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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
REQUESTING COMMENTS ON SUPPLEMENTAL
GREENHOUSE GAS-FREE PROPOSAL AND ISSUES IN SCOPE**

This ruling requests comments on a supplemental proposal for greenhouse gas-free (GHG-Free) transactions and additional issues in scope by March 17, 2023 and replies by March 24, 2023.

1. Supplemental GHG-Free Proposal

On September 12, 2022, I issued a ruling to request comments on a GHG-Free staff proposal. This ruling requests comments on the supplemental GHG-Free proposal in Attachment A.

2. Additional Issues in Scope

This ruling requests comments on whether the Commission should consider additional issues before closing this proceeding. Please note that I plan to mail a proposed decision that will address the remaining Phase 2 issues in the second quarter of this year: (a) whether GHG-Free resources are under-valued in the Power Charge Indifference Adjustment (PCIA), and if so, whether to adopt an adder or allocation mechanism; (b) whether to adopt a new method to include long-term fixed-price transactions in calculating the Renewables Portfolio

Standard adder; and (c) whether to modify the calculation of the PCIA energy index market price benchmark.

IT IS SO RULED.

Dated March 3, 2023, at San Francisco, California.

/s/ STEPHANIE S. WANG

Stephanie S. Wang
Administrative Law Judge

ATTACHMENT A

Supplemental GHG-Free Proposal

Purpose

This supplemental proposal (Supplemental Proposal) builds upon the GHG-free Energy Division Staff Proposal attached to a ruling issued on September 12, 2022 (GHG-Free Staff Proposal). This Supplemental Proposal would allow IOUs to choose either GHG-Free allocations or MPB treatment for non-RPS-eligible, large hydropower resources in each year, based on the discussion in the record. This Supplemental Proposal also modifies certain aspects of the original GHG-Free Staff Proposal for clarity or to address the staff analysis below.

Background and Additional Staff Analysis

In the development of GHG-Free Staff Proposal, Energy Division issued a data request to LSEs requesting information on all transactions for GHG free energy executed between December 1, 2019 and December 31, 2021, with delivery in 2021 or 2022. Energy Division subsequently confirmed that the LSEs had reported actual (or estimated) incremental GHG-Free value for their transactions, exclusive of RA value, energy value, or other values. Party comments on the GHG-Free Staff Proposal raised concerns that the staff analysis included transactions that included RA value, energy value, or other values, and that LSEs identified the incremental GHG-Free value of these transactions in an arbitrary manner. Party comments also raised concerns that the staff analysis included nuclear transactions despite the very limited number of nuclear transactions provided through the data request.

In early 2023, staff followed up again with the LSEs that had confirmed reporting incremental GHG-Free value to understand how they arrived at those values. In all cases for which staff received a response, the LSEs confirmed that their contracts had defined incremental GHG-Free values, either as the price of a standalone GHG-Free product or as the GHG-Free “plus” portion of an index-plus price structure (Incremental Value Defined GHG-Free Transactions).

Table 1 below compares summary information for short-term, index-plus (STIP) transactions used in calculating RPS MPBs over the past few years (the left three columns) against summary information for the transactions that staff used to calculate mock MPBs in the GHG-Free Staff Proposal (the middle three columns) and summary information for only confirmed Incremental Value Defined GHG-Free Transactions (the right three columns). In addition, Table 1 only includes transactions for large hydropower or combined or asset-controlling supplier (ACS) transactions that contain large hydropower. As shown in the table, the number of transactions and associated energy volume used to calculate the mock GHG-Free MPBs is generally smaller than for comparable RPS STIP transactions in recent years. This is particularly true when considering only confirmed Incremental Value Defined GHG-Free Transactions. Nevertheless, the average volume associated with the GHG-Free transactions is comparable to similar RPS STIP transactions, which indicates some robustness in the demand for non-RPS-eligible, GHG-Free energy. Furthermore, it is possible that most or all of the remaining transactions in the middle three columns of Table 1 are actually Incremental Value Defined GHG-Free Transactions. Energy Division simply was not able to confirm with the associated LSEs.

Table 1: Summary Statistics for RPS STIP Transactions and GHG-Free Transactions

	RPS STIP Transactions			GHG-Free Transactions (Large Hydro and ACS only)			Incremental Value Defined GHG-Free Transactions (Large Hydro and ACS only)		
	# Contracts	Total MWh	Avg. MWh	# Contracts	Total MWh	Avg. MWh	# Contracts	Total MWh	Avg. MWh
2020 Forecast	64	11,348,094	177,314	-	-	-	-	-	-
2020 Final	49	2,849,313	58,149	-	-	-	-	-	-
2021 Forecast	45	9,681,556	215,146	-	-	-	-	-	-
2021 Final	84	8,091,804	96,331	~80*	~5,000,000*	58,257	29	3,689,562	127,226
2022 Forecast	40	7,279,147	181,979	12	2,098,350	174,863	9	2,023,000	224,778

* Numbers generalized to protect the confidentiality of individual transactions in the original GHG-Free Staff Proposal

Given the information above, as well as the lack of a clear preference in the record for developing a GHG-Free MPB or extending the interim allocation processes, parties are encouraged to comment on the following Supplemental Proposal for addressing GHG-Free value in the IOU portfolios. This Supplemental Proposal builds on the GHG-Free Staff Proposal with modifications to clarify aspects of the proposal or to revise it, based on the record and the staff analysis above.

Supplemental Proposal

A. Definition of GHG-Free, Non-RPS-Eligible Resources

Beyond 2023, and unless and until the Commission determines otherwise, only transactions for energy from non-RPS-eligible, large hydropower resources will be considered “GHG-Free, non-RPS-eligible” transactions. Transactions with multiple resources, including ACS transactions, may also count to the extent that LSEs can identify the percentage of output from these transactions that is associated with non-RPS-eligible, large hydropower resources.

B. IOUs’ Annual Election of MPB or Allocation

For each year, PG&E and SCE may elect whether to offer allocations of energy from non-RPS-eligible, large hydropower resources to LSEs serving load within their service territories. Except as modified by this Supplemental Proposal (see “Modification of Interim Allocation Processes” below), PG&E’s allocation process will be consistent with the process adopted in Resolution E-5046 and revised and extended in Resolution E-5111, and SCE’s allocation process will be consistent with the process adopted in Resolution E-5059 and extended by D.21-05-030. The IOUs must indicate their choice for each calendar year in the ERRA Forecast application filing for that year. For the 2024 ERRA Forecast application only, the IOU must make its election via a Tier 1 advice letter by June 15, 2023 and must revise its ERRA Forecast workpapers, as necessary, by July 15, 2023.

If an IOU’s ERRA Forecast application for a given year does not indicate that the IOU will offer allocations for that year, or if the IOU misses the deadline for making its election via a Tier 1 advice letter (for the

2024 ERRa Forecast application specifically), then a GHG-Free MPB will apply towards non-RPS-eligible, large hydropower resources in the IOU's portfolio in the associated ERRa Forecast.

Given that SDG&E does not currently have an interim allocation process in place, any non-RPS-eligible, large hydropower resources in SDG&E's portfolio will be subject to the GHG-Free MPB until such a time as it may have an approved interim allocation process in place.

C. MPB Calculation Process

The GHG-Free MPB calculation process will be the same as in the GHG-Free Staff Proposal, except for the following modifications:

1. Unless and until the Commission determines otherwise, Energy Division will only include transactions for energy from non-RPS-eligible, large hydropower resources in the GHG-Free MPB calculation. Transactions with multiple resources, including ACS transactions, may also be included to the extent that LSEs can identify the percentage of output from these transactions that is associated with non-RPS-eligible, large hydropower resources. Energy Division Staff will have the discretion to determine whether a particular transaction with multiple resources meets this criterion.
2. Energy Division will only include Incremental Value Defined GHG-Free Transactions, i.e., transactions for which the contract identifies a specific, incremental GHG-Free value, either as the price of a standalone GHG-Free product or as the GHG-Free "plus" portion of an index-plus price structure.
3. Energy Division will apply the same execution date and delivery date parameters that apply to STIP resources included in the RPS MPB, which are currently the parameters adopted in D.22-01-023.
4. Energy Division will issue at least one GHG-Free data request per year, ideally in conjunction with one or both of the semiannual RPS-PCIA data requests.
5. Regardless of the annual elections that IOUs make, Energy Division will only calculate a forecast or final GHG-Free MPB for a given year if there are at least 10 transactions that meet the criteria for inclusion in the relevant MPB calculation. If an IOU chooses MPB treatment for its portfolio in a given year, but Energy Division subsequently finds that there are too few transactions to calculate a forecast or final GHG-Free MPB for that year, the forecast or final MPB will be "\$0" in the IOU's relevant October ERRa Forecast Update.
6. PG&E's and SCE's interim GHG-Free allocations will not sunset by December 31, 2023. Instead, PG&E and SCE will elect whether to offer allocations each year. PG&E and SCE must revise the interim allocation provisions in their tariffs, as described below, regardless of whether they intend to offer allocations past 2023.
7. Each IOU's ERRa Forecast workpapers in each year must reflect either MPB treatment or allocations for non-RPS-eligible, large hydropower resources, depending on the IOU's decision for the relevant year (as applicable).

D. Modification of Interim Allocation Processes

Within 15 days of the effective date of the decision approving this Supplemental Proposal, PG&E and SCE will each file a Tier 1 advice letter to update the GHG-Free allocation process in its 2014 Conformed

Bundled Procurement Plan to bring it into alignment with the final decision. At a minimum, revisions will include the following:

1. Allocations may occur beyond 2023, depending on the IOU's election for any given year.
2. Unless and until the Commission determines otherwise, only non-RPS-eligible, large hydropower resources will be eligible for allocation beyond 2023.
3. The deadline for the IOU to determine whether it will offer allocations in 2025 or beyond is the ERRA Forecast application filing deadline for that year. (For example, the deadline for 2025 is May 15, 2024, which is the 2025 ERRA Forecast application filing deadline.)

(END OF ATTACHMENT A)