



Proposed Multi-Year Forward Procurement Obligation for Local RA

July 19, 2018

CPUC RA Workshop

R.17-09-020

Forward Procurement Period, Obligation and Phase-In

- 3-year forward Local RA procurement obligation.
- Forward obligation based on Energy Div. data for Years 2 & 3.
 - Year 1 = 100% (no change)
 - Year 2 = 90% (lower than decision)
 - Year 3 = 80%
- One-Year Phase-In:
 - October 2019 RA Showing = Years 1 and 2
 - October 2020 RA Showing = Years 1 – 3

Discussion: Duration, Procurement, Phase-In

- 3-year forward balances risks (LCRs/LCAs/load/procurement/supply) with need for revenue certainty for suppliers.
- Phase-in provides needed time to comply given final RA decision in Jan 2019.
- However, forward procurement obligations should be lower if on-behalf-of procurement continues -- it creates added procurement uncertainty for ESPs/CCAs.

Obligations & Underlying Components Fixed Forward

- LCRs and boundaries of LCAs (CAISO)
- LSEs' load forecasts as verified/ revised by CEC (LSEs)
- Load adjustments (DR, EE, etc.) (ED)
- Local RARs (after application of coincident adjustment factor) (ED)

Underlying Components Not Fixed Forward

- Load migration true-ups as is done today.
 - Forward true-ups permitted in October and March.
- RA credits to ESPs/CCAs from NBC payments and to all LSEs from CAISO backstop procurement.
 - Customers pay for this and should receive the benefits as they accrue.

Local RA Program Elements That Would Apply But Not Change

- Enforcement, citation and penalties
- Local RA waiver process
- Schedule for submitting load forecasts, true-ups and RA showings

Central Buyer

- AReM remains of the opinion that a centralized capacity market is preferable:
 - Provides liquidity, price transparency, regulatory certainty and transactional ease
 - Appropriate for retail choice markets
- Thus, no central buyer proposal. Will review and comment on other parties' proposals.