

**REGULATORY UPDATE FOR JANUARY 19 (WEEK OF JANUARY 11)****California Joint Root Cause Analysis Report**

On January 13, 2021, the California Independent System Operator (CAISO), California Public Utilities Commission (CPUC), and California Energy Commission (CEC) issued a joint “Final Root Cause Analysis” of the two rotating outages in the CAISO footprint on August 14 and 15, 2020. The CAISO, CPUC, and CEC produced a Preliminary Root Cause Analysis on October 6, 2020. The Final Root Cause Analysis confirms the preliminary report’s findings that the three major factors leading to the August outages were:

- 1) The climate change-induced extreme heat storm across the western United States resulted in the demand for electricity exceeding the existing electricity resource planning targets. The existing resource planning processes are not designed to fully address an extreme heat storm like the one experienced in mid-August.
- 2) In transitioning to a reliable, clean, and affordable resource mix, resource planning targets have not kept pace to lead to sufficient resources that can be relied upon to meet demand in the early evening hours. This makes balancing demand and supply more challenging. These challenges were amplified by the extreme heat storm.
- 3) Some practices in the day-ahead energy market exacerbated the supply challenges under highly stressed conditions.

The Final Report also analyzes additional data not available at the time the preliminary report was completed, including settlement quality meter data related to demand response resources, and provides updates on efforts to prepare for Summer 2021, including the CPUC’s efforts to procure additional capacity, and CAISO stakeholder proceedings to address market practices that led to supply challenges in Summer 2020.

The entire report may be found here: [Final-Root-Cause-Analysis-Mid-August-2020-Extreme-Heat-Wave.pdf \(caiso.com\)](https://www.caiso.com/Documents/Final-Root-Cause-Analysis-Mid-August-2020-Extreme-Heat-Wave.pdf).

## **California Public Utilities Commission**

### **New Proposed Decisions and Draft Resolutions:**<sup>1</sup>

Resolution E-5035 (Rule 21 Revisions). This resolution approves modifications to the Electric Rule 21 Tariff of Pacific Gas and Electric (PG&E), Southern California Edison (SCE), and San Diego Gas & Electric (SDG&E) to incorporate revisions ordered by Decision (D.) 19-03-013. These modifications include the following: (1) update and streamline the application of Screen Q, which assesses the need for projects to undergo transmission cluster studies; (2) allow for specific types of modifications to interconnection applications under Fast Track; (3) adopt specific process options for identified categories of modifications to existing generating facilities; (4) allow customer ownership of some behind-the-meter telemetry equipment; and (5) allow customers to replace existing inverters with inverters of equal or greater ability and require that any replacement inverter with greater abilities than the original shall be set with all the most current required functionalities, unless the interconnection applicant can demonstrate that safety or operational needs necessitate otherwise. However, this resolution delays the effective date of the modifications and orders (1) PG&E, SCE, and SDG&E (jointly, the Utilities) to standardize the Electric Rule 21 language describing the allowed types of modifications to interconnection applications under Fast Track; (2) PG&E to amend Rule 21 to clarify that the Utilities have the discretion to allow more than one material modification to a Fast Track interconnection application, even when utility action has not necessitated the modification, and to correct the error in the footnotes in Table Ee.3; (3) the Utilities to update Rule 21 to reflect the appropriate process options for Use Case 3 material modifications; and (4) PG&E and SCE to align their Rule 21 Section G.3.a language expanding the Screen Q exemption with that proposed by SDG&E. The resolution also approves an interim standard form template for Type II modifications to existing generating facilities, as ordered by D.19-03-013, subject to the following modifications: (1) update the document to reflect the appropriate process options for Use Case 3 material modifications and (2) update Section 4.1 to reflect that verified equipment may be listed on one of multiple equipment lists.

### **Voting Meetings:**

The Commission's next voting meeting is scheduled for February 11, 2021. The agenda is scheduled to be published February 1, 2021.

The Commission held a voting meeting on January 14, 2021. The agenda included the following items:

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<sup>1</sup> 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 20 days after the draft resolution appears in the Commission's daily calendar, per Rule 14.5.

Item 18. Resolution E-5117. This resolution approves SDG&E's request to procure 124 MW of nameplate energy storage capacity to satisfy the procurement requirements ordered in D.19-11-016, composed of Resource Adequacy contracts for LS Power's 10 MW Vista Energy Storage Project and Terra Gen's 50 MW Valley Center Energy Storage Project and a power purchase agreement for Terra Gen's 54 MW Valley Center Energy Storage II Project. All three contracts are for a term of 15 years. The resolution also denies approval of two 20 MW Fluence energy storage projects (Melrose Energy Storage and Kearney Energy Storage) that were to be utility-owned. **Approved.**

Item 20. R.18-07-003 (RPS Proceeding). This decision authorizes PG&E not to hold an annual RPS procurement solicitation for new resources in 2021, and allow it to have a minimum of two RPS sales solicitations in 2021 for short-term deliveries in 2021 and 2022. It also approves the draft 2020 RPS plans, with modifications, of PG&E, SCE, and SDG&E. The decision authorizes SDG&E to hold a solicitation in 2021 for short- and long-term deliveries, and grants SCE the option of holding a solicitation in 2021 if the IRP process determines a need. This decision also accepts, with modifications, the draft 2020 RPS Procurement Plans filed by other retail sellers of electricity subject to California's RPS program. **Signed, D.21-01-005.**

Item 21. A.18-04-002 (PacifiCorp GRC). The Commission has ordered PacifiCorp to file general rate cases (GRCs) on a three-year cycle. On September 18, 2020, PacifiCorp petitioned to extend the filing of its next GRC by one year, which would change the test year from 2022 to 2023. This petition also requests authorization to use the post-test year adjustment mechanism for an additional year, 2022. PacifiCorp requests the extension due to PacifiCorp planning additional filings at the end of 2020 and during 2021. This proposed decision grants the petition to extend the filing of PacifiCorp's next GRC by one year with one clarification. Consistent with D.20-02-025, the deadline for filing retirement plans for coal facilities serving California customers, and any associated requests for accelerated depreciation, is Q1 of 2021. **Signed, D.21-01-006.**

Item 30. A.19-08-013 (SDG&E GRC). This decision adopts the uncontested settlement as proposed by SCE, the Public Advocates Office at the Commission, The Utility Reform Network, and Small Business Utility Advocates addressing SCE's recorded 2018-2019 wildfire mitigation costs being considered in Track 2 of this proceeding (Settlement Agreement), for a total revenue requirement of \$391.3 million. SCE is directed to file a Tier 1 Advice Letter within 30 days of the effective date of this decision to implement the specific terms of the Settlement Agreement approved in this decision. The revised rates will become effective no earlier than January 1, 2021, and shall be amortized over a period of not less than 12 months. **Signed, D.21-01-012.**

Item 37. A.20-04-014 (SDG&E Revenue Requirements). This proposed decision adopts a 2021 forecast electric procurement revenue requirement for SDG&E of \$1,161.437 million consisting of (1) a \$663.435 million ERRA revenue requirement, (2) a \$332.469 million PABA revenue requirement and 2020 PABA under-collected balance of \$123.812 million, (3) a \$11.401 million Competition Transition Charge revenue requirement, (4) a \$124.439 million Local Generation revenue requirement, and (5) a \$1.073 million San Onofre Nuclear Generating

Station Unit 1 Offsite Spent Fuel Storage Cost revenue requirement. The proposed decision also adopts a 2021 forecast Tree Mortality Non-Bypassable Charge revenue requirement and approves SDG&E's request for confidentiality. In addition, this decision approves SDG&E's 2021 (1) forecast GHG allowance revenues of \$115.836 million and its adjusted forecast GHG allowance revenues eligible to return to customers of \$96.031 million; (2) forecast GHG clean energy/energy efficiency program set-asides of \$17.774 million, including \$16.744 million for the Solar on Multifamily Affordable Housing program and \$1.030 million for the Disadvantaged Communities Single Family Solar Homes program; (3) forecast GHG revenue returns of \$(1.657) million to small business and \$(0.839) million to emissions-intensive trade-exposed retail customers; (4) forecast GHG administration, customer education, and outreach plan costs of \$45,133; (5) forecast revenue returns to residential customers via the California Climate Credit of \$(93.536) million, and the associated semi-annual California Climate Credit of \$34.60 per household; (6) proposed PCIA rates; and (7) proposed rate components for the Green Tariff Shared Renewables program. **Not voted.**

Item 37A. A.20-04-014. Commissioner Guzman Aceves' Alternate Decision. The Alternate Proposed Decision concludes that the calculation of commodity rates is not within the scope of this proceeding but is within the scope of SDG&E's current general rate case proceeding, A.19-03-002. The Alternate Proposed Decision directs SDG&E to implement rates based upon its 2021 energy requirements sales forecast used to derive the ERRR revenue requirement in this proceeding. **Signed, D.21-01-017.**

Item 38. R.19-09-009 (Microgrids). This decision adopts microgrid rates, tariffs, and rules for large investor-owned electrical corporations. First, it directs SCE to revise its Rule 2 to permit installing added or special facilities microgrids. Second, it directs SCE and PG&E to revise their Rule(s) 18, SDG&E to revise its Rule 19 to allow microgrids to serve critical customers on adjacent parcels. A subscription limit of 10 Rule 18 or Rule 19 microgrid projects is permitted across each of the large investor-owned electrical corporations' service territories. Third, SCE, PG&E, and SDG&E shall each form a new microgrid tariff for their respective service territories. Fourth, SCE, PG&E, and SDG&E shall jointly develop a Microgrid Incentive Program. Fifth, it directs SCE, PG&E, and SDG&E to develop pathways for the evaluation and approval of low-cost, reliable electrical isolation methods. This decision also creates a Resiliency and Microgrids Working Group. Through the Resiliency and Microgrids Working Group, this decision directs the Commission's Energy Division to identify microgrid-specific policy issues, if any, that are not adequately addressed by existing venues at the Commission, CEC, California Air Resources Board, and CAISO and create a workplan for considering these issues within the Resiliency and Microgrids Working Group and Track 3 of this proceeding. This decision also directs the Energy Division to include the subject of codifying standards and protocols necessary to meet California electrical corporation and CAISO microgrid requirements in the Resiliency and Microgrids Working Group work plan. This decision requires SCE, as the lead investor-owned utility, in coordination with Energy Division Staff, to report to the Commission and stakeholders on direct current metering activities occurring outside of this proceeding to facilitate the commercialization of microgrids. This decision directs the Energy Division to hire – through the State of California procurement process – a neutral, third-party program evaluator to review and evaluate the microgrid tariff, rates, rules, incentive programs, and pilot studies to help the

Commission determine whether any changes to the adopted policies would be in the public interest. Finally, this decision adopts an interim approach for minimizing emissions from generation during grid outages. **Signed, D.21-01-018.**

### **California Independent System Operator**

#### **Upcoming Meetings and Deadlines:**

**Resource Adequacy Enhancements: Draft Final Proposal and Sixth Revised Straw Proposal.** Written comments are due by January 29, 2021.

**Market Enhancements for Summer 2021 Readiness Initiative.** The CAISO held public stakeholder workshops on January 12-13, 2021, to discuss export and load scheduling priorities, and the Western Energy Imbalance Market Resource Sufficiency Evaluation, respectively. Comments are due by January 20, 2021.

**Western EIM Governance Review.** The CAISO has extended the deadline to submit written comments on the Western Energy Imbalance Market (EIM) Governance Review revised straw proposal from January 22, 2021 to January 29, 2021.

**Western EIM Governing Body Teleconference Meeting** is scheduled for January 20, 2021. Agenda is here: [Final-Agenda-EIM-Governing-Body-Meeting-Jan-20-2021.pdf](https://www.westerneim.com/Files/2021-01-20/2021-01-20-0125%20Agenda%20F_ADA.pdf) ([westerneim.com](https://www.westerneim.com)).

### **California Energy Commission**

The CEC's next business meeting is scheduled for January 25, 2021. The agenda is here: [https://www.energy.ca.gov/sites/default/files/2021-01/21-0125%20Agenda%20F\\_ADA.pdf](https://www.energy.ca.gov/sites/default/files/2021-01/21-0125%20Agenda%20F_ADA.pdf)

On January 21, 2021, the CEC will host a [workshop](#) on clean energy alternatives to diesel backup generator systems and their use in data centers and other commercial operations in California. The workshop will focus on ongoing efforts to develop, and discuss future research opportunities to initiate new technology solutions to provide, clean energy alternatives to diesel backup generator systems. The CEC will accept oral comments at the end of the workshop, and written comments on the topic may be submitted to the CEC Docket Unit by February 12, 2021.

### **Minnesota Public Utilities Commission**

No updates this week.

### **Federal Energy Regulatory Commission**

1. FERC has sent a letter to the CDC requesting that certain workers in the energy workforce be moved to vaccination Phase 1b from their current position in Phase 1c. This includes highly trained electrical field workers, power plant operators, transmission and distribution grid operators, and personnel who procure the energy

needed to balance the grid on a moment-to-moment basis, all of whom can only perform their job functions on-site, usually in close quarters, where full adherence to social distancing guidelines is impossible.

2. FERC is holding a virtual meeting today addressing the following topics:
  - a. Action on the Notice of Proposed Rulemaking re Electric Transmission Incentives Policy issued in March 2020
  - b. Action in the hybrid resources docket in response to the technical conference that took place in July 2020
  - c. Action on a complaint from Cricket Valley Energy Center LLC alleging that the NYISO's Offer Floor Rules are unjust and unreasonable. The complaint alleges that the rules fail adequately to address price suppression in NYISO's installed capacity Spot Market Auctions caused by below-cost offers from resources receiving out-of-market payments and requests that FERC direct NYISO to replace the Offer Floor Rules with a PJM-style minimum offer price rule.
  - d. Action in the PJM MOPR proceedings in response to the Requests for Rehearing that were denied by operation of law
  - e. FERC also has on its agenda a number of pipeline certificate proceedings and new inquiry or rulemaking dockets on electric reliability organization performance assessments, financial assurance measures for hydroelectric projects, and accounting practices for renewable energy assets.

### **Federal Courts**

Today, a panel of the District of Columbia Circuit of the United States Court of Appeals issued a decision vacating the EPA's Affordable Clean Energy, or ACE Rule, which established emission guidelines for states to use when developing plans to limit carbon dioxide emissions at coal-fired power plants. The case is *American Lung Association, et al. v. U.S. Environmental Protection Agency, et al.* Opinion may be found here: [http://blogs2.law.columbia.edu/climate-change-litigation/wp-content/uploads/sites/16/case-documents/2021/20210119\\_docket-19-1140\\_opinion.pdf](http://blogs2.law.columbia.edu/climate-change-litigation/wp-content/uploads/sites/16/case-documents/2021/20210119_docket-19-1140_opinion.pdf).