Legislative & Regulatory Policy Platform \(for reference only\)](#)



2021 Legislative and Regulatory Policy Platform

Overview and Purpose

The Clean Power Alliance (CPA) Legislative and Regulatory Policy Platform (Platform) serves as a guide to the CPA Board of Directors and CPA staff in their advocacy efforts and engagement on policy matters of interest to CPA. The Platform allows both Board members and staff to pursue actions at the local, regional, state and federal legislative and regulatory levels in a consistent manner and with the understanding that they are pursuing actions in the best interest of the organization and its mission, its member agencies, and its customers. The Platform also enables the organization to move swiftly to respond to events in Sacramento (Legislative / Executive) and San Francisco (California Public Utilities Commission) and provides guidance to the Executive Director on the support or oppose positions that should be taken on legislative and regulatory matters that come before the California Community Choice Association (CalCCA) Board of Directors.

All CPA positions on individual bills are presented to the Board for approval, except during times of urgency as provided under the protocols approved by the CPA Board of Directors on June 7, 2018, that allow the Chair, Vice-Chairs, Legislative & Regulatory Committee Chair, and Executive Director to act on behalf of the organization in urgent advocacy matters.

Policy Principles

The Legislative and Regulatory Policy Platform is centered around four basic principles:

1. Protecting CPA's local control and autonomy by its members, especially with regards to finances, power procurement, reliability, and local customer programs.
2. Ensuring equal treatment of unbundled and bundled customers by the CPUC and other state agencies.

3. Supporting recognition that electricity is an essential service, and that CPA should have the ability to set electric rates and offer programmatic services that are affordable and inclusive for all.
4. Pursuing environmental initiatives that exceed prescriptive State mandates, promote the growth in renewable energy capacity at the local level, encourage clean energy adoption by CPA customers, and reduce fossil fuel dependency.

Policy Platform

1) Local Control, Finance, and Power Procurement

CPA will pursue legislative and regulatory activity that:

- a. Supports the authority of CPA and its Board to retain local control over its activities;
- b. Supports the protection of CPA's procurement autonomy;
- c. Supports the ability of CPA to maintain control over its financial decisions;
- d. Supports the ability of CPA to expand its service offerings and activities in response to a changing energy landscape;
- e. Supports the ability of CPA to access state incentives for its customers and member agencies; and
- f. Supports the ability of CPA to enhance reliability through accelerating the deployment of energy storage resources, fully valuing behind the meter energy resources, and expanding the use of demand response.

2) Equitable Treatment of CPA Customers

CPA will pursue legislative and regulatory activity that:

- a. Supports the equal treatment of unbundled and bundled customers by the CPUC and the legislature; and
- b. Supports the development of a State regulatory environment that is empowering for community energy providers.

3) Ratepayer Advocacy and Social Justice

CPA will pursue legislative and regulatory activity that:

- a. Supports the protection of all ratepayers, particularly low-income customers, disadvantaged communities, and other vulnerable populations in CPA service territory;
- b. Supports supplier diversity in CPA's contracting activities and through women-owned, minority-owned, disabled-veteran-owned, and lesbian, gay, bisexual, and/or transgender owned business enterprises;
- c. Supports workforce development with a focus on new stable, well-paying local jobs, and participation in a just transition to a low-carbon economy;
- d. Supports the ability for CPA to set appropriate benchmarks for performance measurement using accepted industry standards; and
- e. Supports increased access to clean energy technologies, clean energy and contracting jobs, and clean energy opportunities for low-income people and communities of color in CPA service territory.

4) Environmental Leadership

CPA will pursue legislative and regulatory activity that:

- a. Supports the ability of CPA and its members to meet and exceed State goals for greenhouse gas emissions reductions (e.g. encouraging movement towards 100% renewable energy), climate action planning, and fossil fuel independence;
- b. Supports the ability for CPA to promote growth in renewable energy capacity, resiliency and electrification at the local level, in a way that is equitable for all customers;
- c. Supports the ability for CPA to promote electrification of the transportation sector, and to help implement Executive Order N-79-20 that bans the sale of new internal combustion engines in light duty vehicles by 2035; and
- d. Supports the ability for CPA to promote electrification and the reduction of natural gas usage in the building sector.

Staff Report – Agenda Item 3

To: Clean Power Alliance (CPA) Legislative & Regulatory Committee

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

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

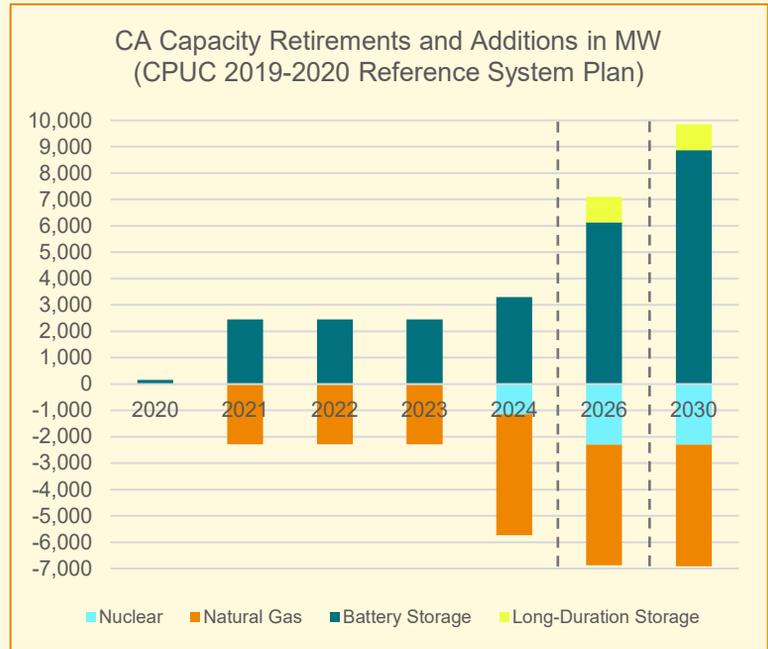
Resource Adequacy Overview (Cont.)

- 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