

BEFORE THE PUBLIC UTILITIES COMMISSION OF
THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Update
and Reform Energy Resource Recovery
Account and Power Charge Indifference
Adjustment Policies and Processes.

Rulemaking 25-02-005
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COMMENTS OF THE UTILITY REFORM NETWORK
ON TRACK 3 SCOPING ISSUES



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COMMENTS OF THE UTILITY REFORM NETWORK ON TRACK 3 SCOPING ISSUES

Pursuant to the February 20, 2026 ruling of Administrative Law Judge Sotero, The Utility Reform Network (TURN) submits these comments on Track 3 scoping issues. TURN recommends two issues for inclusion in Track 3.

I. THE COMMISSION SHOULD REVISIT THE CALCULATION OF THE RPS MARKET PRICE BENCHMARKS

Despite significant volatility in the Renewable Portfolio Standard (RPS) Market Price Benchmarks (MPBs) in recent years, and a massive runup in overall values, the Commission has not included potential revisions to the RPS MPB methodology in the scope of this proceeding to date. This issue should be included within the scope of Track 3.

Since 2022, the RPS MPB has increased by almost 500%. The RPS adders have risen from \$13.24 in 2022 (final) to \$30.30 in 2023 (final) to \$65.65 in 2024 (final), \$63.06 in 2025 (final), and \$62.45 in 2026 (forecast).¹ The primary reason for this escalation is the exclusive reliance on a subset of short-term transactions that involve index-plus pricing and represent a small fraction of total RPS compliance volumes.

The forecast RPS MPB adder relies on the volume-weighted average of eligible RPS transactions (index-plus, PCC1) executed from September of year n-2 through August of year n-1 for resources to be delivered in year n. The final RPS adder relies on the volume-weighted average of eligible RPS transactions (index-plus, PCC1) executed from December of year n-2 through August of year n-1 for resources delivered in year n. This data set comprises a small slice of total RPS-eligible resources procured by IOUs,

¹ <https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/power-charge-indifference-adjustment>

CCAs and ESPs during year n. In particular, the data set excludes all long-term fixed price transactions for new RPS-eligible generation.

Given the heavy reliance on long-term fixed price agreements for newly built resources, the statutory requirement that 65% of all RPS compliance be sourced under long-term agreements, and the requirement that new RPS-eligible IRP-mandated procurement be conducted under long-term agreements, the categorical exclusion of fixed-price long-term transactions from the RPS MPB is extremely problematic, does not reflect the actual premiums paid in the market for longer-term resource commitments, and virtually guarantees extreme volatility in the year-to-year values. The volatility is driven by short-term fluctuations in compliance positions and has little connection to the fundamental cost of RPS resources held in Load Serving Entity portfolios or available under medium-term or long-term contracts.

TURN previously urged the Commission to develop a method for estimating the imputed REC value for Long-Term Fixed Price (LTFP) contracts that could be used to develop the RPS MPB.² While the Commission agreed that TURN's proposal "is the directionally appropriate policy"³, it ultimately declined to adopt this approach while noting a willingness to "reconsider the inclusion of LTFP contracts in the RPS MPB in the future" when either LTFP contracts reflect a larger portion of excess RPS sales or Resource Adequacy market reforms have been implemented.⁴ Since the adoption of that decision, the Commission has implemented the Slice-of-Day framework for Resource Adequacy which satisfies a key trigger for reconsideration of LTFP contracts in the RPS MPB calculation.

² Comments of TURN on the Phase 2 Working Group #1 Workshop, R.17-06-026, March 8, 2019, pages 1-4; TURN proposal for incorporating fixed-price bundled renewable energy transactions into the Market Price Benchmark analysis, R.17-06-026, May 21, 2019 (included in Working Group 1 report – issues 1-7, Exhibit C).

³ D.19-10-001, pages 19-20.

⁴ D.23-06-006, pages 11-12, Conclusion of Law 10.

The recent run-up in RPS MPBs justifies a reconsideration of TURN's original proposal. Applying the \$62.45 MPB forecast value for 2026 would result in the illogical conclusion that many long-term fixed price contracts executed in recent years have zero-to-negative energy value and/or zero-to-negative RA value. The 2025 CPUC RPS report explains that "the average price of IOU, CCA and ESP contracts executed in 2024 was 8.1 cents/kWh compared to 5.9 cents/kWh in real-dollar value in 2023."⁵ It is not reasonable to assume that any recently executed long-term fixed price contracts have near-zero, or negative, energy and RA value. This assumption is at odds with the valuation approaches used by the IOUs as part of their evaluation of bids in ongoing solicitations. The IOU approaches find significant non-RPS value (energy + RA) associated with these contracts.

Given these serious issues, the Commission should undertake an effort to revise the RPS MPBs in Track 3 of this proceeding. The first step is to address the egregious mismatch between the small number transactions included the calculation and the much larger portfolio of RPS-eligible resources procured by Load Serving Entities. This revision should, at a minimum, include the adoption of a methodology to calculate RPS MPBs that includes long-term fixed price resources. This issue should be included in the scope of Track 3 and be the subject of comments and proposals by parties.

II. MONTHLY MARKET PRICE BENCHMARK VALUES

The OIR originally identified the possibility of using monthly values for the MPBs instead of a single annual value, noting that prices "vary by as much as an order of magnitude across the months."⁶ TURN strongly supports the development of monthly values as part of Track 3.

⁵ 2025 California Renewables Portfolio Standard Annual Report, November 2025, page 5 (<https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/documents/energy/rps/2025/2025-california-renewables-portfolio-standard-rps-annual-report.pdf>)

⁶ OIR, page 22.

The challenge of relying on a single annual value has been apparent in other proceedings. In A.24-03-018 and A.25-03-015, PG&E proposed to include RA substitution capacity costs in its determination of Diablo Canyon revenue requirements for 2025. These costs are expected to be incurred when Diablo Canyon is offline for maintenance or refueling, activities that are scheduled to occur outside of the peak summer months. TURN's comments on this proposal explained that:

For purposes of calculating Diablo Canyon resource capacity substitution costs in 2024 and 2025, the MPB is inappropriate due to the mismatch between the peak summer pricing that drives the annual average and the timing of Diablo Canyon outages. As pointed out in A4NR's testimony, PG&E's own forecasts of short-term system RA costs show massive differences between pricing in summer months versus all other times during the year. In its release of the MPBs, the Energy Division provided data showing higher transaction volumes in peak summer months but did not show pricing by month. Applying the average annual price to the months of the Diablo Canyon outages would result in a significant overcollection relative to expected real-world costs.⁷

To the extent that the RA MPB is used to set revenue requirements that include the costs of RA incurred during specific off-peak months, as occurs in the case of Diablo Canyon, the reliance on an annual value will massively inflate the costs collected from customers. In the case of Diablo Canyon, these costs are collected from customers of all three IOUs.

Given the large seasonal variations between RA MPB values in peak and off-peak months, it seems obvious that the development of more granular values is warranted. The Staff report identified several possible methods of revising these values to reflect this differentiation. TURN does not currently take a position on which set of adjustments are most appropriate to achieve this result. This issue is ripe for additional exploration in Track 3.

⁷ TURN opening comments on PG&E Update Testimony, A.24-03-018, October 18, 2024, pages 1-2.

Respectfully submitted,

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