

**BEFORE THE PUBLIC UTILITIES COMMISSIONS
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

**OPENING COMMENTS ON TRACK 3
BY THE DIRECT ACCESS CUSTOMER COALITION
AND THE ALLIANCE FOR RETAIL ENERGY MARKETS**

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March 27, 2026

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In accordance with Rule 6.2 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, the Direct Access Customer Coalition¹ and the Alliance for Retail Energy Markets² (“AReM/DACC”) submit these opening comments in response to Administrative Law Judge (“ALJ”) Maria Sotero’s Ruling issued February 2, 2026, requesting the three investor-owned utilities (“IOUs”) and any interested parties to file comments on issues to address in Track 3 of this rulemaking, comment on data access and confidentiality as it pertains to this Track, and express expectations as to the timing and process for Track 3.

BACKGROUND

This Rulemaking addresses possible future revisions or modifications to the Energy Resource Recovery Account (“ERRA”) and Power Charge Indifference Adjustment (“PCIA”). The original Order Instituting Rulemaking (“OIR”) stated four objectives:

¹ DACC is a regulatory advocacy group comprised of educational, governmental, commercial and industrial customers that utilize direct access for all or a portion of their electrical energy requirements.

² AReM is a California mutual benefit corporation formed by Electric Service Providers (“ESPs”) that are active in California’s Direct Access retail electric supply market. This filing represents the position of AReM, but not necessarily that of a particular member or any affiliates of its members with respect to the issues addressed herein.

1. Consider and identify reasonable *improvements to existing ERRA and PCIA rules, mechanisms, and processes* to ensure best practices in utility forecasting and other procurement plan activities;
2. Identify ways to mitigate and respond to *rate volatility*, whether resulting from market conditions or ratemaking constructs;
3. Best *ensure indifference* among bundled and departed customers; and
4. Provide policy guidance to *ensure that individual utility forecast ratemaking proceedings function as efficiently and consistently* as possible.³

In the prior two tracks, the Commission addressed issues it deemed to be particularly pressing, namely modifications to the calculation of the Resource Adequacy (“RA”) market price benchmarks (“MPBs”) in Track 1 and the proper PCIA treatment of Renewable Energy Certificates (“RECs”) generated prior to 2019 but banked and used for compliance in years following 2019 in Track 2. Here, in Track 3, the ALJ Ruling proposes to address all remaining issues with the ERRA forecast process and the calculation of the PCIA.

The following comments are organized around the three questions posed in ALJ Sotero’s February 20 Ruling in light of the four objectives laid out in the OIR.

QUESTION 1. WHAT ISSUES SHOULD BE ADDRESSED IN TRACK 3 OF THIS PROCEEDING? IF YOU HAVE VIEWS ON HOW THESE ISSUES SHOULD BE PRIORITIZED, ALSO PROVIDE THAT INPUT.

AReM/DACC see the potential issues to be addressed in this phase falling into four categories: MPB and PCIA calculation reforms; true-up reforms, including the ERRA trigger

³ February 26, 2025, *Order Instituting Rulemaking To Update And Reform Energy Resource Recovery Account And Power Charge Indifference Adjustment Policies And Processes*, R.25-02-005 (“OIR”) at 16. Emphasis added.

process; customer and resource vintage assignment issues; and other miscellaneous issues. Within each of these categories, there are multiple issues that should be addressed.

BENCHMARK/PCIA CALCULATION REFORMS

- 1. Reform the RA benchmark. With the full implementation of the slice of day methodology for RA compliance, how should the above market costs of utility capacity and RA assets be measured and allocated among bundled and departed loads?**

The OIR explicitly identifies reform of the RA MBP as an issue to be addressed:

The RA program has undergone several fundamental changes that are affecting the RA MPB. Issues surrounding rules for vintaging resources (which is key to determining who pays for that resource) have repeatedly arisen in recent utility GRCs, and accounting questions of a policy nature continue to arise in individual ERRA compliance cases. The procurement behavior of utilities and how they manage those resources, especially in light of rules and directions related to reliability, have also become prominent in ERRA compliance.⁴

And

Consideration of the need for ERRA-specific implementation guidance for RA program changes, including those related to the implementation of the Slice of Day framework, as was raised in the 2025 ERRA forecast. This issue would exclusively focus on ERRA guidance for the implementation of rules adopted in the RA proceeding and would not extend to any issues in scope for that proceeding.⁵

In the past two rounds of ERRA forecast applications, each of the IOUs have proposed temporary methods of calculating the above- (or below-) market value of its RA portfolio. These should be viewed as potential options but should not be given greater weight than any additional proposals that are made here in Track 3. A full consideration of the valuation of RA for PCIA purposes is needed, including characterizing the IOU's RA portfolio, the definition of a market

⁴ Order 25-02-005 at p. 15.

⁵ Order 25-02-005 at p. 24.

value for the utility’s RA portfolio based on reasonably available data, or even if some new structure not based on a MPB is needed.

2. Reforms to the RPS benchmark. Should the RPS benchmark continue to be reflected in the PCIA calculation, and if so how?

In Rulemaking (“R.”) 17-06-026, AReM/DACC recommended that a published index for California Product Content Category (“PCC”) 1 renewable energy certificate (“REC”) be used. This recommendation was rejected in favor of the data request method. The Commission should re-investigate whether a published index could better reflect the value of the utilities’ renewable energy portfolio and reduce generation rate and PCIA volatility.

3. Refinements to the Energy Index. Is there any need to revise the existing Energy Index to increase accuracy and reduce rate volatility? And if so, how?

Unlike the RA MPB, AReM/DACC do not believe that a wholesale reform to the Energy Index is needed but nonetheless recommend that the Commission consider any proposed refinements that would increase the accuracy of the Energy Index so as to reduce PCIA and bundled generation rate volatility.

4. GHG-free resource valuation. Should the value of a GHG-free resource be reflected in the PCIA calculation, and if so how?

In R.17-06-026, the California Community Choice Association (“CalCCA”) recommended that a component to account of the value of greenhouse gas (GHG)-free resources be reflected in the calculation of the PCIA.⁶ A number of other parties concurred with their GHG-free energy benchmark proposal. In Decision (“D.”) 18-10-019, the Commission ultimately decided that there was “insufficient market data” upon which to base a GHG-free benchmark.⁷ However, the

⁶ D.18-10-019 at p. 19-20.

⁷ *Ibid.* at p. 150-151.

decision went on to note, “If market changes demonstrate a consistent heightened value for GHG-free resources in the coming years, then it might be appropriate to re-evaluate the need for a GHG-free adder.”⁸ Given in increasing importance of GHG-free power in integrated resource planning, AReM/DACC believe that the Commission should reconsider reflecting the market value of GHG-free power in the PCIA.

5. Data Sources. *Is there a better way to gather data for setting the RA and RPS MBPs than data requests from Energy Division to LSEs? Are there published indices that could be used?*

Like all other load serving entities, the electric service provider members of AReM must each respond to a data request from Energy Division so that the Energy Division Staff may prepare the various market price benchmarks. As was observed in 2024 and 2025, this methodology resulted in questionable RA and RPS market price benchmarks, which both slowed and confused the process of getting rates in place for 2025. AReM/DACC recommend that the Commission review this data gathering process to determine if alternative processes, such as relying upon market indices, or other methods of determining values of these products are more accurate, less burdensome to LSEs and produce significantly less PCIA rate volatility.

TRUE-UPS AND TRIGGER

1. True-ups. Should the Commission change how ERRA and PCIA-related true-ups are calculated and implemented?

A large fraction of the magnitude of the volatility in PCIA and generation rates results from the truing up of market price benchmarks. Before 2019, the PCIA was not trued up, under the supposition that over time, the annual over- and under-collections from departed load would

⁸ *Ibid.* at p. 152.

balance out. In R.17-06-036, an initial decision held that only the Energy Index be trued up at that time.⁹ True-ups were later revised to include the RA and RPS components.¹⁰

AReM/DACC recommend investigating if truing-up the RA, RPS, and GHG-free power benchmarks is necessary to maintain indifference requirements and the extent to which the elimination of such true-ups might alleviate rate volatility.

2. ERRA Triggers. Should the Commission change the ERRA trigger process, and if so, how?

The original OIR explicitly states that “improvements to ERRA trigger rules”¹¹ should be addressed. AReM/DACC believe that Track 3 is the place to do this. As noted in the OIR,

Every February the utilities file a Trigger Advice Letter (AL) establishing that year’s Trigger Point and Trigger Threshold at $\pm 4\%$ and $\pm 5\%$ respectively of actual recorded generation revenues from the prior calendar year. If the ERRA balance reaches the $\pm 4\%$ trigger point at any time and is forecast to exceed the $\pm 5\%$ threshold, the IOU is required to either: (1) file an advice letter notification that the trigger point has been exceeded, but no rate change is necessary since the utility expects the balance to self-correct within 120 days; or (2) file an expedited application if the utility expects the exceedance will not self-correct within 120 days.¹²

There are at least three alternatives to the status quo that could be considered. First, the Commission could tighten the ERRA trigger threshold below the current $\pm 4\%$ and $\pm 5\%$. Second the Commission could provide for quicker/more automatic implementation, such as through a Tier 1 Advice Letter. Options such as these could introduce more mid-year volatility but reduce the magnitude of annual true-up related volatility. Third, the Commission could consider eliminating the Trigger. As noted in the OIR, “While the trigger process provides timelier true ups, it can also

⁹ D.18-10-019 at p. 126.

¹⁰ D.19-10-001 at Ordering Paragraphs 3 through 5.

¹¹ OIR at p. 16.

¹² OIR at p. 9.

contribute to rate volatility and greater complexity around rates. In some situations, the increase or reduction in rates that occurs when an overcollection or undercollection is trued up can obfuscate the costs of energy procurement for consumers.”¹³ If other adjustments are made to the ERRA process that reduces volatility, a Trigger mechanism might not be needed.

3. Capping balancing account carry-overs. *Should large ERRA or PABA balances be collected or refunded over more than twelve months?*

True-ups of ERRA and PABA balances have been a major source of rate volatility. For example, PABA imbalances integrated into the following year’s PCIA’s have averaged (across all three IOUs) over \$400 million, ranging from approximately negative \$425 million (PG&E in 2022) to positive \$2.2 billion (PG&E in 2026).¹⁴ The rate impact of these massive true-ups could be partially mitigated by spreading them, for example, over 18 or 24 months. While fairness to all customer groups must be considered, mitigating rate impacts of balancing and memorandum accounts collections over more than twelve months are common, and as such should be considered here.

VINTAGING ISSUES

1. PPA and UOG asset vintage assignment. *Should power purchase agreement changes or the utility investment to prolong the life of UOG generating assets trigger the reassignment of that PPA or UOG asset to a new PCIA vintage? What criteria should be used to determine when a new vintage assignment is required?*

In Rulemaking (“R.”) 17-06-026, CalCCA raised the issue of re-vintaging UOG assets that undergo major new investment. Decision 18-10-019 in that rulemaking found that re-vintaging may be appropriate, but that CalCCA did not present enough testimony in the proceeding to decide the matter then. The Order instituting this Rulemaking explicitly notes, “Consideration of

¹³ *Ibid.*

¹⁴ Values from ERRA Update workpapers.

additional guidance for vintaging resources, especially with respect to changes to or investments in utility owned resources.”¹⁵ Clearly, the reassignment of a PPA or UOG asset’s PCIA vintage is in scope and should be addressed in Track 3.

2. Customer Vintage Verification Requirements, Should more stringent requirements be placed on IOUs to ensure proper customer vintage assignment?

Direct access customers have experienced challenges in retaining the correct vintage when switching from Community Choice Aggregators to direct access service. AReM/DACC request that rules and requirements be set for the IOUs, CCAs and ESPs for correctly vintaging DA customers as they switch providers, either through the DA Relocation/Replacement process or the annual DA Lottery. In particular, there is a lack of clarity in the scenario where a CCA account switches into DA service via DA Relocation. In this case, there are two existing PCIA vintages: one associated with the disconnected DA account and one associated with the existing CCA account. There is currently no established framework for any of the IOUs on what PCIA vintage prevails and carries through to the account that is being brought into DA service.

MISCELLANEOUS ISSUES

1. Additional Issues. *Should the Commission consider other proposals to improve PCIA and generation rate transparency, stability, and forecastability?*

DA customers find the current process, whereby they know what the PCIA will be the following year only approximately two months before the end of the year, to be particularly challenging. Greater certainty in PCIA values well in advance of the implementation of changes would be beneficial for all ratepayers. DA customer would be able to enter into agreements with ESPs with greater overall price certainty, CCAs would be able to plan their pricing and services better, and bundled customers, too, would have greater rate certainty and reduced volatility.

¹⁵ OIR at p. 24.

AReM/DACC strongly recommend that this Track be only to all suggestions, even those “outside the portfolio cost/market price benchmark box,” that could improve rate transparency, stability and forecastability.

QUESTION 2: THERE MAY BE DATA CONFIDENTIALITY AND/OR DATA ACCESS ISSUES THAT AFFECT HOW ISSUES CAN OR SHOULD BE ADDRESSED BY THE PARTIES. WHAT DATA CONFIDENTIALITY ISSUES ARE LIKELY TO ARISE IN TRACK 3? HOW SHOULD THE SCOPE AND SCHEDULE OF TRACK 3 ADDRESS THESE ISSUES?

The main purpose of allowing parties access to utility data is to allow the parties to evaluate the concrete impact of proposals by calculating possible generation rates and the PCIA. To that end, the Commission should allow parties access, under appropriate nondisclosure agreements, to all data needed to evaluate potential changes to the calculation of the PCIA. If complete data needed to conduct relevant analyses is not available to parties, the Commission should require the IOUs to run scenarios on parties’ behalf.

QUESTION 3. HOW LONG DO YOU EXPECT TRACK 3 WILL TAKE TO COMPLETE? WHAT PROCESS/TIMING INTERDEPENDENCIES MAY THERE BE?

AReM/DACC believe that Track 3 can be completed in time to be implemented on January 1, 2028. If the data that is to be reported by LSEs for the formulation of the RPS and RA MPBs do not change, or are eliminated in favor of an index, the Commission would need to approve a Track 3 decision no later than September 1, 2027. This would allow the Energy Division to revise its market price benchmark calculation tools and the utilities to integrate relevant changes into their respective fall ERRA forecast proceeding updates. If the Track 3 decision changes the data reported to the Energy Division by LSEs, an additional one to two months would be required, pushing back the date back to approximately July 1, 2027.

AReM/DACC believe that the Track 3 issues are best addressed through party proposals and collaborative workshops rather than through testimony and hearings.

AReM/DACC do not necessarily see that any one issue or issues must be decided before any of the others are addressed. As such, all can be addressed simultaneously. However, with that said, AReM/DACC believe it to be prudent to set up three or four separate sub-tracks to run roughly in parallel so that a sticking point in one sub-track does not hinder progress in another.

CONCLUSION

AReM and DACC welcome this opportunity to provide input into the scope of Track 3 of this rulemaking and look forward to collaborating with parties to arrive at meaningful changes to the ERRA and PCIA processes that will result in fairer, more stable, and more transparent rates.

Respectfully,



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