

## **MINUTES**

MEETING of the Legislative & Regulatory Committee of the

Clean Power Alliance of Southern California

Wednesday, February 24, 2021 10:00 a.m.

*The Legislative & Regulatory 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 10:03 a.m. and Clerk of the Board Gabriela Monzon conducted roll call.

<b>Roll Call</b>			
<b>Agoura Hills</b>	Deborah Klein Lopez	Committee Member	Remote
<b>Carson</b>	Cedric Hicks	Committee Member	Remote
<b>Redondo Beach</b>	Christian Horvath	Committee Member	Remote
<b>West Hollywood</b>	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 January 27, 2021 Legislative & Regulatory Committee Meeting

**Motion:** Committee Member Lopez, Agoura Hills

**Second:** Committee Member Hicks, Carson

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

### **REGULAR AGENDA**

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

Gina Goodhill, Policy Director, provided an oral report of the item, emphasizing that SB 612 addresses the inequality in how customers pay

for legacy resources procured on their behalf. Ms. Goodhill explained that utility customers that have transitioned from Investor-Owned Utilities (IOUs) electric service to Community Choice Aggregators (CCAs), continue to bear the cost responsibility with IOU customers for legacy resources purchased on their behalf, referred to as the Power Charge Indifference Adjustment (PCIA). However, only IOU customers have the right to access the benefits of these resources, such as renewable energy, GHG-free energy, and resource adequacy. Ms. Goodhill noted that this bill would provide CCA customers an equal right to receive legacy products that were procured on their behalf in proportion to their load share for paying the full cost of those products. Ms. Goodhill added that the bill would also take measures to lower above-market costs, specifically: require the CPUC to recognize the value of GHG-free energy and any new products; require IOUs to transparently solicit interest from legacy resource contract holders to reduce costs from these contracts and require IOUs to offer remaining excess legacy resource products to the wholesale market in an annual solicitation. Lastly, the bill could help CCAs lower procurement costs overall and improve transparency for all customers.

Committee Member Lopez asked why the CPUC has not addressed this issue through the regulatory process. Staff explained that it is not a priority and there is some resistance from staff to act quickly. In response to Committee Member Hicks question regarding the timeline for the PCIA payment, Ms. Goodhill explained that legacy resource contracts become less valuable over time, and the longer the wait, the less time there is for CCA customers to gain access to benefits. Ted, Bardacke, Executive Director, added that if the legislation were to pass, it would not phase out the PCIA in the next year or two, and had the CPUC acted on a consensus proposal from Southern California Edison (SCE) and the CCAs, it would have helped deal with the PCIA next year. Chair Horvath commented that CPA's dependence on SCE for billing and how it affects CPA's rate setting process is already imbalanced and more has to be done to bring balance to the relationship between the two.

**Motion:** Committee Member Lopez, Agoura Hills

**Second:** Committee Member Hicks, Carson

**Vote:** Item 2 was approved by a roll call vote.

Ms. Goodhill noted that the next step is to invite member agencies to submit support letters for SB 612 and participate in CPA's virtual lobby day. Chair Horvath announced that West Hollywood took the initiative to draft a support letter and expressed content with the robust advocacy strategy.

3. Resource Adequacy (RA) Market and Regulatory Review

CC Song, Director of Regulatory Affairs, and Natasha Keefer, Director of Planning & Procurement, provided an overview of the item. Ms. Song briefly

reviewed the RA program's history and explained that CPA has met all RA requirements despite supply/demand dynamics and regulatory factors that have complicated compliance. Ms. Keefer added that RA supply will be strained through 2025, with the remaining once-through cooling gas fleet and the Diablo Canyon nuclear facility expected to retire by 2024 and 2026, respectively. Storage additions are not expected to outpace retirements until the latter half of the decade, meaning that tight supply conditions are expected through 2025. Ms. Song reviewed regulatory factors that have already impacted the supply of capacity resources, mostly due to differences in program rules between the California Independent Systems Operator (CAISO) and the CPUC. Compliance challenges are exacerbated by the CPUC's establishment of a Central Procurement Entity (CPE) that will reduce incentives for Load Serving Entities (LSEs), like CPA, to procure RA resources. The CPUC's June 2020 changes to import resources burden out-of-state suppliers, which have increased CPA's total cost for import RA by 120% from 2020 to 2021. Ms. Song also noted that a portion of the PCIA is based on the value of the RA in SCE's portfolio, and market price benchmarks are lagging indicators that understate the true cost of RA, allowing IOUs to have a competitive advantage by increasing the PCIA. Ms. Song discussed RA program changes that staff is monitoring closely, especially overall structural reform to meet evening peak hour needs, changes to capacity that can be counted from each resource for RA requirements, further restrictions on import RA, and more stringent accounting and reporting mechanisms. Lastly, Ms. Song discussed some key takeaways, noting that while regulatory reform of the RA program is necessary, anticipated changes are expected to make compliance more challenging and tightening supply will place upward pressure on prices; but, as storage resources proliferate to fill the capacity gap over the next decade, RA costs may decrease with new reliable supply.

Committee Member Lopez asked what long-duration storage refers to and which agency decides on changes to capacity counted from each resource towards meeting RA requirements. Ms. Keefer explained that long-duration storage products can discharge at a constant rate for at least eight hours; Ms. Song added that it is the CPUC that may reduce that amount of capacity to count for RA. Chair Horvath asked how the IOUs are affected and dealing with these changes. Matt Langer, Chief Operating Officer, commented that IOUs get to count resources in their portfolio, that CPA and its customers pay for, although, they are facing similar market challenges. Chair Horvath inquired as to the strategy for addressing the inequity in the long run, to which Mr. Langer explained that equal access to existing resources and building energy storage capacity will bring some long-term balance. Mr. Bardacke added that once CPA has access to the resources, it can compete on its procurement decisions. Chair Horvath suggested exploring creative

ways to engage the California legislature in dealing with challenging compliance requirements.

### **COMMITTEE MEMBER COMMENTS**

Committee Member Lopez added that Agoura Hills' City Council will be discussing its Climate Action and Adaptation Plan, and thanked Mr. Bardacke for his support.

### **ADJOURN**

Chair Horvath adjourned the meeting at 10:54 a.m.