

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED

06/13/22

04:59 PM

R1706026

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

R.17-06-026

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
ENERGY INDEX MPB CALCULATION PROPOSAL**

Evelyn Kahl,
General Counsel and Director of Policy
Leanne Bober,
Senior Counsel
CALIFORNIA COMMUNITY CHOICE
ASSOCIATION
One Concord Center
2300 Clayton Road, Suite 1150
Concord, CA 94520
Telephone: (415) 254-5454
Email: regulatory@cal-cca.org

Brian Dickman,
Partner
NEWGEN STRATEGIES AND
SOLUTIONS, LLC
225 Union Boulevard, Suite 450
Lakewood, CO 80228
Telephone: (303) 576-0527
E-mail: bdickman@newgenstrategies.net

On behalf of
California Community Choice Association

Tim Lindl
KEYES & FOX LLP
580 California Street, 12th Floor
San Francisco, CA 94104
Telephone: (510) 314-8385
E-mail: tlindl@keyesfox.com

On behalf of
California Community Choice Association

June 13, 2022

TABLE OF CONTENTS

- I. INTRODUCTION AND SUMMARY1
- II. THE MEAGER, AND POTENTIALLY NON-EXISTENT, BENEFITS OF A LESS TRANSPARENT MODEL MAY NOT OUTWEIGH THE COSTS3
 - A. Switching to Generation-Based Weighting May Not Materially Improve the Accuracy of PCIA Rates3
 - B. Any Methodology Should Balance Accuracy With Transparency and Verifiability.....8
- III. CALCCA EI PROPOSAL AND RESPONSES TO ALJ RULING QUESTIONS9
 - 1. What is the problem with the current Energy Index calculation methodology and/or data source?10
 - 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 each IOU applies to the on- and off-peak indices? Why or why not?.....11
 - 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?11
 - 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?12
 - 5. Is there a cost to obtain any of the data you identified in your responses above? If so, what is the cost?12
 - 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:12
 - 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.13
 - 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?.....16

TABLE OF CONTENTS (cont.)

9. What is the cost of obtaining necessary data and performing the calculations? How will this cost be recovered?16

10. How would this proposal improve upon the current situation? In answering this question, address the following sub-questions:16

IV. CONCLUSION.....18

TABLE OF AUTHORITIES

Page

California Public Utilities Commission Proceedings

R.17-06-026 passim

SUMMARY OF RECOMMENDATIONS

- Modifications to the Energy Index (EI) market-price benchmark (MPB) calculation method must not diminish current levels of transparency. Non-investor-owned utility (IOU) load serving entities must be able to independently analyze and plan for changes in power charge indifference adjustment (PCIA) rates.
- Modifying the EI MPB calculation method to rely on PCIA-eligible generation rather than bundled customer load will align the EI inputs and the MPB application within the PCIA.
- The IOUs' reliance on production cost modeling to forecast PCIA-eligible generation as an input to the EI will reduce transparency into the EI formula.
- California Community Choice Association (CalCCA) proposes the use of a rolling five-year average historical generation output from PCIA-eligible resources to develop monthly on- and off-peak generation weightings.
- Monthly on- and off-peak generation weightings should be applied to Platts monthly on- and off-peak forward market prices to derive the forecasted EI MPB.
- The process and timing for calculating and disseminating the forecasted EI should remain the same after incorporating the changes to volume and price inputs.

**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.

R.17-06-026

**CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S
ENERGY INDEX MPB CALCULATION PROPOSAL**

The California Community Choice Association¹ (CalCCA) submits this proposal in response to the *Administrative Law Judge's Ruling Regarding Market Price Benchmarks* (Ruling), issued April 18, 2022 in the above-captioned proceeding, and Judge Wang's *Procedural Email re Joint IOUs' MPB Ruling Energy Index Comments Extension Request*, issued May 16, 2022 in the above-captioned proceeding. The Ruling requests proposals on how to calculate certain Market Price Benchmarks (MPBs) used to set each investor-owned utility's (IOU's) Power Charge Indifference Adjustment (PCIA). Specifically, this proposal responds to the Ruling requesting proposals for calculating the Energy Index (EI) MPB.

I. INTRODUCTION AND SUMMARY

The current EI is a weighted-average forward market price, calculated by applying the Platts annual on- and off-peak market price forecast to the IOU's bundled customer load profile.

¹ California Community Choice Association represents the interests of 23 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Orange County Power Authority, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

As referenced in the Ruling, the IOUs filed comments earlier in this proceeding advocating changes to the EI calculation, arguing that “the PCIA-eligible generation portfolio supply resources often garner California Independent System Operator (CAISO) market revenues that are far less than the Platt’s on- and off-peak predicted ‘average’” that is currently used to set the EI component of forecast PCIA rates.² The IOUs imply that a bundled customer load profile is more heavily weighted to the on-peak period than the generation output of PCIA-eligible resources, creating a mismatch between the two main inputs to the EI: market prices and volume.

After evaluating generation data provided by the IOUs in response to data requests, CalCCA developed a generation-weighted EI MPB calculation proposal to align the price and volume inputs. Analysis supporting CalCCA’s proposal demonstrates that, while bundled customer load may have a different time profile than the generation output of the IOUs’ PCIA-eligible resource portfolio, changing the volume weighting for the EI can increase or decrease the EI MPB.

CalCCA’s proposal balances objectives of increasing forecast accuracy and maintaining transparency for stakeholders and customers. Instead of bundled customer load, actual generation output from PCIA-eligible resources is used to calculate monthly on- and off-peak ratios, and these ratios are multiplied by monthly on- and off-peak forward market prices to derive a generation-weighted EI MPB. CalCCA’s proposal is consistent with PG&E’s earlier comments in the OIR proceeding advocating for a monthly volume-weighted approach. PG&E stated:

Beneficial changes can be accomplished by using the PCIA supply generation presented in the ERRA Forecast cases, instead of historical bundled load demand, and the monthly Platt’s on peak/off peak energy prices. When developing the energy benchmark, utilization of each IOU’s respective PCIA supply portfolios when determining a monthly on peak/off

² *SCE Opening Comments on Ruling re Market Price Benchmark Issue Date*, R.17-06-026 (Sept. 13, 2021), at 5-6 (internal citations omitted).

peak weightings, rather than customer load, will improve the precision of the forecasted brown power index.³

The difference between PG&E's suggestion and CalCCA's proposal is the reliance on *historical generation output* to avoid relying on the IOUs' production cost modeling as an input to the EI.

If the California Public Utilities Commission (Commission) finds that reform to the EI is warranted, any changes to the formula must balance accuracy and transparency. Under CalCCA's proposal, the process and timing for publishing the EI will be largely the same as it is today. And, importantly, non-IOU load serving entities (LSEs) will continue to have visibility into the market prices and monthly weightings, which facilitates independent analysis and planning to manage rates for customers subject to the PCIA. If reform requires reduced transparency into the EI formula, however, the current method should remain in place.

II. THE MEAGER, AND POTENTIALLY NON-EXISTENT, BENEFITS OF A LESS TRANSPARENT MODEL MAY NOT OUTWEIGH THE COSTS

A. Switching to Generation-Based Weighting May Not Materially Improve the Accuracy of PCIA Rates

As referenced in the Ruling, PG&E and SCE filed comments earlier in this proceeding advocating for changes to the EI calculation.⁴ The current EI is a weighted average forward market price, calculated by applying Platts annual on- and off-peak forward market prices for NP15 and SP15 to the percentage of bundled customer load in the on- and off-peak periods. PG&E and SCE each argue that change is warranted due to departing load and varying compositions of their PCIA-eligible generation resource portfolio.

³ PCIA Phase 2 PG&E ERRR Ruling Comments (Sept. 13, 2021), at 5.

⁴ As noted in the Ruling, San Diego Gas & Electric Company (SDG&E) agreed with SCE's and PG&E's arguments. Ruling at 1-3; *San Diego Gas & Electric Company Reply Comments on Ruling Regarding Market Price Benchmark Issue Date*, R.17-06-026 (Sept. 22, 2021), at 5-6 ("SDG&E agrees with both PG&E and SCE that changing the load weighting methodology for the Energy Index MPB to be based on each IOU's generation profile shapes would increase the accuracy of the PCIA MPBs and forecasted PCIA rates").

PG&E stated:

At the time the Commission developed this methodology, parties reasonably assumed that the bundled service customer load profile (i.e., demand) was not expected to differ substantially from the IOUs' generation output portfolio (i.e., supply) relevant to the PCIA calculation. However, as all parties to this proceeding are aware, since 2011, PG&E has experienced significant load departure due to, among other things, Community Choice Aggregation ("CCA") and Direct Access ("DA") growth...Further, changes to California's energy supply portfolio, including the growth intermittent renewable energy resources within PG&E's energy supply portfolio causes a misalignment in energy benchmark...As a result, use of PG&E's bundled customer load-weighting to develop the energy benchmark is outdated given the significant changes to PG&E's portfolio and load departure and supply portfolios.⁵

SCE made similar comments, arguing, "[t]hose PCIA-eligible generation portfolio supply resources often garner CAISO market revenues that are far less than the Platt's on- and off-peak predicted 'average' that is reflected in the index, and which is currently used to set the [EI] MPB component of forecast PCIA rates."⁶ In other words, the IOUs argue that a bundled customer load profile is more heavily weighted to the on-peak period than the generation profile of PCIA-eligible resources. In that case, if generation output were used to weight the EI, a lower weight would be assigned to on-peak market prices, thereby reducing the market value of the generation resource and increasing PCIA rates.

The generation output of the IOUs' PCIA-eligible resource portfolio may have a different time profile than bundled customer load. However, analysis of each IOU's historical generation data does not support the blanket assertion that the current EI is inadequate. In response to discovery, each IOU provided CalCCA's Reviewing Representative (NewGen Strategies and

⁵ *PCIA Phase 2 PG&E ERRR Ruling Comments*, R.17-06-026 (Sept. 13, 2021), at 4-5 (internal citations omitted).

⁶ *SCE Opening Comments on Ruling re Market Price Benchmark Issue Date*, R.17-06-026 (Sept. 13, 2021), at 5-6.

Solutions, or NewGen) aggregated hourly generation profiles for their PCIA-eligible resource portfolio spanning the years 2017 – 2021. These data lead to two conclusions: (1) the IOUs’ PCIA-eligible generation output is more concentrated to on-peak periods than bundled customer load, largely due to the expansive definition of “on-peak” used in energy markets in the western United States; and (2) a load-weighted EI is materially comparable to a generation-weighted EI calculated using average historical PCIA-eligible resource output.

Summarizing hourly generation into on- and off-peak periods allows a comparison to the bundled load shape used in the IOUs’ PCIA calculations. The table below compares annual on- and off-peak generation output to the load profile used in each IOU’s latest Commission approved PCIA:

Table 1: On- and Off-Peak Ratios – Generation Output vs. Load

		PG&E		SCE		SDG&E	
		On Peak	Off Peak	On Peak	Off Peak	On Peak	Off Peak
Generation	2017	62%	38%	62%	38%	68%	32%
	2018	63%	37%	64%	36%	70%	30%
	2019	62%	38%	65%	35%	69%	31%
	2020	64%	36%	68%	32%	69%	31%
	2021	63%	37%	68%	32%	69%	31%
	Load	59%	41%	62%	38%	61%	39%

On an annual basis, the percentage of on-peak generation output is greater than on-peak bundled load. If annual generation output were used to weight the on- and off-peak market price in the EI, market value would be higher (and PCIA rates would be lower) compared to the *status quo*.

Additional variation in the on- and off-peak percentages for generation exists on a monthly basis, as shown below for 2021, but the percentage of on-peak generation is generally still greater than the annual bundled load profile currently used for the PCIA.

Table 2: Monthly On- and Off-Peak Generation Ratios – Calendar Year 2021

	PG&E		SCE		SDG&E	
	On Peak	Off Peak	On Peak	Off Peak	On Peak	Off Peak
January	60%	40%	64%	36%	70%	30%
February	64%	36%	69%	31%	72%	28%
March	67%	33%	70%	30%	71%	29%
April	67%	33%	72%	28%	70%	30%
May	62%	38%	65%	35%	67%	33%
June	66%	34%	70%	30%	69%	31%
July	63%	37%	69%	31%	66%	34%
August	63%	37%	69%	31%	69%	31%
September	63%	37%	67%	33%	69%	31%
October	64%	36%	67%	33%	69%	31%
November	62%	38%	67%	33%	67%	33%
December	61%	39%	63%	37%	72%	28%

It makes sense that generation output would be concentrated to on-peak periods given the wholesale market definition of ‘on-peak’ and ‘off-peak’ and the composition of the IOUs’ respective PCIA resource portfolios. Energy markets in the western United States define on-peak hours as the *16 hours* from 6:00 am to 10:00 pm, Monday through Saturday, excluding NERC holidays. Furthermore, the IOUs’ PCIA eligible resource portfolios have significant proportions of solar and natural gas generation which tend to produce the bulk of their output during the 16-hour on-peak market period.

The EI is a volume-weighted average market price derived by summing the result of two calculations: (1) the percent of on-peak volume multiplied by a forecasted on-peak price; and (2) the percent of off-peak volumes multiplied by a forecasted off-peak market price. NewGen performed this same calculation with historical generation and CAISO market price data on various time scales to compare the results using each IOU’s generation and bundled load profiles. First, the annual average on- and off-peak day ahead market prices were multiplied by

the annual load profile⁷ to determine the historical load-weighted average market price – replicating the EI methodology but on a historical basis. Next, the annual average on- and off-peak market prices were multiplied by the annual generation profile for the same period to derive annual generation-weighted market prices specific to each IOU. Finally, actual monthly on- and off-peak market prices were multiplied by monthly on- and off-peak generation profiles to determine a monthly generation-weighted market price.

The table below compares the results of all three methods using data from 2019 – 2021:

Table 3: Load Versus Generation Weighted Historical Market Prices

	PG&E			SCE			SDG&E		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
CAISO Annual On Peak Day Ahead Price	38.19	35.13	56.37	37.91	38.25	53.41	37.91	38.25	53.41
CAISO Annual Off Peak Day Ahead Price	32.46	28.52	47.24	32.44	28.52	45.51	32.44	28.52	45.51
On Peak Load	59.2%	58.6%	58.6%	61.9%	61.9%	61.9%	60.6%	60.6%	60.6%
Off Peak Load	40.8%	41.4%	41.4%	38.1%	38.1%	38.1%	39.4%	39.4%	39.4%
Annual Load Weighted Market Price	35.85	32.39	52.59	35.83	34.55	50.40	35.76	34.42	50.30
On Peak Generation	62.4%	63.5%	63.3%	64.7%	67.8%	67.9%	69.4%	68.7%	69.0%
Off Peak Generation	37.6%	36.5%	36.7%	35.3%	32.2%	32.1%	30.6%	31.3%	31.0%
Annual Generation Weighted Market Price	36.03	32.72	53.02	35.98	35.12	50.87	36.24	35.21	50.96
Difference vs. Load Weighted	0.5%	1.0%	0.8%	0.4%	1.6%	0.9%	1.3%	2.3%	1.3%
Monthly Generation Weighted Market Price	35.62	32.76	54.25	34.72	35.29	50.55	36.29	36.18	51.47
Difference vs. Load Weighted	-0.6%	1.1%	3.2%	-3.1%	2.1%	0.3%	1.5%	5.1%	2.3%

The last row, labeled “Difference vs. Load Weighted,” in Table 3 demonstrates how the generation-weighted market value of PCIA generation can be lower or higher than the load-weighted average market price. If generation-weighting (the IOUs’ proposed methodology) was materially different than load-weighting (the current methodology), one would expect the values in the last row to be consistently negative or consistently positive; however, that is not the case.

Load and generation characteristics from a particular year, or changes to an IOU’s profile, may alter the results. Variations in PCIA-eligible resource mix will also affect the results

⁷ IOU bundled load profiles were taken from each utility’s ERRA Forecast applications for 2022 and prior but with a two-year lag. For example, the 2019 load profiles are those used in the 2021 ERRA Forecast.

— portfolios with a higher proportion of generation that is not well correlated to either load or the highest market prices will exhibit larger variations in EI value compared to load. However, that variability underscores that it is not clear that using annual or monthly generation output to determine a weighted average market price is consistently or materially different from the current EI method that relies on a bundled load profile.

B. Any Methodology Should Balance Accuracy With Transparency and Verifiability

CalCCA opposes relying on the IOUs' internal forecasting to determine the EI. SCE previously requested each IOU "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."⁸ Among other things, SCE argued the benefit of using its production cost model will include eliminating the need for the Platts-based energy index and increasing consistency between forecasts of bundled service customers rates and departing load customer rates (PCIA).⁹

However, the approach lacks transparency in three dimensions: volume, price, and timing. Transparency in calculating the PCIA rates charged to customers is critical for CCAs and other entities serving departed load customers. One of the benefits of the current EI calculation is that each party can obtain the inputs to the MPB without relying on the IOUs or dealing with IOU market sensitive data. If, instead, the current calculation is replaced by each IOU's forecast of wholesale market revenue based on its own production cost modeling, this benefit will be lost. Stakeholders will not have access to the data inputs to the EI MPB calculation, removing any ability to plan for changes to the PCIA.

⁸ *SCE Opening Comments on Ruling re Market Price Benchmark Issue Date*, R.17-06-026 (Sept. 13, 2021), at 9.

⁹ *Ibid.*

In addition, because each IOU may prepare its forecast using different inputs and different production cost models, even a common framework will presumably result in each IOU applying different price curves and using different timelines for running its models. Instead of a uniform method for determining the relevant EI, each IOU would in effect create its own methodology. As a result, all reviewers, including Commission Staff, will need more time to review the process undertaken and the resultant PCIA calculations.

SCE suggests the true-up of PCIA rates and the ability of market participants to hire reviewing representatives solves these problems.¹⁰ However, the process to retain such reviewing representatives and deal with persistent objections and delays in receiving responses to those requests during the expedited discovery process is far from the streamlined process SCE holds it out to be. There is little about the ERRA forecast proceeding that is transparent, especially for the general public. Confidential data accessed within an ERRA proceeding cannot be used outside that proceeding or for any other purpose, such as modeling anticipated changes in PCIA rates. This opacity problem is especially acute with regard to analyzing production-cost modeling, which is a data and resource-intensive process that requires specialized analysts, increasing costs for both the Commission and parties, especially those like the CCA parties representing ratepayer interests. The meager, and potentially non-existent, benefits of a less transparent model do not outweigh these costs.

III. CALCCA EI PROPOSAL AND RESPONSES TO ALJ RULING QUESTIONS

Efforts to increase the accuracy of the PCIA forecast and avoid unnecessary after-the-fact true-ups will reduce rate volatility for all customers. While the analyses conducted to date do not show clear benefits from switching to generation-weighting from load-weighting, there is an

¹⁰ *SCE Opening Comments on Ruling re Market Price Benchmark Issue Date*, R.17-06-026 (Sept.13, 2021), at 9.

inherent consistency in using generation output to weight the market price index applied to generation resources when determining the IOUs' indifference Amount and PCIA rates.

If the Commission determines this inherent consistency warrants a change to the current methodology, forecast accuracy must be balanced with transparency so that CCAs can plan for and prudently manage rate impacts to their customers. CalCCA proposes to ensure this balance by modifying the EI method to rely on a rolling five-year historical average of monthly PCIA-eligible generation to calculate on- and off-peak weights that can be applied to monthly Platts forward market prices. The current process and timeline for calculating the forecast EI would remain largely intact, except that the IOUs would be required to provide generation data, rather than the bundled load profile, in their annual ERRA Forecast applications. This incremental change to the EI calculation builds on the utilities' proposals to tie generation-based weighting to generation values without requiring the Commission, stakeholders, and, most importantly, customers to rely on inscrutable production cost modeling. CalCCA's proposal is detailed below in its responses to the questions presented in the Ruling:

1. What is the problem with the current Energy Index calculation methodology and/or data source?

The problem, based on CalCCA's analysis, is academic. The current EI is a weighted average forward market price, calculated by applying a bundled customer load profile to the Platts annual on- and off-peak market price forecast for NP15 and SP15. Because the EI is used to calculate the value of PCIA-eligible generation resources, PG&E and SCE have previously argued that the EI should reflect the generation resource output rather than a bundled load profile. In concept, determining the EI based on the timing of PCIA-eligible resource output aligns the EI inputs with the generation volumes to which the MPB is applied within the PCIA. However, any alternative proposal to the current EI method must maintain transparency and stability so that

stakeholders such as CCAs can plan for future PCIA rate changes. If such transparency and stability cannot be maintained, the current EI method should be retained.

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 each IOU applies to the on- and off-peak indices? Why or why not?

The use of a third-party market price forecast as the primary input to the EI calculation is critical. Predictions of future market prices are inherently volatile and subject to many assumptions. Relying on a third-party forecast provides non-IOU stakeholders the opportunity to obtain and rely on data for their own analyses that they know will be fundamentally consistent with the ultimate EI calculation. Continued use of Platts data to calculate the on-peak and off-peak indices is reasonable.

The Commission-approved Common PCIA Template currently accommodates only a single value (\$/MWh) as the EI input to the Indifference Amount calculation. In other words, the template applies a weighted average annual \$/MWh price for energy to all PCIA resource output for the forecast year. As described in more detail in response to question 7, a single EI can be derived using monthly on- and off-peak generation ratios and monthly Platts forward market prices. Revising the form of the EI input to the PCIA (*e.g.*, 12 monthly prices rather than one annual price) would require revisiting the Common PCIA Template design.

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?

CalCCA is unaware of any non-proprietary data sources produced with the same frequency or data inputs as Platts. According to S&P Global Platts' methodology and specifications guide, the Platts forward market price curves rely primarily on Intercontinental Exchange (ICE) settlement and intra-day forward trading activity in the Electricity markets on

the ICE platform. Platts has the exclusive right to use ICE intra-day and end of day data for purposes of forward curve derivation.

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?

Several vendors publish forward market price curves, with near term prices generally linked to observed forward market transactions. For example, through its subscription to the S&P Global Capital IQ platform, NewGen has access to electricity futures prices published by Tradition, BGC Partners, and CME Group (NYMEX). Electricity price forecasts are available for purchase through other firms specializing in modeling energy markets. Neither CalCCA nor NewGen has performed any analysis to determine whether these or other data sources are of equal or better quality than Platts data.

5. Is there a cost to obtain any of the data you identified in your responses above? If so, what is the cost?

In CalCCA's experience, there is a cost to obtain forward price curves that rely on proprietary data from brokers or exchanges. Because the price often varies by purchaser or use case, CalCCA is not able to estimate the cost of any proprietary data source.

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**

Cost: Assuming Energy Division's subscription to Platts includes access to monthly forward market prices, there should be no incremental direct cost to Staff to implement CalCCA's proposal. Each year, the IOUs will be required to summarize PCIA-eligible resource output on a monthly on- and off-peak basis and provide the monthly percentage weights to stakeholders.

The weights should be provided in the workpapers accompanying the annual ERRA Forecast applications. There is no incremental cost to third-party consultants.

Efficiency: The process and timeline for Energy Division to calculate the forecast EI would remain largely intact, except that monthly market forwards would be gathered from Platts. Once an initial template is established to incorporate monthly price data, Energy Division could publish the EI with the same efficiency as the current process. The IOUs would be required to gather historical generation data on an annual basis and update the historical generation weights for inclusion in their annual ERRA Forecast filings, following the same process used to currently update bundled load weightings.

Transparency: Relying on historical generation data provides assurance to all stakeholders, including those who cannot access confidential IOU data, that the inputs to the EI are an accurate representation of the utility's PCIA portfolio. Using a multi-year average smooths out volatility in the on- and off-peak ratios, and those ratios can be made available to the public, both of which facilitate stakeholder planning.

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.

CalCCA proposes to calculate the EI MPB by multiplying monthly on- and off-peak forward market prices (NP15 for PG&E and SP15 for SCE and SDG&E) by the historical percentage of PCIA-eligible resource generation in monthly on- and off-peak periods. The generation weights that apply to the Platts on- and off-peak forward market price would be derived based on a rolling average of historical monthly PCIA generation output. Specifically, five years of monthly on- and off-peak generation from PCIA-eligible resources would be used to calculate on-and off-peak percentages for each month. Each monthly percentage is multiplied

by the corresponding monthly on- and off-peak forward market price from Platts, using monthly forward curves gathered via the same methodology and timing as is currently used for the annual forward price forecast. The monthly weighted prices are converted to an annual EI by multiplying each price by the proportion of generation output in the month relative to a full year of generation output.

Tables 4 - 6 below demonstrate CalCCA’s proposal using historical generation output from 2017 – 2021 for each IOU and actual CAISO market prices during 2021. An annual load weighted market price using data from the same period is provided for comparison:

Table 4 – PG&E Monthly Generation Weighted 2021 Market Price

Monthly Energy Index

Month	PG&E PCIA Generation		Weight			CAISO NP-15		Weighted Price
	On Peak	Off Peak	Monthly	On Peak	Off Peak	On Peak	Off Peak	
1			8%	61%	39%	35.46	31.46	33.88
2			7%	63%	37%	67.80	48.45	60.72
3			8%	63%	37%	32.93	33.19	33.03
4			8%	63%	37%	35.06	36.28	35.51
5			8%	62%	38%	37.00	34.74	36.13
6			9%	65%	35%	56.01	42.50	51.29
7			10%	62%	38%	76.72	55.15	68.62
8			10%	65%	35%	65.57	53.61	61.34
9			9%	61%	39%	71.47	60.37	67.18
10			8%	65%	35%	70.30	61.19	67.13
11			7%	61%	39%	62.20	54.63	59.29
12			8%	60%	40%	67.01	55.39	62.36
								53.51

Annual Energy Index

Generation Weighted							53.51
Load Weighted			59%	41%	56.37	47.24	52.59

Table 5 – SCE Monthly Generation Weighted 2021 Market Price

Monthly Energy Index

Month	SCE PCIA Generation		Weight			CAISO SP-15		Monthly Price
	On Peak	Off Peak	Monthly	On Peak	Off Peak	On Peak	Off Peak	
1			7%	62%	38%	33.22	30.00	32.00
2			7%	65%	35%	71.09	56.32	65.94
3			8%	66%	34%	29.91	31.27	30.38
4			9%	66%	34%	28.04	33.38	29.85
5			10%	64%	36%	26.59	29.92	27.78
6			10%	66%	34%	56.06	41.34	51.10
7			10%	64%	36%	78.89	54.05	70.01
8			10%	67%	33%	65.08	51.40	60.55
9			9%	64%	36%	72.09	58.59	67.22
10			7%	67%	33%	57.89	55.65	57.14
11			6%	64%	36%	60.14	51.68	57.11
12			6%	62%	38%	63.40	53.82	59.80
								50.58

Annual Energy Index

Generation Weighted						50.58
Load Weighted	62%	38%	53.41	45.51		50.40

Table 6 – SDG&E Monthly Generation Weighted 2021 Market Price

Monthly Energy Index

	SDG&E PCIA Generation		Weight			CAISO SP-15		Monthly Price
	On Peak	Off Peak	Monthly	On Peak	Off Peak	On Peak	Off Peak	
1			7%	69%	31%	33.22	30.00	32.21
2			7%	69%	31%	71.09	56.32	66.52
3			8%	67%	33%	29.91	31.27	30.36
4			8%	70%	30%	28.04	33.38	29.63
5			8%	70%	30%	26.59	29.92	27.58
6			9%	72%	28%	56.06	41.34	51.88
7			10%	69%	31%	78.89	54.05	71.25
8			11%	70%	30%	65.08	51.40	61.04
9			9%	67%	33%	72.09	58.59	67.61
10			8%	67%	33%	57.89	55.65	57.16
11			7%	67%	33%	60.14	51.68	57.37
12			6%	69%	31%	63.40	53.82	60.41
								51.75

Annual Energy Index

Generation Weighted						51.75
Load Weighted	61%	39%	53.41	45.51		50.30

On a going forward basis, the calculations demonstrated in the preceding tables would be completed under the same schedule currently followed for the forecasted EI.

CalCCA's proposal is consistent with PG&E's earlier comments in the OIR proceeding, advocating for a monthly volume-weighted approach.¹¹ The difference between PG&E's suggestion and CalCCA's proposal is the reliance on historical generation output to avoid relying on the IOUs' production cost modeling as an input to the EI.

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?

Energy Division staff will continue to collect the forward market price data and will publish the forecasted EI as monthly on- and off-peak prices for the forecast year. Similar to the current process for bundled load weights, the IOUs will disclose the monthly on- and off-peak generation weights, as shown in Tables 4 – 6, in their annual ERRA Forecast filings. Each IOU will include the historical PCIA-eligible generation with their annual ERRA Forecast applications and will calculate the rolling 5-year average monthly on- and off-peak generation weights.

9. What is the cost of obtaining necessary data and performing the calculations? How will this cost be recovered?

There is no additional cost to Energy Division to obtain the necessary data (assuming Energy Division's current access to Platts data includes monthly market prices). The IOUs will incur additional time each year required to summarize generation data from the prior year and include it in their respective ERRA filings.

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?

¹¹ *Opening Comments of Pacific Gas & Electric Company on Market Price Benchmark Issue Date, R.17-06-026 (Sept. 13, 2021), at 5.*

CalCCA's proposal should not materially impact Energy Division staff workload, in particular after the first template is finalized.

b. How will the proposal ensure transparency in data sources?

CalCCA's proposal relies entirely on data from an independent third party (Platts) and recorded historical information. Relying on historical generation data provides assurance to all stakeholders, including those who cannot access confidential IOU data, that the inputs to the EI are an accurate representation of the utility's PCIA portfolio.

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?

The most important feature of CalCCA's proposal as it relates to transparency is the use of *historical* PCIA generation output rather than a *forecast* derived within the IOUs' production cost models. In addition, using a multi-year average smooths out volatility in the on- and off-peak ratios, and those ratios can be made available to the public, both of which facilitate stakeholder planning.

Transparency into PCIA rates is critical for CCAs and other entities serving departing load customers. One of the benefits of the current EI calculation is that each party can obtain the inputs to the MPB without relying on the IOUs or dealing with confidential market sensitive data. If, instead, the current calculation is replaced by each IOU's forecast of wholesale market revenue based on its own production cost modeling, this benefit will be lost. Stakeholders will not have access to the data driving the annual EI, with the limited exception of a reviewing representative within the confines of an ERRA proceeding, removing any ability to plan for changes to the PCIA.

- 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.**

Question 10d. is not applicable to parties other than the IOUs, as directed in the Ruling.¹²

IV. CONCLUSION

For all the foregoing reasons, CalCCA respectfully requests the Commission adopt this proposal to calculate the EI and looks forward to an ongoing dialogue with the Commission and stakeholders with regard to its proposal.

Respectfully submitted,

/s/ Brian Dickman
Brian Dickman,
Partner

NEWGEN STRATEGIES AND
SOLUTIONS, LLC

On behalf of
California Community Choice Association

June 13, 2022

¹² Ruling at 5 (“[a]ny other party [other than the IOUs] may also file an Energy Index MPB calculation proposal that answers all of the questions above (except for question 10(d) . . .”).