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EXHIBIT CALCCA-18

Excerpt from
Opening Comments of PG&E on Power Charge Indifference Adjustment Phase 2, Working Group #3 Final Report

August 25, 2023

**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 U 39 E	Rulemaking 17-06-026 (filed June 29, 2017)

OPENING COMMENTS OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) ON THE POWER CHARGE INDIFFERENCE ADJUSTMENT PHASE 2, WORKING GROUP #3 FINAL REPORT

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customers. Second, statewide GHG accounting is inaccurate under the Co-Chair proposal to change CEC rules regarding emissions accounting for PCIA eligible resources because it results in orphaned emissions that will not show up on any LSE's PCL.[15] Specifically, the Co-Chair proposal is that neither the PCIA-eligible LSE nor the incumbent IOU will report the non-IOU share of GHG emissions.[16] Imagine if the IOU ceases to serve load – is it reasonable that no entity report GHG emissions from resources for which customers are paying and receiving energy revenues? It is not good policy for California to wave away emissions through misleading accounting practices.

B. The VAMO Will Increase Administrative Complexity and Cost

The VAMO framework provides significant optionality to PCIA-eligible LSEs, including the ability to accept, decline, or defer allocation on an annual basis; to resell accepted allocations; and to select which attributes it wants such as GHG-free energy but not GHG-emitting energy. The flexibility provided to PCIA-eligible LSEs will increase IOU and other administrative costs, poses significant regulatory and market complexity and, in some cases, runs contrary to prudent portfolio management practices.

1. Increased IOU System and Administrative Costs

VAMO would require PG&E to develop new systems to track, conduct, and settle: (1) annual allocations for three products (Local RA, GHG-free energy, and RPS energy),[17] biannual allocations for two products (System RA allocations, Flexible RA allocations);[18] and annual allocation of unsold quantities of three products (System RA allocations, Flexible RA allocations, and RPS energy)[19] to approximately 33 or more LSEs, some with multiple vintages,

[15] Orphaned emissions are defined here as those emissions that are not accounted for in any LSE's PCL, so the sum of the parts do not equal the whole.
[16] Report at p. 41 (proposing the contracting IOU to report the GHG emissions associated with its load share, but allowing the non-IOU LSEs to report system power).
[17]Report at pp. 19-20 (concerning System RA and Flexible RA), p. 31(concerning GHG-free energy), and p. 34 (concerning RPS energy).
[18] Report at pp. 20-21 (describing two election opportunities, with the option to decline certain percentages in as part of each opportunity).
[19] Report at p. 24 (proposing any unallocated System RA and Flexible RA remaining unsold in the fall

and an annual reallocation of declined allocation shares of GHG-free energy to those LSEs initially accepting an allocation;[20] (2) one annual and two biannual (i.e., twice per year) market offers for RPS and System RA allocation shares and Flexible RA allocation shares, respectively;[21] and (3) certain transactions that may result from the RFI. [22] The cost of such systems is unknown to PG&E at this time, but PG&E anticipates the costs could be significant. In some cases, PG&E may have to establish two of the same existing systems to ensure the systems can support the VAMO mechanism with both PG&E as the administrator of VAMO and PG&E as a market participant of VAMO.

VAMO will increase PG&E's administrative costs in at least two ways: (1) adding additional processes and new products (i.e., RA allocation shares) that require staff and new tools to manage, and (2) restricting the ability of IOUs to reduce staff commensurate with load shift. For example, the annual spring and fall RA allocation market offer will likely require the IOUs to hire duplicative portfolio managers (separate from the functions performed by existing portfolio managers) because the IOUs are eligible to participate in the auction, will learn confidential bidding information, and will therefore need to establish a firewall.[23] Additionally, the VAMO requires the IOUs to effectively manage a portion of the PCIA portfolio on behalf of LSEs that serve departed load (e.g., scheduling coordinator, voluntary allocation administrator, market offer administrator, contract manager, settlements, associated regulatory filings for the PCIA-eligible resources). PG&E's staffing levels could remain at or near current levels even if PG&E ends up serving little or no load. Should the Commission approve VAMO, PG&E requests that incremental staffing costs and associated costs to implement new or update existing

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market offer is allocated at no cost among all LSEs based on load share) and p. 37 (proposing unsold RPS energy remaining after the market offer is re-distributed among all LSEs at no cost and on a pro-rata basis using forecasted, vintaged, annual load shares) .

[20] Report at p. 31 (redistributing unallocated GHG-free content).

[21] Report at pp.21-24 (proposing RA market offer) and p. 36 (proposing RPS energy market offer).

[22] Report at pp. 54-55 (requiring RFIs with IOU RPS contract counterparties for interest in contract assignment, or termination that facilitates re-contracting between the RPS counterparty and another LSE).

[23] Report at p. 22 (describing potential means for IOU participation in the market offer, including firewalls or consultation with IEs).

systems related to the VAMO proposal be approved through the ERRA Forecast Proceeding and recovered directly from departing load customers through the Portfolio Allocation Balancing Account ("PABA").

2. Increased Requirements and Processes for Regulatory Agencies

The VAMO proposal also introduces new processes for the Commission's Energy Division and CEC staff. For example, for the RA process the VAMO requires: (1) annual administration of two allocation and auction cycles and the reallocation process, (2) new monthly vintaged coincident peak load forecasts, and (3) new tools to allow for trading of RA allocations.

An examination of the load forecasting requirements illustrates how VAMO increases administrative burden for CPUC and CEC staff. Under the proposed allocation framework for RA, each PCIA-eligible LSE must establish a peak load forecast for all 12 months of the year for each vintage in which that LSE serves load.[24] PG&E notes that at least one LSE in its service territory has customers in ten vintages (with the potential to add even more). As a result, this LSE will be required to submit at least 120 monthly peak load forecasts (12 months times 10 vintages) rather than 12 monthly peak load forecasts, as is the case today.

Further, as part of the RA process, the "[California Energy Commission] evaluates each LSE load forecast individually and performs an adjustment to reflect the LSE's load contribution to the coincident CAISO's system peak in that month."[25] As a result, PG&E understands that to evaluate and support the new load forecasting methodologies and processes under the VAMO proposal, the CEC may also have to produce a peak load forecast for all 12 months of the year for each vintage for each PCIA-eligible LSE. Within PG&E's service territory, this could be as

[24] Report at p. 19 (proposing Local RA allocations to be calculated based on each LSE's forecasted, vintaged, co-incident load share) and p. 42 (proposing a new requirement for LSEs to provide their historical load information and load forecasts pertaining to each month and each vintage (i.e. each year of departure) of customers, and noting new processes and new load forecasting methodologies that will be required to be developed to calibrate such load shares).

[25] See Resource Adequacy 2016 Load Forecast Adjustment Methodology – Revised, dated April 2016, by Miguel Cerrutti, Demand Analysis Office – California Energy Commission, and Donald Brooks, Energy Division – California Public Utilities Commission, at p. 2, *available at* https://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=6442451602 (last visited March 10, 2020).

many as 3,960 monthly peak load forecasts (33 LSEs times 12 months times 10 vintages). If the Commission adopts a multi-year load forecasting requirement as proposed in the current RA proceeding, a multi-year, monthly vintage peak load forecast may need to be developed, further increasing the level of effort for all LSEs.

PG&E supports a mandatory allocation of Local RA attributes but believes the additional level of effort for all entities should be acknowledged and weighed when assessing the merits of the VAMO proposal. In Section II, PG&E proposes the use of the existing Cost Allocation Mechanism ("CAM") to avoid such complexities. In PG&E's service territory, the LSE noted above with customers in ten vintages (with the potential to add even more) would only be required to submit 12 monthly peak load forecasts, as is the case today and under the PG&E proposal, instead of 120 monthly peak load forecasts under the VAMO proposal.[26] Other alternatives, such as treating Local RA as non-vintaged procurement, may also reduce the administrative burden and complexities that arise from PG&E's unique departing load landscape to a similar result.

3. Increased RA Costs and Compliance Risk

VAMO will likely raise RA substitution costs, the California Independent System Operator Corporation ("CAISO") Resource Adequacy Availability Incentive Mechanism ("RAAIM") charges and backstop costs for all customers. As noted in the Report, the VAMO does not leave reserves for RA substitution and "costs may increase as the IOU may need to procure additional capacity for substitution."[27] Similarly, VAMO can lead to RAAIM charges or other penalties for failing to offer an RA resource into the CAISO market, for example, during an outage, when there is a lag between when a resource requires substitution and the IOU as scheduling coordinator is able to procure substitution and substitute RA is not available.

[26] *See generally* 2020 Final RA Guide (describing load forecasts that do not require vintaging), *available at* https://www.cpuc.ca.gov/General.aspx?id=6311 (last visited March 10, 2020).
[27] Report at p. 24.

During the workshop process, PG&E noted that it retains certain quantities of RA to minimize substitution costs and CAISO compliance risk arising from a failure to provide substitute capacity for an unavailable RA resource. Mitigating these risks requires the IOU to procure incremental capacity to ensure the IOU can provide substitute capacity for PCIA-eligible resources on outage. Furthermore, in the event LSEs anticipate RA being available during the fall auction and that capacity does not materialize, there is a risk that compliance requirements may not be met and therefore the CAISO may designate capacity procurement mechanism ("CPM") resources.[28] Costs associated with CPM resources are typically higher than alternative resources.

4. Lack of Bid Floor on Market Offer Process

VAMO requires the IOUs to auction unallocated RPS and RA allocation products with no bid floor.[29] The Report does not appropriately consider whether a lack of bid floors will raise costs for customers. D.19-10-001 recognized that a lack of bid floors creates a potential conflict with the portfolio management obligation of IOUs. Specifically, the Commission found "[Standard of Conduct] 4 requires the utilities to prudently manage their portfolios. Selling RA below the floor price may not be the optimal portfolio choice when offsetting costs (e.g., RAAIM penalties) of the sale are considered."[30] Under the VAMO proposal, an IOU is unable to apply a price floor to reflect the cost of utilizing the departing load share of the PCIA- and CTC-eligible portfolio to meet RA compliance obligations. If the costs of servicing the load exceed those revenues, all customer costs will increase to cover the costs associated with the RA resource commitment. Similarly, the absence of a bid floor for RPS energy may lead to unintended policy and benchmark consequences.

The Phase 2 Working Group Three process did not comprehensively address VAMO's costs or whether the benefits conferred by VAMO justify increased costs or administrative

[28] Section 43 of the CAISO Tariff governs CPM transactions.
[29] Report at p. 58 (proposing BPP and RPS Procurement Plan bid floor revisions), and p. A11 (proposing no bid floor).
[30] D.19-10-001, p. 41.