



Fact Sheet:

Decision Determining Need for Centralized Procurement of Long Lead-time Resources (R.20-05-003)

August 22, 2024

Overview of the Decision

On August 22, 2024, the California Public Utilities Commission (CPUC) issued a Decision determining need for centralized procurement of long lead-time (LLT) resources (Decision), implementing Assembly Bill (AB) 1373 (Stats. 2023, Ch 367). This Decision aims to make it easier to secure diverse clean energy resources through a central entity, such as the Department of Water Resources (DWR). By increasing clean energy supplies in California, this tool helps the state reduce greenhouse gases (GHG) and provide reliable power through diversified energy resources.

The Decision seeks to contain costs by establishing broad resource categories, where possible, to encourage competition; maximizing opportunities to reduce project expenses over the long term, including a series of solicitations to leverage declining costs over time; and establishing the identified resource need as maximums. Additionally, the decision highlights the need for funding sources other than electricity bills to support these efforts.

Central Procurement Authorization

- AB 1373 directs the CPUC to assess the need for DWR to procure long lead-time energy resources.
- A “need determination” is defined as the maximum value determined by the CPUC that could be procured by the Central Procurement Entity (CPE), in this case DWR, for specified resource types and/or resource attribute(s).
- The Decision determines there is a need for centralized procurement activity by DWR for the following LLT resources, outlining maximum quantities, initial round of solicitation dates, and online dates for potential procurement:

| Resource Type | Maximum Quantity | Solicitations Beginning In | Online by |
|---|------------------|----------------------------|-----------|
| Long Duration Energy Storage: 12 hour+ duration | 1 GW | 2026 | 2031-2037 |
| Long Duration Energy Storage: multiple day duration | 1 GW | 2026 | 2031-2037 |
| Geothermal | 1 GW | 2027 | 2031-2037 |
| Offshore Wind | 7.6 GW | 2027 | 2035-2037 |

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- The Decision sets the above solicitation start dates with additional rounds of solicitations conducted for remaining quantities of resources not contracted for in the earlier rounds.
- These specific resources were selected because they are technologies that present opportunities to help California meet its GHG emissions reduction goals for 2045 and beyond. They include emerging and existing technologies that need scaling to lower costs, because they are not currently being procured in large enough quantities by individual energy providers. Future central procurement needs will be regularly assessed within the IRP process and may consider other technologies.
- The Central Procurement Entity or CPUC may decide not to procure these technologies if costs to ratepayers are too high.

Relationship to LSE Procurement

- Any resulting procurement will be on behalf of all energy providers within CPUC jurisdictional areas. This includes Community Choice Aggregators, Direct Access Providers and Investor-Owned Utilities. Separately, publicly owned utilities (POUs) can request DWR also procure LLT resources on their behalf, contributing to market transformation and supporting California’s clean energy and climate goals.
- AB 1373's central procurement will operate distinctly from and complementary to current requirements for energy providers in IRP, such as existing procurement under D.21-06-035, D.23-02-040, and D.24-02-047, as well as any future IRP procurement requirements.

Allocation of Costs and Benefits

- The Decision establishes principles for distributing the costs and benefits of centralized procurement across energy providers.

Procurement Process

- The Decision outlines the following steps for the CPUC’s consideration of DWR contracts:



DWR Submits Contracts:

DWR, through its Statewide Energy Office, submits a memorandum to the CPUC detailing costs to be recovered from energy providers via a non-bypassable charge.

ALJ Ruling:

An Administrative Law Judge (ALJ) issues a ruling initiating the CPUC’s review and requesting comments on DWR's memorandum.

CPUC Decision:

The CPUC reviews the comments, considers the reasonableness of proposed contract costs, and authorizes cost recovery as necessary.



References

- **CPUC Decision:** Final Decision link to be posted
- **Revised Proposed Decision:** [Results \(ca.gov\)](#)
- **CPUC IRP Website:** <https://www.cpuc.ca.gov/irp>
- **Relevant AB 1373 materials:** [AB 1373 Centralized Procurement of Specified Long Lead-time Resources \(ca.gov\)](#)