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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Review,
Revise, and Consider Alternatives to the
Power Charge Indifference Adjustment.

Rulemaking 17-06-026

**ADMINISTRATIVE LAW JUDGE'S RULING
REGARDING MARKET PRICE BENCHMARKS**

This ruling requests comments on how to calculate certain Market Price Benchmarks for the Power Charge Indifference Adjustment (PCIA). Comments regarding the Renewable Portfolio Standard Market Price Benchmark (MPB) calculation are due on April 28, 2022, and reply comments are due on May 12, 2022. Proposals for calculating the Energy Index MPB are due on May 27, 2022, comments on the Energy Index MPB proposals are due on June 16, 2022, and reply comments are due on June 30, 2022.

1. Renewable Portfolio Standard MPB

This ruling requests comments on the Energy Division staff implementation plan to address Renewable Portfolio Standard Voluntary Allocation Transactions in MPB calculations (Attachment A) by April 28, 2022 and reply comments by May 12, 2022.

2. Energy Index MPB

2.1. Background

Both Southern California Edison (SCE) and Pacific Gas and Electric Company (PG&E) advocated in this proceeding for refining the method of weighting of the Energy Index MPB in PCIA calculations. In Decision

(D.) 22-01-023, the Commission concluded that it would consider this issue later in Phase 2 of the proceeding.

SCE asserted, for *example*, that:

The [investor-owned utilities (IOUs)] have experienced and will continue to experience increasing load departures (mostly to community choice aggregation (CCA)), undermining the historical premise that a dwindling bundled load portfolio can serve as an acceptable proxy of the IOUs' current generation supply portfolios. And the more load that departs, the starker that disparity becomes. For *example*, the IOUs' PCIA-eligible generation supply portfolios are comprised of a mix of technologies, including a prominent amount of solar and wind resources, with markedly differing generating profiles across the time of day as well as time of year. Those PCIA-eligible generation portfolio supply resources often garner CAISO market revenues that are far less than the Platt's on- and off-peak index predicted "average" that is reflected in the index, and which is currently used to set the Energy Index MPB component of forecast PCIA rates.¹

SCE further asserted:

The Energy Index MPB should be re-set based on the IOUs' PCIA supply/generation portfolios presented in their respective annual ERRA Forecast cases, instead of historical bundled load demand and the monthly Platt's on peak/off peak energy forecast prices. To that end, each IOU should be authorized to forecast the market value of the energy from its PCIA portfolio using the same methodology/model used to set the IOU's bundled service and overall PCIA forecast rates, which for SCE is a production cost model.²

PG&E similarly asserted:

[T]he energy benchmark methodology would benefit from a monthly volume-weighted approach. Beneficial changes can

¹ Comments of SCE filed September 13, 2021, at 6.

² Comments of SCE filed September 13, 2021, at 8-9.

be accomplished by using the PCIA supply generation presented in the ERRRA Forecast cases, instead of historical bundled load demand, and the monthly Platt's on peak/off peak energy prices.³

San Diego Gas & Electric (SDG&E) agreed with SCE's and PG&E's arguments,⁴ and SCE⁵ and PG&E⁶ both supported each other's arguments in reply comments. PG&E also asserted that its average actual energy price for PCIA resources was 8% lower than the average energy market price in 2019 and 2020.⁷ The California Community Choice Association (CalCCA) disagreed with SCE and PG&E, arguing that neither had demonstrated how their proposals would improve accuracy, that the transition from Platts data to production cost modeling data would reduce transparency and require additional time for review, and that more analysis was necessary.⁸

2.2. Direction to Develop Proposal

PG&E, SCE, and SDG&E are directed to jointly file a detailed Energy Index MPB calculation proposal in response to this ruling. The proposal must answer the following questions in the order presented below:

1. What is the problem with the current Energy Index calculation methodology and/or data source?
2. Would it be sufficient to continue using Platts data to calculate on-peak and off-peak indices, with the Commission simply updating the percentage weights that

³ Comments of PG&E filed September 13, 2021, at 5.

⁴ Reply Comments of SDG&E, filed September 22, 2021, at 5-6.

⁵ Reply Comments of SCE, filed September 22, 2021, at 4-5.

⁶ Reply Comments of PG&E, filed September 22, 2021, at 6.

⁷ Reply Comments of PG&E, filed September 22, 2021, at 6.

⁸ Reply Comments of CalCCA, filed September 22, 2021, at 3-6.

- each investor-owned utility (IOU) applies to the on- and off-peak indices? Why or why not?
3. Platts data are proprietary. Are there non-proprietary data sources that could result in an Energy Index of equal or better quality than the current Energy Index? If so, what are those data sources?
 4. If only proprietary data sources would result in an Energy Index of equal or better quality than the current Energy Index, what are those data sources?
 5. Is there a cost to obtain any of the data you identified in your responses above? If so, what is the cost?
 6. Based on the data sources you identified in your responses above, discuss the benefits and drawbacks of the following entities calculating the Energy Index, in terms of cost, efficiency, and transparency:
 - a. Energy Division staff
 - b. The IOUs
 - c. A third-party consultant
 7. How will the Energy Index and any related weights be calculated? Describe the data sources, the data scope (*e.g.*, which months or years of data will be used, as applicable), the timing of calculations prior to the October Update, and the calculation methodology for both the Energy Index itself and any weights.
 8. Who will calculate the Energy Index and any related weights? For example, will Energy Division staff, the IOUs, or a third-party consultant collect necessary data and perform the calculations?
 9. What is the cost of obtaining necessary data and performing the calculations? How will this cost be recovered?
 10. How would this proposal improve upon the current situation? In answering this question, address the following sub-questions:

- a. How will the proposal affect the workload of Energy Division staff?
- b. How will the proposal ensure transparency in data sources?
- c. How will the proposal ensure transparency in the calculation methodologies of both the Energy Index itself and any weights applied to the Energy Index?
- d. Show how PCIA rates and PABA balances would have changed if the 2020 Forecast Energy Index, the 2021 Forecast Energy Index, and the 2022 Forecast Energy Index had all been calculated using the proposed methodology, while keeping all other components of the calculations unchanged. This analysis should include public versions of existing ERRA workpapers that calculate indifference amounts, PCIA rates by customer class and vintage, and PABA balances for easy comparison to actual workpapers in past ERRA proceedings. It should also include a written description of the quantitative impacts resulting from the recalculation of the indifference amount.

PG&E, SCE, and SDG&E shall jointly file an Energy Index MPB calculation proposal in response to this ruling by May 27, 2022. Any other party may also file an Energy Index MPB calculation proposal that answers all of the questions above (except for question 10(d)) by May 27, 2022. Comments on the Energy Index MPB proposals are due on June 16, 2022, and reply comments are due on June 30, 2022.

IT IS SO RULED.

Dated April 18, 2022, at San Francisco, California.

/s/ STEPHANIE WANG
Stephanie Wang
Administrative Law Judge