

**REGULATORY UPDATE FOR JANUARY 31 (WEEK OF JANUARY 24, 2022)****CALIFORNIA PUBLIC UTILITIES COMMISSION (“CPUC” or “COMMISSION”)**New Proposed Decisions and Draft Resolutions<sup>1</sup>

A.21-06-001 (PG&E ERRA). This decision adopts and approves, with modifications, the following requests by Pacific Gas and Electric Company (PG&E): (1) 2022 forecast of electric sales; (2) 2022 forecasted energy procurement revenue requirements to be effective in rates on or after January 1, 2022; (3) Greenhouse Gas (GHG) allowance revenue return forecast and costs; (4) rate design proposals associated with PG&E’s proposed electric procurement-related revenue requirements, including the Green Tariff Shared Renewables rate proposal; (5) methodology to transfer certain year-end 2021 Energy Resource Recovery Account (ERRA) balances to the latest vintage of the Portfolio Allocation Balancing Account (PABA); and (6) transfer public policy-related procurement costs from the nonvintage PABA subaccount to the Public Policy Charge Balancing Account for recovery through the Public Purpose Program Charge on a going-forward basis. The decision sets a total 2022 revenue requirement of \$2,416,928,000.

A.21-08-010 (SDG&E 2022 Sales Forecast). This decision approves San Diego Gas and Electric’s (SDG&E) 2022 electric sales forecast, which is based upon the demand forecast that SDG&E developed for the California Energy Commission’s 2021 energy demand forecast, and takes into account Covid impacts and load migration to community choice aggregators and direct access programs. The decision also authorizes SDG&E to consolidate its future annual forecast applications with its annual ERRA forecast applications. Prior to filing the consolidated applications, SDG&E is required to hold an annual all-party workshop to gather input and feedback from stakeholders.

Workshops and Hearings

R.19-11-009 (Resource Adequacy). A workshop on UCAP and multi-year compliance issues was held on January 19, 2022. The informal comment deadline has now been extended to February 4, 2022.

Voting Meetings

The Commission held a voting meeting on January 27, 2022. The agenda included the following energy-related items:

Item 4. R.17-06-026 (PCIA). This decision adopts improvements to support efficient consideration of Power Charge Indifference Adjustment (PCIA) issues in ERRA proceedings.

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<sup>1</sup> Per CPUC Rules of Practice and Procedure Rule 14.3, comments on proposed decisions are due 20 days after issuance of the proposed decision, and reply comments are due five days thereafter. Comments on draft resolutions are due 20 days after the draft resolution appears in the CPUC’s daily calendar, per Rule 14.5.

This decision modifies the PCIA market price benchmark release date and deadlines for ERRA forecast applications to enable the Commission to timely issue decisions on ERRA forecast applications. This decision adopts party proposals to establish a policy for disposition of the year-end balance in the ERRA account and to modify the calculation of the ERRA trigger point and threshold. This decision also adopts party proposals to support efficient party access to ERRA forecast proceeding data. This proceeding remains open to consider additional Phase 2 issues, including: (a) whether GHG-free resources are undervalued in the PCIA, and if so, whether to adopt an adder or allocation mechanism, (b) whether to adopt a new method to include long-term fixed-price transactions in calculating the Renewables Portfolio Standard (RPS) adder, (c) whether to modify the calculation of the PCIA energy index market price benchmark, and (d) whether to provide community choice aggregators with access to confidential, market-sensitive ERRA monthly report information for the non-proceeding purpose of creating PCIA rate forecasts. **Signed, D.22-01-023.**

Item 7. R.18-07-003 (RPS Implementation). This decision (rev. 1) imposes a penalty of \$352,500 on Gexa Energy California LLC (“Gexa”) for failing to include required non-modifiable standard terms and conditions in a contract it entered into for purposes of RPS compliance. The decision reverses an Energy Division Compliance Determination Notice that found that Gexa had not met the long-term contracting requirement, finding that the contract, though ambiguous, was a long-term contract for purposes of RPS compliance. **Signed, D.22-01-025.**

Item 8. Resolution E-5190. On February 11, 2021, CPUC issued D. 21-02-006 adopting pilots to test two frameworks for procuring Distributed Energy Resources to defer or avoid investor-owned utilities (IOUs) traditional distribution capital investments as part of the Distribution Investment Deferral Framework. The pilots are the Standard Offer Contract (SOC) and the Partnership Pilot. D.21-02-006 required an Energy Division-led process for establishing evaluation criteria for the SOC and Partnership Pilot. Energy Division was tasked with inviting party proposals on evaluation criteria and facilitating a workshop to discuss proposals. The IOUs were ordered to file a joint advice letter with proposed evaluation criteria taking party proposals and discussion at the workshop into consideration. This Resolution approves with modifications the proposed evaluation criteria for the SOC and Partnership Pilot put forth in the Joint AL SDG&E 3780-E, PG&E 6218-E, and SCE 4514-E pursuant to D.21-02-006.

**Approved.**

Item 15. R.20-05-003 (IRP). This decision adopts a Preferred System Plan (PSP) portfolio that meets the statewide 38 million metric ton (MMT) GHG target for the electric sector in 2030. This portfolio was developed first with an aggregation of the individual integrated resource plans (IRPs) of all load serving entities (LSEs), reflecting the resource preferences of those LSEs. Then, Commission staff made adjustments to extend the timeframe beyond 2030 to 2032 for transmission planning purposes and to add the resources required in D.21-06-035 for mid-term reliability purposes. Finally, the portfolio utilizes a managed mid-demand paired with high electric vehicle demand forecast from the California Energy Commission’s (CEC) Integrated Energy Policy Report (IEPR) of 2020. This decision further recommends to the California Independent System Operator (California ISO) that the 38 MMT PSP portfolio be utilized as both the reliability base case and the policy-driven base case for

study in its 2022-2023 Transmission Planning Process (TPP). This decision also delegates to Commission staff to explore with CEC and California ISO staff the development of a policy-driven sensitivity case designed to test the transmission buildout needed for a more aggressive GHG reduction case: the 30 MMT core portfolio with high electrification. The decision also evaluates the 2020 individual IRP filings of all LSEs under the CPUC's IRP purview – it approves 20 and finds that 24 plans are incomplete and require additional revisions through a Tier 2 advice letter. The decision also adopts an interim definition of renewable hydrogen and orders the procurement of two storage resources that were identified by the California ISO as alternatives to transmission upgrades in the previous TPP cycle. **Held to 2/10/2022 meeting.**

## **CALIFORNIA ISO**

### **Stakeholder Initiatives: Upcoming Meetings and Deadlines**

**Interconnection Process Enhancements 2021.** The California ISO will hold a public stakeholder call on February 1, 2022, to discuss the revised straw proposal for the Interconnection Process Enhancement 2021 initiative. Written comments on the revised straw proposal are due February 15, 2022.

**2023 Flexible Capacity Needs and Availability Assessment Methodology.** The California ISO will hold a public stakeholder call on February 2, 2022, to discuss the Draft 2023 Flexible Capacity Needs and Availability Assessment methodology. Written comments on the draft assessment are due February 16, 2022.

**Reliability Demand Response Resource Bidding Enhancements.** The California ISO will hold a public stakeholder call on February 2, 2022, to discuss the Reliability Demand Response Resource Bidding Enhancements initiative. Comments on the proposals and stakeholder discussion are due February 16, 2022.

**Transmission Service and Market Scheduling Priorities Phase 2 Initiative.** The California ISO has scheduled a series of limited stakeholder working group meetings on January 14, 2022, January 31, 2022, and February 4, 2022 for working groups 2 and 3 as part of the Transmission Service and Market Scheduling Priorities Phase 2. Discussion topics for working group 2 include transmission products and reservation processes, and topics for working group 3 include the study process and transmission upgrades.

**Day-Ahead Market Enhancements.** The California ISO held a public stakeholder workshop on January 24, 2022, to discuss the Day-Ahead Market Enhancements initiative. Comments on the workshop materials and discussion are due on February 7, 2022.

**Adjustment to Intertie Constraint Penalty Prices: Draft Final Proposal and Draft Tariff Language.** The California ISO held a call on January 20, 2022 to discuss the Adjustment to Intertie Constraint Penalty Prices draft final proposal and draft tariff language. Comments are due February 3, 2022.

**2022-2023 TPP, Unified Planning Assumptions.** The California ISO is seeking

stakeholder input on demand response assumptions and generation or other non-transmission alternatives for consideration in the draft unified planning assumptions and 2022-2023 study plan. Stakeholder input for unified planning assumptions is due February 14, 2022.

### **EIM Resource Sufficiency Evaluation Enhancements Phase 1 Draft Tariff**

**Language.** The California ISO will hold a stakeholder call on February 4, 2022 to discuss the draft tariff language for Phase 1 of the EIM Resource Sufficiency Evaluation Enhancements initiative, which is available on the initiative webpage.

**Short-Long Start Unit Definitions Update.** The California ISO held a public stakeholder call on January 26, 2022 to discuss the issue paper/straw proposal for the Short-Long Start Unit Definitions Update initiative. Comments on the issue paper/straw proposal are due February 4, 2022.

## **CALIFORNIA ENERGY COMMISSION**

### **2021 Integrated Energy Policy Report**

In December 2021, the CEC released three of the four Draft 2021 IEPR volumes for public comment. Comments on volumes I, II, and IV were due by December 21, 2021. On January 13, 2022, CEC staff [published](#) Draft 2021 IEPR Volume III – Decarbonizing the State’s Gas System. Written comments on Draft 2021 IEPR Volume III were due by January 28, 2022 and are available in [Docket No. 21-IEPR-01](#). Copies of all Draft 2021 IEPR volumes, as well as comments received by the CEC on volumes I, II, and IV, are available [here](#).

On January 19, 2022, the CEC published a Notice of Availability regarding the California Energy Demand Forecast, 2021-2035 (Forecast 2021). The Commission passed a Resolution adopting Forecast 2021 at the January 26, 2022 CEC Business Meeting. Forecast 2021 is available for public review on the [2021 IEPR website](#) and in Docket No. 21-IEPR-03.

### **Renewables Portfolio Standard**

The CEC will host a remote workshop at 1:00 p.m. on February 8, 2022 to discuss RPS requirements for energy storage associated with resources participating in the RPS. For additional details regarding how to participate in the workshop, please see the workshop notice available [here](#). An agenda for the workshop should be published in advance of the February 8, 2022 workshop.

### **CEC Business Meetings**

The next CEC Business Meeting is scheduled for February 16, 2022.

## **OREGON PUBLIC UTILITY COMMISSION (“OPUC”)**

### Oregon’s Community Solar Program – UM 1930

Last Wednesday, January 26, the OPUC granted Jim and Salle’s Place solar project (a 40 kW facility located in Multnomah County) an extension of its certification deadline. Originally, the solar project was required to obtain certification on or before January 1, 2022. However, due to delays in finalizing interconnection and enrolling subscribers, the project was granted a 58-day extension by the OPUC. The final order can be located [here](#).

### OPUC Meetings This Week

On Tuesday, February 1, 2022, at 1:30 p.m. PST, OPUC is holding a public meeting to discuss AR 626 related to proposed rulemaking with respect to Certificates of Public Convenience and Necessity. The agenda and dial-in details can be located [here](#).

## **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION (“WUTC”)**

### WUTC approves Puget Sound Energy’s (PSE) Distributed Energy Resource (DER) Request for Proposals (RFP) – UE-210878.

Last Thursday, the WUTC issued an order approving PSE’s DER RFP that was filed on January 14, 2022. The RFP includes resources such as distributed solar (ground and rooftop), distributed battery energy storage system (standalone or paired with solar), and demand response. The final RFP and subsequent order can be located [here](#).

## **NEW YORK PUBLIC SERVICE COMMISSION (“NYPSC”)**

### NYPSC directs Consolidated Edison to interconnect offshore wind.

On January 20, 2022, the NYPSC issued an order regarding offshore wind within the state. The order builds on New York’s aggressive climate agenda that mandates a zero-emission electricity sector by 2040, including 70 percent renewable energy generation by 2030. The Accelerated Renewable Energy Growth and Community Benefit Act of 2020 directed the NYPSC to conduct a “power grid study” to identify distribution and transmission infrastructure needed to achieve the clean energy goals in the state. The study was filed in January 2021. In this order, the NYPSC addressed the offshore wind recommendations within the study.

Specifically, the order directed Consolidated Edison to submit plans for a wind energy interconnection hub that would support 5 to 6 GW of offshore wind into lower Manhattan. Additionally, the order recognized the benefits of a shared mesh offshore system to handle energy injections from multiple offshore wind generating projects. NYPSC directed the New York State Energy Research and Development Authority (NYSERDA) to mandate that offshore wind proposals be designed to have capability to interconnect with a meshed system should it exist in the future. Lastly, NYPSC established a working group to assess advanced transmission

technologies. Such transmission technologies will be vital in ensuring that the climate agenda goals are possible.

### **FEDERAL ENERGY REGULATORY COMMISSION (“FERC”)**

FERC issued a [Notice of Proposed Rulemaking](#) (“NOPR”) that proposes to direct the North American Electric Reliability Corporation to develop and submit for FERC approval new or modified Critical Infrastructure Protection (“CIP”) Reliability Standards that require internal network security monitoring for high and medium impact Bulk Electric System (“BES”) Cyber Systems. The current CIP Reliability Standards address perimeter requirements but do not address internal network security monitoring, which creates a gap. The NOPR also requests comments on the potential usefulness and practicality of implementing internal network security monitoring to detect malicious activity in networks with low impact BES Cyber Systems, including any potential benefits, technical barriers, and associated costs. Comments on the NOPR are due March 28, 2022.

FERC has extended the waiver of its requirement that filings be notarized or supported by sworn declarations until March 31, 2022. FERC also extended the waiver of its requirements to hold in-person meetings or submit notarized documents for open access transmission tariffs.

Market-Based Rate (“MBR”) Database: The deadline for baseline submissions to the new MBR relational database is February 1, 2022! Baseline submissions are required for all entities with MBR authorization.

On January 21, 2022, the D.C. Circuit of Appeals upheld FERC’s interpretation of provisions in a Purchase Power Agreement (“PPA”) between Duke Energy Progress (“Duke”) and the North Carolina Eastern Municipal Power Agency (“NCEMPA”) that NCEMPA could use storage to reduce its capacity charges. ([Link to opinion here.](#)) NCEMPA relied on sections 9.4 and 9.5 of its PPA that permit use of demand-side management (“DSM”) and demand response (“DR”) during high-demand periods to curtail demand and thereby reduce Duke’s capacity charges. FERC’s [Declaratory Order](#) interpreted these provisions to include the installation of battery storage, but Duke argued on appeal that battery storage does not qualify as DSM or DR. The D.C. Circuit Court deferred to FERC’s reading of the provisions and denied Duke’s petition for review.

### **NYPSC and NYSEDA file comments in support of NYISO’s excluding clean energy facilities from buyer-side mitigation rules.**

On January 26, 2022, NYPSC and NYSEDA (NYS Entities), among other parties, filed comments in support of NYISO’s January 5, 2022, tariff filing regarding buyer-side mitigation rules for clean energy facilities. NYISO’s proposal would exempt renewables facilities that meet New York’s [Climate Leadership and Community Protection Act](#) (CLCPA) goals from NYISO’s Buyer-Side Mitigation (BSM) Rules. The BSM Rules limit how low resources that are subsidized by states, such as renewable facilities, can bid in capacity auctions. States with

aggressive clean energy targets, such as New York, have opposed such rules, arguing that they interfere with state policy and increase the cost of renewable energy.

In its comments, the NYS Entities state that the proposal was just and reasonable because “overmitigation of such [CLCPA] resources would result in needlessly higher costs to consumers, and market inefficiencies.” Further, the NYS Entities argue that the tariff filing should be accepted because the Federal Power Act provides states the authority over the mix of generation and removing the application of BSM to state-sponsored resources recreates that autonomy that was infringed upon by the BSM Rules. The NYS Entities state that “efforts to promote new renewable generation or energy storage resources should be treated not as artificial price suppression but as natural effects of state regulation of electricity production and retail consumption contemplated by the FPA.”

As part of its filing, the NYISO proposed to establish a marginal capacity accreditation framework that would assign a value to classes of resources based on their location on the grid and the reliability benefit they provide. The NY Entities supported the proposal, arguing that reliability was paramount. However, they stated that much work must be done to provide detail regarding such a mechanism.