BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Continue Electric Integrated Resource Planning and Related Procurement Processes.	Rulemaking 20-05-003

CALIFORNIA WIND ENERGY ASSOCIATION COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS ON RELIABLE AND CLEAN POWER PROCUREMENT PROGRAM STAFF PROPOSAL

Nancy Rader Executive Director
California Wind Energy Association
1700 Shattuck Ave., #17
Berkeley, CA 94709
Telephone: 510-845-5077 x1
E-mail: nrader@calwea.org

On behalf of the California Wind Energy Association

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I. INTRODUCTION AND SUMMARY

Pursuant to the *Administrative Law Judge's Ruling Seeking Comments on Reliable and Clean Power Procurement Program Staff Proposal* issued by Administrative Law Judge Julie Fitch on April 29, 2025, and Judge Fitch's June 16, 2025, email ruling extending the comment deadlines, the California Wind Energy Association ("CalWEA") provides these comments on the Staff Proposal for the Reliable and Clean Power Procurement Program ("RCPPP") ("Staff Proposal"). Per the June 16, 2025, email ruling, CalWEA will separately file its comprehensive alternative proposal.

CalWEA summarizes its comments on the Staff Proposal as follows. CalWEA does not support the Staff Proposal for the following reasons:

- The Staff's Clean Energy Standard ("CES") Proposal is entirely disconnected from the Commission's Integrated Resource Planning ("IRP") process and the Preferred System Plan ("PSP") that it produces. In so doing, the Staff Proposal would:
  - fail to drive toward the least-cost reliable portfolio,
  - undermine the transmission planning necessary to achieve that least-cost portfolio, and
  - fail to deliver the many vital benefits of resource diversity.
- The Staff's CES and Reliability Proposals would not support the development of generation resources that deliver clean energy in the most carbon-heavy hours,

discouraging development of the resources capable of delivering in those hours. More generally, the weak structure of the Staff Proposal will lead to supply scarcity and failure to meet the state's GHG targets. The Staff Proposals:

- ignore the need to reduce GHGs in the most carbon-heavy hours,
- lack a long-term contracting requirement,
- enable unbundled clean energy credits and resource shuffling, and
- do nothing to promote the retirement of gas plants in local reliability areas.

- Regarding onshore wind energy specifically, the Staff Proposal would fail to reverse the dearth of development occurring in the state that is necessary to deliver the 9 GW of in-state wind resources included in the most recent PSP.
- The Staff Proposal does not align with the Commission's 24-hour "slice of day" ("SOD") Resource Adequacy ("RA") framework for either the long-term reliability or GHG program, and thus, once again, would fail to address the state law requirement to allocate integration resource requirements based on causation.

CalWEA's concurrently filed proposal addresses these issues, thereby increasing the likelihood of achieving the state's GHG-reduction goals most cost-effectively while maintaining system reliability.

II. COMMENTS ON THE STAFF PROPOSAL

A. Staff's CES Proposal is Disconnected from Integrated Resource Planning

Staff's proposed CES is based on annual deliveries of zero-carbon energy (measured in megawatt-hours, MWh), derived from the annual GHG target and the IEPR load forecast. This framework is agnostic to the types of resources that deliver those MWh and could therefore be comprised entirely of solar and battery projects. The Staff Proposal includes no features that would drive LSE procurements towards achieving the Commission's adopted PSP, which represents the system-optimal, least-cost, reliable portfolio that achieves the state's GHG-reduction goals for CPUC-jurisdictional utilities.[1] The Staff Proposal, therefore, calls into

[1] The CPUC has unfortunately abandoned its "Reference System Plan," which would represent a more optimal system-wide portfolio, in favor of the PSP which represents a roll-up of LSE plans with reliability and long-term gaps filled in.

question whether the PSP would serve any meaningful purpose at all.[2]

The Staff Proposal states that it recognizes that "[m]ultiple externalities exist that prevent LSEs from procuring resources optimally in the absence of regulatory intervention: reliability, GHG, financial risk, and barriers to large and/or long lead-time (LLT) resources."[3] And yet it does nothing to promote achievement of its goal to "create and administer a long-term procurement framework that, in combination with the RA and RPS programs, improves the process for LSEs to procure their share of the resources needed to meet electric system reliability and GHG-reduction goals at least cost."[4]

As discussed below, the disconnect between staff's CES Proposal and the Commission's IRP process would fail to deliver the least-cost system portfolio, undermine the transmission planning necessary to achieve that optimal portfolio, and fail to deliver the many vital benefits of resource diversity.

1. The Staff Proposal would fail to drive toward the least-cost system portfolio

Approximately 25 percent of PSP capacity is comprised of resources other than solar and batteries (geothermal, biomass, long-duration storage, and wind energy). Solar-and-battery-dominated portfolios may, nevertheless, appear to be the cheapest to an individual LSE based on contract prices. Individual LSEs do not fully consider a resource's future system reliability and system integration values – e.g., the declining future reliability value of the growing overall volume of battery storage and solar resources, and the increasing need for generation deliveries in the evening net-peak period (discussed in section II.B below). In addition, solar and batteries may be the only resources available if transmission is not available or is not being planned for LLT/location-dependent resources (discussed immediately below). In either case, such decisions by all LSEs would not result in the least-cost portfolio for the system overall.

CalWEA used Staff's RESOLVE model earlier in this proceeding to analyze the additional capacity and cost required if all 25.5 GW of wind energy (in-state, out-of-state, and

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[2] In response to CalWEA's question at staff's May 16, 2025, workshop (at 9:46 a.m.), staff noted that the PSP would serve as "guidance" for LSE procurements, to inform AB 1373 procurements, and to fulfill the CPUC's requirement to provide CAISO portfolios for study in its TPPs. Absent any RCPPP program drivers toward the PSP portfolio mix, however, the PSP would be of limited value for those purposes.

[3] CPUC Energy Division Staff, "Integrated Resource Planning Workshop: Reliable and Clean Power Procurement Program Staff Proposal," at slide 11 (May 16, 2025).

[4] *Id.* at slide 14.

offshore) were removed from the CPUC's PSP adopted in D. 24-08-064. We found that the 2045 portfolio would need to be 27 GW (23 percent) larger without wind energy and that total costs would increase by $1.1 billion annually.[5]

The difference in cost between the system-optimal portfolio generated by the Commission and the sum of procurement by individual LSEs based on their individual needs and goals represents a market failure that requires regulatory action. The Staff Proposal is devoid of any requirements or strong incentives to correct this market failure.[6]

2. The Staff Proposal would undermine the transmission planning necessary to achieve the PSP

By failing to drive procurement toward the adopted resource mix, the Staff Proposal would undermine the Commission's recent alignment of the PSP and the CAISO's transmission development and interconnection processes. Absent such alignment, the CAISO would have no firm basis on which to plan transmission upgrades in support of the Commission's PSP, and, without that transmission planning, development of the transmission-dependent diverse resources in the PSP will not occur.[7] Thus, the Staff Proposal would undermine the achievement of the Commission's PSP.

In its Decision 25-02-026, the Commission asked CAISO to reserve deliverability on the transmission system for certain diverse resources included in the PSP that are geographically limited and take longer to develop, including geothermal, biomass, offshore wind, non-battery long-duration energy storage, and a portion of the total amount of in-state/on-shore and out-of-state wind.[8] As the decision stated, if no deliverability is reserved for these resource types, "we

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[5] See CPUC R. 20-05-003, "CalWEA Comments on Administrative Law Judge's Ruling Seeking Comments on Electricity Resource Portfolios for 2025-2026 Transmission Planning Process" (September 30, 2024) at pp. 4-5. RESOLVE modeling results, including cost savings, are available upon request.

[6] The Staff Proposal does suggest that resource diversity would <u>mitigate against</u> shifts in critical hours and marginal ELCCs that would occur under its proposal (see slide 33 in staff's May 15, 2025, workshop slides) but otherwise includes nothing that would push toward achievement of the PSP.

[7] CalWEA assumes that the CAISO's policy on Long Lead Time, Location Constrained Resources, when final and complete, will include required financial security postings by the resources benefitting from this policy that are tied to transmission development milestones. If the RCPPP-driven market has not promoted wind energy development, those posting will not be made and transmission construction for these resources will not occur.

[8] CPUC D. 25-02-026 (February 20, 2025) at pp. 2 and 58, Findings of Fact 9 and 10, and Conclusion of Law 10.

run the risk that transmission, once developed, may be used by resources that come online because they are easier to site, faster to come online, and currently more cost-competitive, compared to the LLT resources." The Staff Proposal does not account for how it would affect PSP-TPP alignment.

3. The Staff Proposal would fail to deliver the many benefits of resource diversity

In addition to the fact that a solar-and-battery portfolio is not the least-cost system portfolio, a portfolio dependent on one renewable resource and a few technologies is subject to various risks that a more diverse portfolio hedges against. As discussed at length by CalWEA in numerous comments filed in this docket,[9] these risks include:

- supply chain, price, and operational risks that will be present with a grid that is heavily reliant on solar and batteries;
- risks related to limitations on, and conflicts over, land availability in solar-heavy portfolios; and
- risks related to the potential reliability impacts of wildfire smoke on a solar-dominated portfolio.

Moreover, more diverse portfolios reduce the overall need for capacity. As noted above, absent wind energy, the PSP would require 27 GW (23 percent) more capacity, even without considering the benefits of diversity.[10] The PSP portfolio will therefore also reduce overall demand for land and the raw materials needed to achieve our SB 100 goals. Reducing demand for land and materials will increase the likelihood that California will meet its clean-energy goals.

B. The Staff's CES and Reliability Proposals Lack Incentives to Deliver Clean Energy in the Most Carbon-Heavy Hours

The Staff Proposals will not support the development of generation resources that deliver

[9] *See, e.g.,* CalWEA's Comments on Ruling Seeking Comments on Staff Paper on Procurement Program and Potential Near-Term Actions to Encourage Additional Procurement (December 12, 2022) at pp. 5-6; and CalWEA's Comments on Proposed 2023 Preferred System Plan and Transmission Planning Process Portfolios (November 13, 2023) at pp. 5-7.

[10] The resource diversity reflected in the PSP does not result from any consideration of the noted benefits, but from the model's optimization of achieving cost, reliability, and GHG goals. Benefits not seen by the model have not been fully considered in the development of the Commission's previous resource plans. Resource diversity was a consideration in the MTR decision that mandated procurement of long-duration storage and geothermal resources, but wind energy was left out of the MTR and the Commission has not entertained a broader discussion of these benefits.

clean energy during the most carbon-intensive hours—the key benefit of non-solar/storage resources, which will further discourage, if not doom, the development of these resources.

The Staff Proposals:

- ignore the need to reduce GHGs in the most carbon-heavy hours by relying on an annual clean energy goal and ELCC analysis that is based on a single-hour planning reserve margin rather than considering both capacity and energy needs across all hours of a representative peak load day in a given month of the year;[11]
- lack a long-term contracting requirement and enable unbundled clean energy credits, which together could result in reliance on short-term contracts for zero-emission credits (ZECs) that could lead to supply scarcity, price increases, and LSE requests for waivers from their procurement obligations. A long-term contracting requirement is a key feature of the Renewables Portfolio Standard and the Mid-Term Reliability ("MTR") orders that have successfully driven new development;
- contain no provisions to guard against resource shuffling of existing, out-of-state resources, as required by SB 100; and
- do nothing to promote the retirement of gas plants in local reliability areas to minimize local air pollutants, as required by law (P.U. Code 454.52(a)(1) and 454.57). Instead, to support the RCPPP process, the Commission should request that CAISO study and verify its previous assumptions that gas generation will be significantly reduced if all existing gas-fired capacity is retained. If CAISO finds otherwise, the Commission should plan for transmission upgrades necessary to enable local area gas generation to be significantly reduced by 2035, as required by law.

As was noted in the in-person RCPPP workshops, Staff's Proposal would treat an LSE that matches its hourly loads with clean resources the same as an LSE that relies on system power during net peak periods and purchases ZECs to meet the annual CES target.[12] The weak structure of the Staff Proposal, which fails to provide any incentive to develop a higher-quality portfolio, could lead to some LSEs leaning on other LSEs and the CAISO to manage system curtailment

[11] *See* CalWEA's May 24, 2024, comments on the April 26, 2024, ALJ Ruling on central procurement at pp. 10-11, and CalWEA's October 7, 2024, Reply Comments on the 2025-26 TPP Portfolios (at p. 4).

[12] CPUC Energy Division, IRP 2nd RCPPP Workshop Slides (June 24, 2025) at Sierra Club and CEJA presentation, Slide 93.

risk, as well as supply scarcity, failure to meet the state's GHG targets, and failure to minimize air pollutants in local reliability areas.

C. The Staff Proposal Will Not Reverse the Lack of Sufficient Development Occurring in the State to Meet the 9 GW of In-State Wind Resources in the PSP

The PSP includes almost 8 GW of in-state wind in 2035 and 9 GW in 2045, and yet *there is almost no development or procurement of in-state wind projects occurring in California today*.[13,14] Given this lack of activity, combined with the cost and risk of developing wind projects in California, the Commission should not expect that sufficient in-state wind supply will materialize to meet its PSP goals unless the adopted RCPPP framework sends very clear signals to investors that there will be strong demand for in-state, as well as out-of-state, wind energy in the California market.

CalWEA believes that the lack of wind development activity in the state can, in significant part, be attributed to the fact that the Commission did not adopt any requirements or incentives to promote procurement of in-state wind over the past decade, while more recently promoting limited amounts of other diverse resource types in the MTR decision and enabling central procurement of the same resources through AB 1373. The Commission's new policy requesting that CAISO reserve transmission capacity for onshore wind and other resources is welcome and necessary, but comes too late to enable near-term in-state wind development. To achieve the Commission's in-state PSP wind goals, therefore, a strong RCPPP framework that encourages

[13] CalWEA's review of the CAISO queue, after it recently culled projects in the reformed 2025 TPD allocation process, found that, of the 22 interconnection requests currently in the queue that specify "wind," only two (totaling 205 MW) appear to be in-state greenfield wind projects clearly moving forward. Ten are repowers that have been built or are under construction, one is stalled indefinitely, one has converted to batteries, and five are in Baja or Nevada. Three projects are multi-technology that may ultimately not include wind. CalWEA is aware of only three wind projects under late-stage development in California: Fountain Wind in Shasta County is currently in the permitting process at the CEC; Kern County has approved the 100-MW Keyhole Wind Energy Project; and the 147.5-MW Gonzaga Ridge project is in construction. Each of these projects has been under development for nearly a decade or more. No other wind projects are in the permitting process, and little early-stage development is occurring.

[14] In March, the Commission released data showing that procurement of wind energy has lagged far behind that of solar and batteries since 2020 (CPUC Resource Tracking Data, Data current as of March 2025). This data shows that only 5% of new online resources since 2020 are wind energy (1,145 MW), most of which are out-of-state or in-state repowers, as confirmed by CalWEA with Energy Division staff. The data also show that only 9% of resources expected by 2028 (1,756 MW) are wind energy, most of which, again, are out-of-state or in-state repowers. The same is true looking back to 2012. See California Energy Commission, Energy Almanac, Download data for Electric Generation Capacity Energy - Excel.

development of non-solar/storage resources will be essential.

Lastly, CalWEA notes that substantial development challenges exist for all types of wind – in-state, out-of-state, and offshore. Given the uncertainties surrounding each of them, the Commission cannot afford to undercut any of them and expect the shortfall to be made up by another type of wind. Indeed, the Commission should strongly support all three to increase the chances that enough wind energy will be developed to meet the overall wind energy goal in the PSP portfolio.

D. The Staff Proposal Does Not Align with the Commission's 24-Hour "Slice of Day" Resource Adequacy Framework

The Staff Proposal does not align with the Commission's 24-hour SOD framework, which the Commission has implemented for its RA program, for either the staff's proposed long-term reliability or GHG program. In addition to the reasoning contained in the June 23, 2025, Joint Stakeholders Presentation advocating SOD accounting in the RCPPP,[15] which CalWEA supported, CalWEA reiterates that the 24-hour SOD framework is necessary to address the state law requirement that integration resource requirements be allocated based on causation.[16]

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[15] CPUC Energy Division, IRP 2nd RCPPP Workshop Slides (June 23, 2025) at Slide 48. The Joint Presentation argued as follows:

- Multiple counting methodologies and compliance requirements are administratively burdensome, add unnecessary confusion, and result in inefficient procurement outcomes, higher costs, and no additional reliability benefits.
- Unified accounting rules provide clear market signals and allow for cost-effective procurement.
- SOD offers similar benefits to marginal ELCCs:
  - Timely and predictable market signals for LSEs to procure a diverse portfolio of resources that effectively address reliability
  - Clear indications of shifting reliability conditions (e.g., energy sufficiency, nighttime hours, winter) because of its granularity
- SOD avoids many of the challenges with marginal ELCCs:
  - Volatility of marginal ELCCs creates significant challenges for both LSEs and developers
    - It is difficult to transact, structure deals and build a stable portfolio with changing resource values
    - ELCCs are not predictable; this may increase as LOLE risk spreads
    - "Bounded ELCCs" add additional complexity at best, potential reliability issues at worst

[16] Staff omitted this legislation in its list of statutory requirements with which staff asserted its RCPPP proposal conforms. (See May 15, 2025, workshop slides at slide 14.)

CalWEA has explained at length in earlier comments in this proceeding[17] that the Commission has acknowledged that Assembly Bill 1584 (Quirk, 2019) requires it to develop methodologies for allocating electrical system integration resource procurement needs to each LSE based on the contribution of the LSE's load and resource portfolio to the electrical system conditions that created the need for the procurement and for determining any costs resulting from a failure of a load-serving entity to satisfy its allocated procurement needs. The Commission stated that it has not yet made any findings that any LSE has created any differential need for system integration resources, and that "should we make such a determination in the future, we would need to develop methodologies to allocate the responsibilities differentially."[18] The Commission stated that it "intend[s] to explore this option more fully before potentially pivoting to this type of allocation."[19]

That promised further exploration has not occurred, and the Staff Proposal perpetuates current methods of allocating system needs, despite the substantial need for storage resources.[20] It is past time to evaluate new methods that meet the requirements of AB 1584. CalWEA believes that a 24-hour reliability framework to determine long-term system reliability needs and to allocate those needs to LSEs would accomplish the purpose of AB 1584, which was to avoid cost shifting among LSEs. It would do so because the 24-hour framework requires each LSE to closely match its supply and demand, thereby also ensuring that each LSE addresses the procurement needs created by its load and resource portfolio, avoiding the result that system integration costs are shifted to other LSEs.

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[17] See, e.g., CalWEA Comments on Administrative Law Judge's Ruling Seeking Comments on Need and Process for Centralized Procurement of Specified Long Lead-Time Resources (May 24, 2024) at pp. 23-24.

[18] Decision 21-06-035, *Decision Requiring Procurement to Address Mid-Term Reliability* (2023-2026) (June 30, 2021) at p. 52, noting that AB 1584 is codified as Public Utilities Code Section 397.

[19] *Id*. at p. 53

[20] P.U. Code Sec. 397 states that "[f]or purposes of this section, 'electrical system integration resources' means resources that provide certain electrical system integration functions, benefits, or attributes, such as flexible ramping capability." Certainly long-duration storage and generation resources with production profiles that are complementary to solar should be considered integration resources. The Commission has previously indicated that integration resources can be broadly construed: "[E]very resource that requires procuring or retaining, including the renewables themselves, is being used for renewable integration, since renewables are becoming the dominant resources in the electric system. While it may be the case that every single individual generation plant on the system currently is not needed for renewable integration, it is still the case that every type of resource on the system is being utilized for this purpose…" See D.19-04-040 (Issued May 1, 2019) at p. 136.

The Commission should adopt a 24-hour framework for both the reliability and GHG elements of the RCPPP framework in this proceeding, as CalWEA will propose in its separate filing.

III. CONCLUSION

CalWEA's concurrently filed proposal addresses all the problems described herein, thereby increasing the likelihood of achieving the state's GHG-reduction goals most cost-effectively while maintaining system reliability and hedging against various risks.

Respectfully submitted,

/s/ Nancy Rader

Nancy Rader
Executive Director
California Wind Energy Association
1700 Shattuck Ave., #17
Berkeley CA 94709
Telephone: (510) 845-5077 x1
Email: nrader@calwea.org

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