



Renewables Portfolio Standard December 2024

REGULATORY ADVISORIES

**This document contains two
Renewables Portfolio Standard advisories.**

- 1) Prepayment Transactions Under the Enforcement Procedures
for the Renewables Portfolio Standard for Local Publicly Owned
Electric Utilities**
- 2) Renewables Portfolio Standard Optional Compliance
Measures for Local Publicly Owned Electric Utilities to Delay or
Satisfy Long-Term Procurement Requirements**

Please see the following pages for the specific advisories.



REGULATORY ADVISORY

Prepayment Transactions Under the Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities

In December 2020, the California Energy Commission (CEC) updated the *Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities* ([RPS POU Regulations](#)), which took effect on July 12, 2021.

This update implemented a long-term contracting requirement where 65 percent of Renewables Portfolio Standard (RPS) procurement must come from contracts of ten or more years duration, consistent with Public Utilities Code Section 399.13(b).

This advisory is issued in response to questions raised regarding whether prepayment transactions, specifically the limited assignment in this financial arrangement, would cause a change in the Portfolio Content Category (PCC) classification or long-term status of existing POU PCC 0 or 1 contracts. CEC staff generally do not anticipate that limited assignments under a prepayment transaction would modify the PCC classification or long-term status of an existing POU PCC 0 or 1 contract under the *RPS POU Regulations*.

If a prepayment transaction is used, a POU shall provide supporting documentation, including, but not limited to, the Limited Assignment Agreement; Electricity Purchase, Sale, and Service Agreement; Master Power Supply Agreement; and Clean Energy Purchase Contract (or their equivalents) during RPS annual reporting. This documentation, with a summary of the prepayment transaction, shall be submitted to the CEC at rpstrack@energy.ca.gov.

Following submission of the supporting documentation, CEC staff's verification process will assess the documentation under *RPS POU Regulations* Sections 3202(a)(2), 3203(a), and 3204(d)(2)(L), as applicable, and whether the prepay agreement and limited assignments impact the PCC classification or long-term status of the underlying contract. Prepay arrangements should not, and are not expected to, impact the PCC classification or long-term status of these contracts.

This is general advice. Each prepayment transaction will be evaluated based on its circumstances and documentation. The CEC cannot guarantee that future

prepayment transactions will not affect PCC classification or the long-term status of existing PCC 0 or 1 contracts.

Please email rpstrack@energy.ca.gov for more information or if you have any questions.



REGULATORY ADVISORY

Renewables Portfolio Standard Optional Compliance Measures for Local Publicly Owned Electric Utilities to Delay or Satisfy Long-Term Procurement Requirements

The California Energy Commission (CEC) is issuing this regulatory advisory to remind Publicly Owned Utilities (POU) of the availability of optional compliance measures (OCM) and requirements thereof for situations where a POU cannot satisfy their Long-Term Procurement Requirement (LTR). Failure to comply with the Renewables Portfolio Standard (RPS) program can lead to administrative hearings and financial penalties.

Under Public Utilities Code (PUC) Section 399.13(b)(1), Compliance Period (CP) 4, and subsequent CPs, includes an LTR requirement that 65 percent of a load serving entity's RPS procurement shall be from long-term contracts. Long-term procurement refers to procurement from long-term contracts, ownership, or ownership agreements, as specified in Section 3204(d) of the *Modifications of Regulations Specifying Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities* ([RPS POU Regulations](#)).

Several POUs have expressed concerns about their ability to meet the LTR during CP 4 and 5 due to reasons beyond their control and that arose after the requirement was first established.¹ The CEC expects all POUs to utilize every effort to satisfy its RPS obligations, including the LTR. However, in response to the POUs' concerns, this advisory is issued to remind POUs that the *RPS POU Regulations* Sections 3205 and 3206 provide OCMs for POUs to meet RPS procurement requirements for a CP. These OCMs can be used to delay or satisfy the LTR. POUs must submit documentation of their efforts to satisfy their obligations when requesting to apply OCMs, as described below. In addition, POUs must ensure their OCMs, listed in the table below, are up-to-date and have been adopted at a noticed public meeting of the governing board of the POU before the end of the CP, consistent with *RPS POU Regulations* Sections 3205 and 3206. OCM rules adopted under *RPS POU Regulations* Section 3206 shall be in place and described in a POU's renewable energy resources procurement

¹ These concerns have included the COVID-19 pandemic, supply chain issues, staff turnover, a tight Renewable Energy Credit (REC) market, and increased REC prices. POUs have further expressed concern that these extenuating circumstances may force them to raise utility rates on their customers during the CP 5 period.



plan or enforcement program for a given CP. Therefore, even if a POU does not intend to rely on those measures to satisfy or delay its RPS procurement requirements, it is prudent to have them in place prior to the end of the CP in case they become needed.

Optional Compliance Measure	Relevant Code Section
Delay of Timely Compliance	<i>RPS POU Regulations</i> Sections 3205 (a)-(b), 3206 (a)(2), 3206 (b)-(e)
Cost Limitation	<i>RPS POU Regulations</i> Sections 3205 (a)-(b), 3206 (a)(3), 3206 (b)-(e)
Portfolio Balance Reduction	<i>RPS POU Regulations</i> Sections 3205 (a)-(b), 3206 (a)(4), 3206 (b)-(d), 3206 (f)

[RPS POU Regulations](#) Section 3207 provides information on what a POU shall submit if RPS procurement requirements are not met, including, but not limited to: procurement plan(s) and enforcement program(s), the justification of adopted OCMs, all reports, analyses, proposed findings, and other information relied upon, and the amount of the shortfall that each OCM is intended to satisfy.

CEC staff held a webinar on June 26, 2024, to discuss the 2022, 2023 RPS Annual Reporting Requirements. The webinar slides and recording are available on the [Renewables Portfolio Standard – Verification and Compliance webpage](https://www.energy.ca.gov/programs-and-topics/programs/renewables-portfolio-standard/renewables-portfolio-standard), at <https://www.energy.ca.gov/programs-and-topics/programs/renewables-portfolio-standard/renewables-portfolio-standard>.

This is general guidance and does not predetermine compliance for future CPs. If a POU applies OCMs, staff will evaluate them based on the specific circumstances and the documentation provided.

For more information or if you have any questions, please email rpstrack@energy.ca.gov.