



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

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Order Instituting Rulemaking to Consider
Distributed Energy Resource Program Cost-
Effectiveness Issues, Data Access and Use,
and Equipment Performance Standards.

R.22-11-013

OPENING COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY
(U 338-E) ON THE ADMINISTRATIVE LAW JUDGE'S RULING ISSUING UPDATED
2026 AVOIDED COST CALCULATOR STAFF PROPOSAL FOR PARTY INPUT

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Pursuant to the *Administrative Law Judge’s Ruling Issuing Updated 2026 Avoided Cost Calculator Staff Proposal for Party Input* dated June 5, 2026 (Ruling), Southern California Edison Company (SCE) respectfully submits these Opening Comments. In these comments, SCE refers to the April 23 Avoided Cost Calculator (ACC) Staff Proposal as the Original Proposal and the Updated ACC Staff Proposal issued on June 5 as the Revised Proposal.

I.

**RESPONSES TO QUESTIONS REGARDING PROPOSED MODIFICATIONS TO THE
2026 ACC STAFF PROPOSAL**

1. *Do you support the proposed refinements to the Integrated Calculation model?
Why or why not?*

SCE generally supports Staff’s proposed refinements to the Integrated Calculation methodology in concept, including the simplification of the framework to a single decision variable and the direct use of the greenhouse gas (GHG) shadow prices from the Integrated Resource Plan’s (IRP) RESOLVE model to determine GHG avoided costs. These changes improve transparency, reduce model complexity, and better align the ACC with underlying IRP outcomes. SCE recommends the Integrated Calculation be further refined to 1) calibrate the calculated generation capacity avoided costs with the generation capacity shadow prices from the

IRP's RESOLVE model; and 2) reintroduce the smoothing function for generation capacity avoided costs.

Aligning the GHG and generation capacity values in the ACC with shadow prices from the IRP's RESOLVE model, which represents the cost of meeting a constraint,¹ is the most transparent and appropriate way to ensure consistency with IRP results. SCE supports leveraging existing IRP outputs and has previously proposed using these shadow prices directly in the ACC, eliminating the need for the Integrated Calculation altogether. Staff's revised proposal to set the ACC's GHG value equal to the RESOLVE shadow price is a step in that direction. SCE acknowledges the significant time and effort Staff has invested in refining the Integrated Calculation and thus currently supports Staff's revised proposal to use it to residually solve generation capacity avoided costs, provided those results are calibrated against RESOLVE's generation capacity shadow prices² to ensure the two are reasonably consistent. However, SCE is concerned about the extent to which the calculated generation capacity values depend on effective load carrying capability (ELCC) inputs.³ In particular, understated ELCC values for hybrid resources would artificially inflate the ACC's generation capacity value.⁴ Calibrating these results against RESOLVE generation capacity shadow prices should help mitigate risks arising from potential inconsistencies or flaws in the ELCC and GHG impact inputs. SCE proposes the Revised Proposal be modified to include this critical step. Further, SCE requests that the decision approving the Revised Proposal includes a provision that allows Energy

¹ See slide 29 of the January 14, 2026 Energy Division presentation on the 26-27 Transmission Planning Process (TPP) Modeling and Analysis Results, available at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/integrated-resource-plan-and-long-term-procurement-plan-irp-ltpp/2024-2026-irp-cycle-events-and-materials/assumptions-for-the-2026-2027-tp/26-27-tp-pd-resolve-and-servm-analysis.pdf> (“*ED TPP Presentation*”).

² IRP materials refer to the generation capacity shadow price as the planning reserve margin (PRM) shadow price.

³ The IRP has not, to-date, published an ELCC value for hybrid resources.

⁴ The avoided generation capacity costs calculated by the Integrated Calculation are most dependent on the marginal ELCC inputs; however, they are also dependent on the marginal GHG impacts inputs.

Division (ED) to directly use the generation capacity shadow prices if the Integrated Calculation's results deviate too far from the IRP's findings.^{5,6}

SCE also proposes to reintroduce the smoothing step for generation capacity avoided costs included in the Original Proposal. The Integrated Calculation excel file supporting the Original Proposal smoothed the calculated GHG and generation capacity values using a 7-year rolling average to reduce inter-year volatility. The Revised Proposal proposes to smooth the GHG shadow prices from RESOLVE (*i.e.*, ensuring the avoided GHG costs in the ACC are not unduly volatile), but does not propose any adjustments to the calculated generation capacity values. However, smoothing this single input to the Integrated Calculation does not sufficiently mitigate fluctuations in the final calculated results. SCE proposes the final calculated generation capacity values be smoothed using the same rolling average that is used for avoided GHG costs.⁷

2. Do you support the proposed refinement to the Avoided Transmission Cost Calculation? Why or why not?

In the Revised Proposal, ED Staff propose to calculate transmission marginal costs by applying the Discounted Total Investment Method (DTIM) to all load-driven transmission projects, regardless of whether they address a locational need or a system-wide need.⁸ In prior years, the Locational Net Benefits Analysis (LNBA) method was used to derive a transmission marginal cost for projects that were primarily built for locational benefits.

⁵ For example, the California Public Utilities Commission's (CPUC's) 26-27 TPP's Modeling and Analysis presentation finds the generation capacity shadow price to be \$0 between 2028-2036 because "[reliability] is not binding...as the GHG target drives resource builds contributing to an over-reliable system." See *ED TPP Presentation*, Slide 29.

⁶ Staff should include this proposal, if appropriate, in the draft Resolution implementing the 2026 ACC.

⁷ The smoothing function used in the Revised Proposal for avoided GHG costs is a 5-year rolling average, while the smoothing function used for avoided GHG and generation capacity costs in the Original Proposal was a 7-year rolling average. SCE does not have a recommendation on number of years to include in the rolling average, but believes the same methodology should be used for both avoided costs.

⁸ Revised Staff Proposal, June 5, 2026, pp. 14-15.

SCE agrees with the proposed changes to simplify the calculation of the transmission marginal costs, but only for the 2026 ACC update. SCE has not been able to fully investigate the impacts of retiring the LNBA method on a permanent basis during the two-week comment period for the Revised Proposal. However, SCE expects that the number and value of projects to be evaluated under the LNBA will shrink for this cycle. In the interest of efficiency and simplifying the analysis, it makes sense to only use the DTIM method given the smaller scope of projects that would normally be evaluated under the LNBA in this cycle.

SCE expects the scope of projects that would otherwise be evaluated under the LNBA to shrink due to a discovery that was made in the process of replying to an ED data request pertaining to the calculation of transmission avoided costs for this ACC update cycle. For the 2024 update cycle, SCE included the Wildlife Substation as a locational, load-driven transmission project. However, no SCE retail customers are expected to be connected to or served from the Wildlife Substation under non-emergency operations, as SCE is building the substation to exclusively serve Riverside Public Utilities (RPU).² RPU receives transmission service from SCE and will serve the retail customers connected to the Wildlife Substation once it is in service. The ACC is designed to estimate avoided costs related to DERs located behind customer meters on SCE's system. SCE cannot offer programs or compensation for DERs located on RPU's system and therefore has absolutely no opportunity to avoid costs associated with the Wildlife Substation through DER programs and tariffs. The Wildlife Substation should have been excluded from the 2024 ACC transmission marginal costs had SCE provided the appropriate context at the time. As a result, for 2026, the one remaining LNBA project would shift to the DTIM.

² [See Riverside Transmission Reliability Project, available at: https://www.sce.com/about-sce/reliability/projects-in-progress/riverside-transmission-reliability-project.](https://www.sce.com/about-sce/reliability/projects-in-progress/riverside-transmission-reliability-project)

3. *Do you have other recommendations for the Integrated Calculation model or the Avoided Transmission Cost Calculation?*

SCE has no additional recommendations for the Revised Proposal at this time.

II.

CONCLUSION

SCE appreciates the opportunity to provide these Opening Comments on issues related to the Revised Proposal.

Respectfully submitted,

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