

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 31, 2022

Sidney Bob Dietz II
Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, CA 94177

Dear Mr. Dietz,

On November 1, 2021, Pacific Gas and Electric Company (PG&E) filed two Advice Letters (AL), 6383-E and 6384-E, seeking waivers for its 2022 year-ahead local Resource Adequacy (RA) requirement in two of the disaggregated PG&E Other local areas (AL 6384-E) and for the Greater Bay Area local area (AL 6383-E). In 6684-E, PG&E demonstrated that it met the local RA obligation in the aggregated PG&E Other local areas but was unable to meet its 2022 local requirements in each individual Other PG&E local area. In 6683-E, PG&E demonstrated that it was unable to meet the Greater Bay Area local requirement and described its efforts to obtain local RA in the Greater Bay Area local area. Energy Division staff grants the waiver requests for the reasons explained below.

Commission Decision (D.) 06-06-064 established waiver provisions for local RA procurement. D.20-06-031 established criteria for fulfilling local RA obligations in the six disaggregated PG&E Other local areas. D.21-06-029 established 2022 compliance year obligations for all Load Serving Entities (LSEs). On November 1, 2021, PG&E submitted its 2022 year-ahead local RA compliance filing, showing a deficiency in two of the disaggregated PG&E Other local areas and in the Greater Bay Area local area, but also showing that it has met the local RA obligation in the aggregated PG&E Other local areas. PG&E submitted requests for waivers via advice letter pursuant to D.06-06-064, D.20-06-031, and D.21-06-029.

Section 3.8 of D.20-06-031 establishes criteria for fulfilling local RA obligations in the six disaggregated local areas:

Accordingly, an LSE shall have fulfilled their RA obligations in the six disaggregated LCAs if the following requirements are met:

- (1) The LSE makes the required demonstration as part of the current local waiver process through the Tier 2 Advice Letter for its disaggregated PG&E Other local capacity requirements; and*
- (2) The LSE, in its Year Ahead compliance filing, demonstrates procurement of local RA capacity within the PG&E Other LCAs such that the LSE's collective*

procurement in the six disaggregated PG&E Other LCAs meets the LSE's collective requirement for the disaggregated PG&E Other LCAs.

The process and standard for applying for the PG&E Other waiver will otherwise be the same process and standard for all local waiver requests. An LSE may still seek a waiver of one or more of the disaggregated PG&E Other obligations, even if it has not met the aggregation obligation despite commercially reasonable efforts.

Section 3.3.12 of D.06-06-064 approved a CPUC staff waiver process from LSE procurement obligations as a necessary “market power mitigation measure” – and describes a standard that an LSE may use to demonstrate that it could not reasonably achieve its Local Capacity Requirement (LCR) obligations:

(1) a demonstration that the LSE reasonably and in good faith solicited bids for its RAR capacity needs along with accompanying information about the terms and conditions of the Request for Offer or other form of solicitation, and

(2) a demonstration that despite having actively pursued all commercially reasonable efforts to acquire the resources needed to meet the LSE's local procurement obligation, it either

(a) received no bids, or

(b) received no bids for an unbundled RA capacity contract of under \$40 per kW-year or for a bundled capacity and energy product of under \$73 per kW-year, or

(c) received bids below these thresholds but such bids included what the LSE believes are unreasonable terms and/or conditions, in which case the waiver request must demonstrate why such terms and/or conditions are unreasonable.

An LSE's waiver request that meets these requirements is a necessary but not a sufficient condition for the grant of such waiver. The Commission will also consider other information brought to its attention regarding the reasonableness of the waiver request.

In D.19-06-026, the Commission updated the local trigger price from \$40/kW-year to \$51/kW-year.

Energy Division has reviewed PG&E's 2022 year-ahead local compliance filing and determines that PG&E has met its local RA obligation in the aggregated PG&E Other local areas. Energy Division also reviewed PG&E's actions to procure local RA resources to meet the local RA requirements of the six disaggregated local areas and the Greater Bay Area local area, and finds them reasonable considering the capacity available to meet PG&E's local RA obligation. In this case, Energy Division finds that PG&E held solicitations and pursued all commercially reasonable efforts to acquire the resources needed to meet the LSE's local procurement obligation. PG&E's waiver request includes confidential market-sensitive information supporting this finding.

PG&E's waiver request demonstrated that it pursued all commercially reasonable efforts in procuring local capacity to meet its local RA obligations in the six disaggregated PG&E Other local areas and in the Greater Bay Area local area. Energy Division approves Advice Letter 6383-E and 6384-E, PG&E's request for a waiver from its local procurement obligation and any penalties associated with this obligation.

Thus, Energy Division grants PG&E's Advice Letters 6383-E and 6384-E, which together request for a waiver of its 2022 year ahead local RA requirements.

Advice Letters 6383-E and 6384-E are effective on January 31, 2022.

Sincerely,

Handwritten signature of Simon Baker, with the initials "(FOI)" written in parentheses to the right of the signature.

Simon Baker,
Interim Deputy Executive Director for Energy and Climate Policy /
Interim Director, Energy Division

Cc: EDComplianceReports@cpuc.ca.gov