



**Silicon Valley Clean Energy Authority
Board of Directors Special Meeting**

Tuesday, October 24, 2017
11:30 a.m.

Silicon Valley Clean Energy Office
333 W El Camino Real, Suite 290
Sunnyvale, CA

Rob Rennie, Chair
Town of Los Gatos

Daniel Harney, Vice Chair
City of Gilroy

Liz Gibbons
City of Campbell

Rod Sinks
City of Cupertino

Jeannie Bruins
City of Los Altos

Courtenay C. Corrigan
Town of Los Altos Hills

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City of Monte Sereno

Steve Tate
City of Morgan Hill

Margaret Abe-Koga
City of Mountain View

Dave Cortese
County of Santa Clara

Howard Miller
City of Saratoga

Jim Griffith
City of Sunnyvale

AGENDA (AMENDED)

Call to Order

Roll Call

Public Comment on Matters Not Listed on the Agenda

The public may provide comments on any item not on the Agenda. Speakers are limited to 3 minutes each.

Regular Calendar

- 1) Authorize CEO to Approve Master Agreement with Pacific Gas & Electric to Acquire Resource Adequacy Capacity for 2018 (Action)
- 2) Overview of GHG Accounting for Energy (Discussion)

Board Member Announcements and Direction on Future Agenda Items

Adjourn

svcleanenergy.org

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Sunnyvale, CA 94087



Staff Report – Item 1

To: Silicon Valley Clean Energy Authority Board of Directors

From: Donald Eckert, Interim CEO

Item 1: Authorize CEO to Approve Master Agreement with Pacific Gas & Electric to Acquire Resource Adequacy Capacity for 2018

Date: 10/24/2017

RECOMMENDATION

Authorize the Chief Executive Officer to execute a Master Agreement for the purchase of Resource Adequacy Capacity as necessary with Pacific Gas & Electric (PG&E) to meet SVCE's year-ahead regulatory obligations for 2018.

BACKGROUND

SVCE must ensure sufficient generation capacity is available to reliably meet the electric needs of its customers. Under the state's Resource Adequacy programs, all load serving entities must commit to making electric generators available for dispatch by the California Independent System Operator (CAISO). Resource Adequacy Capacity is a separate product from energy, and no entitlements to energy or other attributes are conveyed through the purchase of Resource Adequacy Capacity. The Resource Adequacy Capacity obligation is equivalent to 115% of the load serving entity's projected peak demand for each month. A portion of the total Resource Adequacy obligation must be met with Resource Adequacy Capacity meeting certain locational and operational attributes in order to support local area reliability and the flexibility of certain generators to ensure that fast-ramping capacity is available to supplement intermittent generation such as wind and solar.

SVCE is obligated to make month-ahead and year-ahead filings to the California Public Utilities Commission (CPUC) demonstrating its compliance with the Resource Adequacy program. In July 2017, SVCE received its initial year-ahead Resource Adequacy Compliance obligations for 2018 from the CPUC and then in late September 2017 SVCE received its final requirements from the CPUC.

ANALYSIS & DISCUSSION

SVCE has been actively procuring 2018 Resource Adequacy since May 2017, well before the CPUC released the initial requirements in late July. In past years, Resource Adequacy prices were relatively low due to an abundance of available product as well as the fact that the pool of buyers remained constant year-over-year. In June 2017, the CPUC and CAISO made effective a new methodology that reduces the Resource Adequacy value of solar resources by about half. The change to the value of solar Resource Adequacy, combined with the retirement of certain natural gas-fired generators, has had the effect of reducing the total amount of Resource Adequacy in California by about 10%, or almost 6,000 MW.

In addition to the significant reduction of available Resource Adequacy, investor-owned utilities (IOUs) are transitioning from being a net buyer of Resource Adequacy to a net seller. This is occurring due to load shifting away from the IOUs to the CCAs, and therefore, the Resource Adequacy obligation is shifting in the same manner. With the rapid growth of CCAs throughout the state, the IOUs are quickly becoming the predominant seller of Resource Adequacy. The combination of these factors has resulted in a tighter market

Agenda Item: 1**Agenda Date: 10/24/2017**

and generally increased costs for 2018 Resource Adequacy Capacity, but SVCE has been successful in obtaining the volumes necessary to meet its compliance obligations.

SVCE staff and consultants have negotiated a Resource Adequacy contract with PG&E to fulfill its remaining obligations prior to the October 31st deadline for year-ahead compliance. The agreement uses the Edison Electric Institute Master Power Purchase and Sale Agreement ("EEI Master Agreement") template, with certain negotiated modifications consistent with those in previously authorized EEI Master Agreements in place with other counterparties. Staff is seeking approval of the Master Agreement, setting forth the general terms and conditions for transactions between SVCE and PG&E, and the Confirmation, which specifies the immediate transaction details for purchase of 2018 Resource Adequacy.

CONCLUSION

Board authorization for purchase and sale of Resource Adequacy Capacity with Pacific Gas & Electric will facilitate compliance with SVCE's Resource Adequacy obligations.