


# REGULATORY AND LEGISLATIVE PLANS

March 23, 2023



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**SAN JOSE**   
**CLEAN ENERGY**  
A Program of the City of San José

# OVERVIEW

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CA Legislative Update

CA Regulatory Update

Community Engagement

# LEGISLATIVE UPDATE

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## 2023 Preview

- Major turnover from the 2022 General Election
- New committee membership and new Committee Chair
- New Assembly leadership expected in Spring
- High number of bills introduced
- State budget deficit

# LEGISLATIVE UPDATE

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Energy Focus: Interconnection delays, Regionalization, Reliability and Budget

Bill	Author/Sponsor	Issue
SB 83, SB 410, AB 643 (and other bills)	Weiner, Becker, Berman	Legislators are proposing various solutions to address IOU interconnection delays
AB 538	Holden	Regionalization
Budget TBL on CPE	Administration	Proposal for a central procurement entity for long lead time resources
<b>January Proposed Budget</b>	Governor	<b>Projected Budget Deficit:</b> \$22.5B; proposed cuts and delays in climate programs



## 'Edge of the Cliff': PG&E's Lack of Electricity Capacity Puts Eel River Valley Projects at Risk

POSTED BY KIMBERLY WEAR ON THU, SEP 15, 2022 AT 8:56 AM



### Opinion: PG&E delays are costing San Franciscans time and money

By Wire Service Feb 4, 2022 Updated Jun 16, 2022

## The Fresno Bee

Part of the McClatchy Media Network

### California homes face PG&E delays for power connections. Frustrated leaders seek options



### Opening delayed for new Vallejo housing for homeless



### Power connection work delays local development projects



### California power plan lays bare the cost of renewables delays



### Jim Wood calls out PG&E over capacity issues in Southern Humboldt



### PG&E tells some Sonoma County projects that power connections could take up to 18 months



### Muni Blames PG&E for Spiraling \$15M Costs, Years of Delays in Train Upgrade Struggle



# REGULATORY UPDATE

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## Regulators focus on ensuring grid reliability and clean energy transition

- IRP procurement orders
- RA program rules continue to change
- Introduction of demand flexibility in rates proceeding

# REGULATORY UPDATE

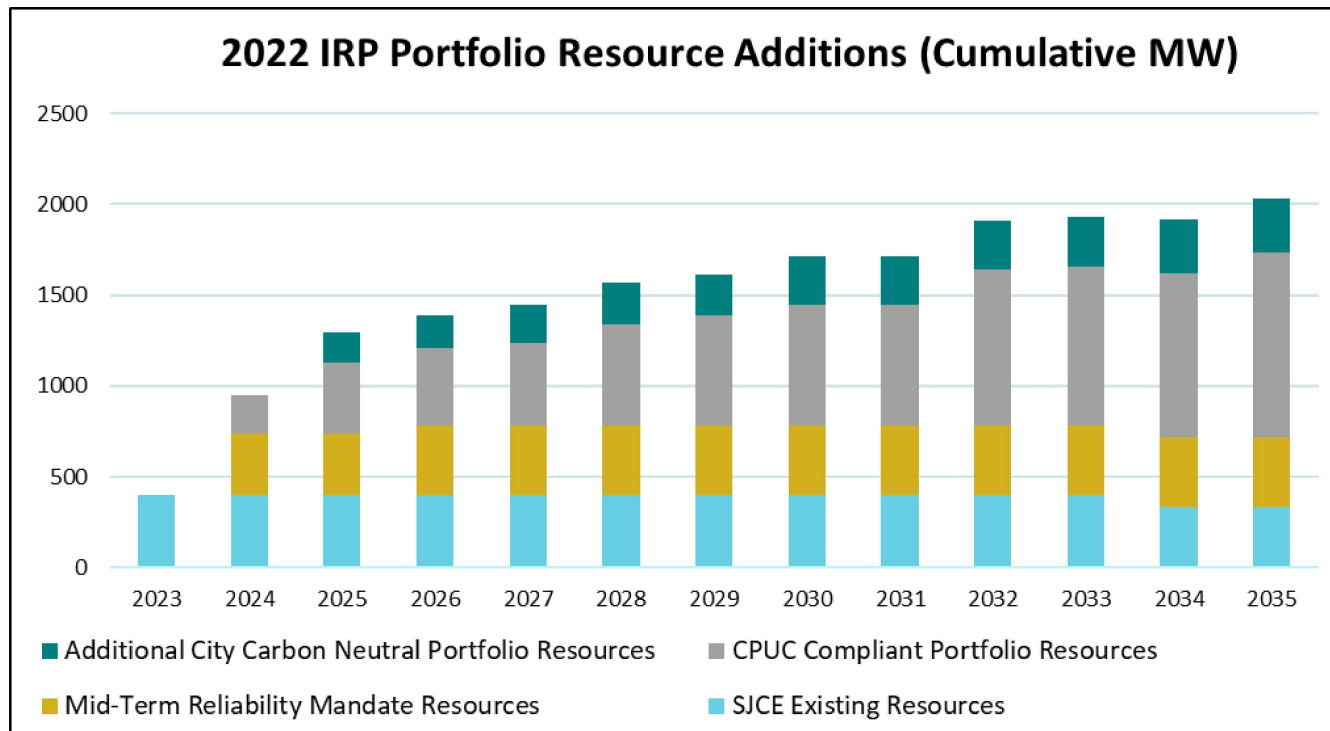
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## Integrated Resource Planning (IRP)

- CPUC orders additional procurement to address increasing demand
  - Mid-Term Reliability order increased and extended through 2028
- CPUC proposes a programmatic approach to procurement
  - Clean and Reliable Procurement Program could ensure reliability and GHG emission goals are met
- Centralized procurement discussed in proceedings and legislation

# REGULATORY UPDATE

## IRP Procurement Plan





# REGULATORY UPDATE

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## Resource Adequacy (RA)

- Near-term compliance challenges
  - Insufficient supply has created a seller's market
  - Counting rules have significantly discounted the value of certain resources
  - Interconnection, permitting and supply chain issues delay new resources
- Central Procurement Entity (CPE) for "Local RA"
  - Created uncertainty for LSEs in system and flexible RA procurement
- RA Program transitions to a 24-hour "Slice of Day" model in 2025; compliance based on meeting need in every hour

# REGULATORY UPDATE

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## Demand Flexibility

- Demand flexibility management (also referred to as demand response and load management) focuses on shifting energy demand to better match supply and price
- Demand flexibility is another critical resource to meet the State's aggressive decarbonization goals, support reliability and affordability
- Proceeding goal is to advance customer demand flexibility through electric rates

# REGULATORY UPDATE

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## Power Charge Indifference Amount (PCIA)

- 2023 PG&E ERRR Forecast Decision issued December 15, 2022
  - PG&E PCIA rates for above market costs **decreased 89%**
  - SJCE PCIA rates are ~0.2 cents/kWh
  - PG&E rates are also higher than usual (good for headroom)
- 2024 ERRR Forecast Application to be issued by PG&E by June 1
- 2022 ERRR Compliance process to kick off this month
- In addition, a PCIA-specific proceeding will determine if IOU GHG-free resources will be allocated to CCAs or receive a Market Price Benchmark

# OPPORTUNITIES FOR ENGAGEMENT

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## In the Legislature and at the Commission


- Raise awareness on interconnection issues
- Provide public comment or position letters on priority bills
- Communicate climate budget priorities with local delegation
- CPUC Equity Initiatives and Clean Energy Access Grant Program (\$30M)



# MUNICIPAL CODE & ENERGY RISK MANAGEMENT POLICY REVISIONS

March 23, 2023

Zach Struyk, Assistant Director

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# OVERVIEW

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- Municipal Code (Title 26) Revisions
- Energy Risk Management Policy Revisions

# BACKGROUND

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Title 26 of San Jose Municipal Code and Energy Risk Management Policy (ERMP) work together to ensure CED manages risks related to SJCE's power product procurement.

Governing Documents	Objectives	Approval Authority	Review
Title 26, San Jose Municipal Code	Establishes operational parameters for power procurement and rate setting	Approved through Ordinance by the City Council	Amendments as necessary
Energy Risk Management Policy	Prescribes organization, authority, and processes for risk management	Approved by the City Council	Reviewed annually or as necessary

# TITLE 26 SUMMARY OF REVISIONS

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- Power product procurement and contract authority
- Rate change and noticing requirements
- Billing and payment
- Reports to Council
- Drafting improvements





# TITLE 26 – PROPOSED REVISIONS

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- **Title 26 Revisions – Procurement Authority of Power Products**
  - Delete Director of Community Energy authority to buy \$500,000 of power per day
  - Authorize the City Manager or designee to execute short-term (3 years or less) and medium-term agreements (more than 3 years and less than 10 years), and Master Power Purchase and Sale Agreements
  - Authorize the Director of Community Energy or designee to execute short-term agreements
  - Council must approve all long-term agreements with term of 10 years or more

**Changes enable SJCE to procure power in forward markets within approved coverage ratios and negotiate short and medium term agreements at the pace required by the market, within approved budgeted appropriations.**

# TITLE 26 – PROPOSED REVISIONS (CONTD.)

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- **Title 26 Revisions – Rates and Charges for Electricity**
  - Rates established at least on an annual basis by resolution of City Council
  - Remove the limitation that rates may not be increased more than twice in any fiscal year
  - Revisions to noticing requirements
    - Change requirement to send notice directly to customers from 45-30 days to at least 15 days before rate hearing
    - Add requirement to post rate changes on SJCE's website and at City Hall at least 15 days before rate hearing
  - Noticing requirement exemptions for rate increase when rates are set with reference to IOU rates and rate increase, inclusive of PCIA, is not more than 10% (instead of 5%).

# TITLE 26 – PROPOSED REVISIONS (CONTD.)

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- **Title 26 Revisions – Billing and Payment**

- Make application of late charges for non-payment optional (instead of mandatory).
- Allow option to return to PG&E service, customers who fail to bring their account current (instead of mandatory); Extend the payment cure period for customers from 30 days to 90 days.

- **Other Revisions**

- Drafting improvements in Title 2, Part 46 Functions, Powers and Duties of CED Director, and Title 26

# ENERGY RISK MANAGEMENT POLICY REVISIONS

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- **Substantive revisions:**
  - Procurement authority for power products revised consistent with Muni Code amendments
    - Power Products definition expanded to include "energy load shaping, transmission, import capability, etc."
  - Addition of term limits on procurement authority
  - Addition of procurement procedures

# QUESTIONS?

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