

REGULATORY UPDATE FOR JULY 27 (COVERING WEEK OF JULY 20)
California Public Utilities Commission
New Proposed Decisions and Draft Resolutions¹:

R. 19-10-005 (Renewal of the EPIC Program). This proposed decision would renew the Electric Program Investment Charge (EPIC) for ten years, through December 31, 2030, and authorize two five-year investment plan cycles. It would authorize the California Energy Commission to continue as administrator, with an annual budget of \$147.26 million for the first five-year investment plan cycle (2021-2025) and grant it the ability to adjust for inflation during the second five-year investment plan cycle (2026-2030), but not the first. The proceeding would remain open to focus on the role of the three utilities (Pacific Gas and Electric, Southern California Edison Company and San Diego Gas & Electric) going forward, as well as considering other administrative and program improvements.

Draft Resolution E-5100: This Resolution would approve seven contracts for incremental system reliability resources that Pacific Gas and Electric Company procured through its System Reliability Request for Offers – Phase 1 solicitation in 2020. Pacific Gas and Electric Company undertook this procurement to meet its 2021 incremental procurement requirements pursuant to Decision 19-11-016 in the Integrated Resource Plan Rulemaking, 16-02-007. This Resolution would approve the contracts without modification and would also approve an interim cost recovery methodology that Pacific Gas and Electric Company proposed.

PG&E seeks approval of the following contracts:

Counterparty (Project Name)	Technology	Size (MW)	Location and DAC Designation¹⁰	Commercial Online Date	Initial Delivery Date	Term (Years)
Dynegy Marketing and Trading, LLC (MOSS100 Energy Storage)	Standalone Lithium Ion Battery	100	Moss Landing, Monterey County, CA (DAC Adjacent)	7/18/21	10/1/21	10
Diablo Energy Storage, LLC (Diablo Energy Storage – Tranche 1)	Standalone Lithium Ion Battery	50	Pittsburg, Contra Costa County, CA (In DAC)	7/18/21	10/1/21	15

¹ Per Commission 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 twenty days after the draft resolution appears in the Commission’s daily calendar, per Rule 14.5.

Diablo Energy Storage, LLC (Diablo Energy Storage – Tranche 2)	Standalone Lithium Ion Battery	50	Pittsburg, Contra Costa County, CA (In DAC)	7/18/21	10/1/21	15
Diablo Energy Storage, LLC (Diablo Energy Storage – Tranche 3)	Standalone Lithium Ion Battery	50	Pittsburg, Contra Costa County, CA (In DAC)	7/18/21	10/1/21	15
Gateway Energy Storage, LLC (Gateway Energy Storage)	Standalone Lithium Ion Battery	50	San Diego, San Diego County, CA (DAC Adjacent)	7/18/21	10/1/21	15
NextEra Energy Resources Development, LLC (Blythe Energy Storage 110)	Lithium Ion Battery Co-located at Existing Solar	63	Blythe, Riverside County, CA (DAC Adjacent)	7/18/21	10/1/21	15
Coso Battery Storage, LLC (Coso Battery Storage)	Lithium Ion Battery Co-located at Existing Geothermal	60	Little Lake, Inyo County, CA (DAC Adjacent)	7/18/21	10/1/21	15

Draft Resolution E-5059: This Resolution would adopt with modifications proposed tariff revisions by Pacific Gas and Electric Company Advice Letter 5354-E, Southern California Edison Company Advice Letter 3840-E, and San Diego Gas & Electric Company Advice Letter 3257-E to implement Reentry Fees and Financial Security Requirements for Community Choice Aggregators. Reentry fees include investor owned utility administrative costs and procurement costs resulting from a mass involuntary return of CCA customers to IOU service, and the financial security requirements must cover those potential costs.

Draft Resolution E-5101: This Resolution would approve Southern California Edison’s request to procure 770 MW of nameplate energy storage capacity, counting as 644 MW of incremental Resource Adequacy capacity, to satisfy the procurement requirements ordered in D.19-11-016. The seven resources selected in the fast track of Southern California Edison’s System Reliability Request for Offers were:

Counterparty / Project Name	Technology type	Contract type	Nameplate Capacity (MW)	Incremental RA capacity (MW)	Online Date	Term of Agreement (Years)	Located in DAC
Blythe Energy Storage II, LLC/ Blythe Energy Storage II/ Riverside County	Energy Storage (Co-located with solar facility)	Tolling Agreement	115	97.5	8/1/2021	15	no
Blythe Energy Storage III, LLC/ Blythe Energy Storage III/ Riverside County	Energy Storage (Co-located with solar facility)	Tolling Agreement	115	97.5	8/1/2021	15	no
Edwards Sanborn Energy Storage I, LLC/Edwards Sanborn Energy Storage I/ Kern County	Energy Storage	RA Only	50	50	8/1/2021	10	yes
Gateway Energy Storage, LLC/Gateway Energy Storage/ San Diego County	Energy Storage	RA Only	100	100	8/1/2021	15	no

McCoy Energy Storage, LLC/McCoy Energy Storage/Riverside County	Energy Storage (Co-located with solar facility)	Tolling Agreement	230	195	8/1/2021	15	no
SP Garland Solar Storage, LLC/SP Garland Solar Storage/ Kern County	Energy Storage (Co-located with solar facility)	RA with Put Option	88	60	8/1/2021	20	no
SP Tranquility Solar Storage, LLC/SP Tranquility Solar Storage/Fresno County	Energy Storage (Co-located with solar facility)	RA with Put Option	72	44	8/1/2021	20	yes

R.18-07-003 (RPS Proceeding): This draft decision would adopt the following revisions to California’s Bioenergy Market Adjusting Tariff (BioMAT) program: (1) the BioMAT program end date would be extended to December 31, 2025; (2) BioMAT procurement costs shall be allocated through a non-bypassable charge to all customers in each investor-owned utility’s service territory; (3) Eligible BioMAT Category 2 – Other Agriculture projects would be required utilize the waste, residue, or by-products of growing crops, raising livestock, or growing horticultural products consistent with activities described as “crop production” and “animal production” in Titles 111 and 112 of the North American Industry Classification System; (4) Projects utilizing directed biogas would be required to submit their annual Common Carrier Pipeline report submitted to the California Energy Commission (CEC) to the Buyer as part of their Annual Fuel Attestation; (5) Applicable BioMAT projects using common carrier pipelines would also be required provide monthly reporting to the investor-owned utilities, consistent with those documents required by CEC for Renewables Portfolio Standard compliance; (6) A project’s Guaranteed Commercial Operation Date would be 36 months from the contract execution date with the possibility of a 6-month extension; (7) 140% of contracted energy would be required to be delivered over two consecutive years for the first two years, and 180% of contracted energy must be delivered every two years for remaining years; (8) Projects would be permitted to increase contract quantity once in the first two years of the contract and decrease contract quantity annually throughout the contract; (9) A project would pay a forecasting penalty if it delivers +/- 3% of the contract capacity in any hour of any month, except for the first year

when the penalty is waived; (10) Projects would be permitted to utilize non-BioMAT fuel that complies with the Renewables Portfolio Standard Eligibility Guidelines to supply the station service load; (11) Telemetry requirements would be set through the interconnection process; (12) Projects would be required to be metered through a California Independent System Operator revenue meter on the high-or-low-voltage side of a Project's final step-up transformer; (13) A technical working group would be established to develop a project-specific lifecycle greenhouse gas model to quantify program emissions impacts; (14) New deadlines would be set for the investor-owned utilities to review applications and execute contracts; and (15) All applicants would be required to attest at the start of each program period that they meet program eligibility criteria and face a penalty if they fail to report a change in their eligibility status.

Voting Meetings:

The Commission's next voting meeting will be held August 6, 2020. The agenda is scheduled to be released July 27, 2020.

California Independent System Operator

Upcoming Meetings and Deadlines:

Extended Day Ahead Market Bundle One Straw Proposal. The California ISO has scheduled two public stakeholder calls on July 27, 2020, and July 29, 2020, to review the straw proposal for the first bundle of topics in the Extended Day-Ahead Market (EDAM) initiative. The objective of the EDAM initiative is to develop an approach to enable the Western Energy Imbalance Market entities to participate in the ISO's day-ahead market. The EDAM initiative has been separated into three bundles of topics. This proposal focuses on the first bundle, which includes resources sufficiency, distribution of transfer/congestion revenues and transmission provision.

FERC Order 831 – Import Bidding and Market Parameters Revised Draft Final Proposal. The California ISO has scheduled a public stakeholder call on July 29, 2020, to discuss the revised draft final proposal for the FERC Order 831 - Import Bidding and Market Parameters initiative. Written comments are due by Aug. 12, 2020.

Maximum Import Capability Stabilization and Multi-Year Allocation, Draft Final Proposal. The California ISO held a public stakeholder call on July 21, 2020, to discuss the draft final proposal for the Maximum Import Capability Stabilization and Multi-Year Allocation initiative. Written comments are due August 4.

Resource Adequacy Enhancements, Fifth Revised Straw Proposal. The California ISO held public stakeholder calls on July 14-16, 2020, to discuss the fifth revised straw proposal for the Resource Adequacy Enhancements initiative, which it issued on July 7, 2020. The deadline to provide comments on the fifth revised straw proposal has been extended from July 30, to August 7, 2020.

The CAISO's fifth revised straw proposal considers enhancements to RA counting rules and assessments. This includes considering methodologies for determining forced outage rates for system, local, and flexible RA requirements. It is common practice among other independent system operators (ISOs) and regional transmission organizations (RTOs) to include an assessment of unforced capacity values that relies on the probability a resource will experience a forced outage or derate at some point when it has been procured for RA capacity. The CAISO proposes to develop a methodology for calculating unforced capacity values and a portfolio assessment to ensure the shown RA capacity is collectively adequate to meet the CAISO's operational needs in all hours.

The CAISO is also proposing that RA resources will have a 24 by 7 must offer obligation into the day-ahead market unless explicitly provided an exemption to this requirement through the proposed policy modifications. The CAISO is also proposing that RA resources will be subject to bid insertion, unless exempted.

The CAISO is also proposing several changes to the existing planned outage provisions and the planned outage process, including changes are intended to provide higher assurance that planned outages scheduled by 45 days prior to the month can be taken when scheduled. The CAISO proposes to redesign the planned outage process to reflect system UCAP targets rather than traditional NQC targets. This proposal includes a process that accounts for the need for planned outages in the upfront procurement and eliminates the need for all planned outage substitution. Under this proposal, the CAISO will (1) eliminate RAAIM, and (2) retain complete discretion to grant or deny all opportunity outages.

The CAISO also proposes modifications to the RA import provisions. The SC for the RA resource will be required to submit supporting documentation demonstrating that any RA import resource shown on annual and monthly supply plans represent physical capacity that has not been sold or committed to any other entity for the applicable RA period. The CAISO will require that all RA imports, at minimum, identify the source BA and resource or aggregation or portfolio of resources within a single BAA that will provide the capacity.

The CAISO is also proposing a new flexible RA framework that more deliberately captures the CAISO's operational needs for unpredictable ramping needs between day-ahead and real-time markets.

The CAISO is also proposing modifications to its backstop capacity procurement provisions to align backstop authority with the resource adequacy counting rules and adequacy assessments. These proposed modifications include new procurement authority to use the capacity procurement mechanism as an option to fulfill load serving entities' unforced capacity deficiencies and system deficiencies as determined through a resource adequacy portfolio showing analysis.

California Energy Commission

On July 21, 2020, the California Energy Commission issued a notice of availability of 15-day language for proposed modifications to existing regulations establishing enforcement rules

and procedures for the Renewables Portfolio Standard for local publicly owned electric utilities. The Notice is available here: [Notice of Availability of 15-Day Language](#).

The California Energy Commission has opened the public comment period for the Negative Declaration and Initial Study it has prepared under the California Environmental Quality Act in support of the Commission's [proposed amendments](#) to the Renewables Portfolio Standard (RPS) enforcement regulations for local publicly owned electric utilities. The public comment period starts July 10, 2020 and ends August 10, 2020. The proposed amendments to the RPS enforcement regulations center on implementing changes to RPS procurement requirements, optional compliance measures, reporting requirements, and special exemptions and exclusions, as well as changes to facilitate implementation of the RPS program. Written comments on the Negative Declaration can be submitted to the Commission here. Oral comments will be accepted during the Commission's [public hearing scheduled for August 12, 2020](#).

On July 1, 2020, the California Energy Commission (CEC) held a public workshop related to offshore wind energy off the Central Coast of California. The workshop was part of the Bureau of Ocean Energy Management (BOEM) California Intergovernmental Renewable Energy Task Force (California Task Force) and was a follow-up to the [Outreach on Additional Considerations for Offshore Wind Energy off the Central Coast of California](#) presented to the California Task Force during the [March 9, 2020 California Task Force meeting](#). The purpose of the public workshop was to take public comment on potential additional offshore wind energy locations off the Central Coast of California. Written comments are due by 5:00 p.m. on July 31, 2020.

California State Water Resources Control Board

On June 19, 2020, the State Water Resources Control Board (State Water Board) published a [third revised public notice](#) changing the date of the State Water Board meeting wherein the State Water Board will conduct a public hearing and consider adoption of a proposed amendment to the Water Quality Control Policy On the Use of Coastal and Estuarine Waters for Power Plant Cooling ("OTC Policy"). The State Water Board meeting will now be held on September 1, 2020 at 9:30 a.m. According to the notice, no changes were made to the public comment period, which ended on May 18, 2020. For more details about the amendment, please visit the State Water Board [program page](#).

Minnesota Public Utilities Commission

Xcel Energy's (Xcel) Integrated Distribution Plan

As a follow up to the regulatory update circulated on June 1, 2020, the Minnesota Public Utilities Commission ("Commission") issued its order regarding Xcel's Integrated Distribution Plan ("IDP") in MPUC Docket No. 19-666. While the order affirms that the Commission certified specific distribution investments and the advanced planning tool, the Commission explicitly states that certification is not a prejudgment on cost recovery. Xcel must seek rider

recovery in the future, and the Commission will judge those requests based on the facts available in those petitions.

In addition to certification, the order requires that Xcel must file a rate design roadmap with input from stakeholders by October 1, 2020, and the Commission will update stakeholders on specific scheduling in subsequent notices. Additionally, 60 days prior to seeking cost recovery, Xcel must file its preferred procedural paths forward and must include a contested case as an option. Lastly, the Commission requests that the Department file a report by November 1, 2020, outlining specific evaluation criteria and other information that should be applied to the previously certified projects. The report will be informed by a stakeholder process that will be made part of the record for future cost-recovery proceedings. The upcoming stakeholder processes will likely inform various procedural aspects of utility distribution planning moving forward.

Minnesota Energy Resources Corporation's (MERC) Natural Gas Extension Project (NGEP) Petition Hearing

In September 2019, MERC filed a petition for approval of its 2020 NGEP rider revenue deficiency and revised surcharge factors. One of the remaining contested issues was the surcharge rate for direct-connect customers, because those customers have the ability to bypass MERC's system if rates are too high. The 2019 rate for those customers was \$0.00052/therm; however, MERC proposed reducing that rate to \$0.00001/therm to account for the heightened bypass risk. The Minnesota Department of Commerce (Department) and Office of the Attorney General (OAG) opposed this position and recommended a rate of \$0.00017/therm.

At the hearing, the Commission agreed with the Department and OAG and set the rate at \$0.00017/therm. The Commission also resolved the remaining property tax, sales forecast, and implementation issues. The Commission's forthcoming order will provide additional details regarding the timing and implementation of the rider.

Federal Energy Regulatory Commission

FERC [announced a technical conference on October 27](#) on offshore wind generation integration in RTOs/ISOs. The conference will address whether existing Commission transmission, interconnection, and merchant transmission facility frameworks in RTOs/ISOs can accommodate anticipated growth in offshore wind generation in an efficient and effective manner that safeguards open access transmission principles and to consider possible changes or improvements to the current framework should they be needed to accommodate such growth. Commissioners may participate in the technical conference. Individuals interested in participating as panelists should submit a self-nomination form by [Friday, August 14, 2020](#).

FERC [announced a technical conference on September 30](#) on carbon pricing in organized wholesale electricity markets. The conference will address state adoption of mechanisms to price carbon dioxide emissions, commonly referred to as carbon pricing, in regions with Commission-jurisdictional organized wholesale electricity markets.

FERC held a virtual technical conference on July 23rd on hybrid resources. Interconnection queues in recent years have gone from virtually no hybrid resources two years ago to 113 GW of hybrids in queues at the end of 2019, with 28% of solar plants proposed as hybrid. During the conference, panelists discussed the two primary configurations for hybrids: the “1R” configuration, where storage and generation are “co-controlled” and have one resource ID, and the “2R” configuration, where storage and generation are “co-located” but have two independent resource IDs. While co-located resources have dominated so far, the RTOs/ISOs are seeing more co-controlled resources in their queues.

In response to a query from Commissioner Glick the panelists identified several barriers to hybrid resources in market rules, including getting the participation model applicable to hybrid resources right, addressing market mitigation for hybrid resources, interconnection issues, and fully valuing and remunerating storage for its capabilities. While panelists associated with the RTOs/ISOs generally supported the RTOs/ISOs continuing to work on interconnection processes for hybrid resources in their own regions while gaining more operational experience, other panelists emphasized the need for uniform processes across the RTOs/ISOs sooner. Issues identified by panelists included ensuring hybrid resources can submit a single interconnection request, addressing study assumptions that fail to take into account operational realities of hybrid resources, and providing flexibility in the interconnection process, specifically by allowing resources to use the material modification process in certain circumstances instead of being sent back to the beginning of the queue or completely restudied. The panelists largely agreed that capacity valuations will need to adapt over time and that flexibility would be key in the future. The panelists also discussed whether the current reliability metrics will need to change as the grid moves towards a higher level of renewables penetration.

The Commission will be soliciting comments on the issues addressed in the technical conference.

FERC’s next open meeting is scheduled for September 17, 2020.

Procurement News

Xcel Energy has issued a request for proposals to repower wind resources already in its Upper Midwest portfolio. These may propose to repower Xcel Energy-owned wind projects, or projects under power purchase agreements, or build-own-transfer agreements with projects currently under a PPA. Eligible projects must have a point of interconnection within MISO and must be located in Minnesota, North Dakota, South Dakota, or Wisconsin. Complete proposals must be submitted by 5:00 p.m. Central Time on August 24, 2020.

