

# Key Observations on SCE's Test Drive of the Modified PG&E Transparency Template on Phase 3 of Rulemaking 20-07-13

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## Background

The Assigned Commissioner's Phase 3 [Scoping Memo](#)<sup>1</sup> asks parties to consider the following question: "Whether the Pacific Gas and Electric Company (PG&E) transparency proposal, as modified and appended to Decision (D.) 21-11-009, should be further modified and adopted for use by all IOUs, whether the framework should continue to be piloted or tested, or whether some other course of action is more appropriate??"

Stakeholders typically seek greater transparency in the Investor-owned Utilities' (IOUs') Risk Assessment Mitigation Phase (RAMP) filings. At a 2021 working group meeting in Phase 1 of Rulemaking (R.) 20-07-013 (RDF proceeding), The Utility Reform Network (TURN) presented its perspective on key features that a transparent risk-based decision framework (RDF) should possess:

- Repeatability of results: IOUs should provide information sufficient that a stakeholder can repeat the calculations and arrive at roughly the same result.
- Uncertainty is an important piece of information that should be presented. IOUs should identify, describe, and, if possible, quantify the uncertainty of the assumptions or estimates; and
- Risk analysis should be sufficiently granular.

PG&E submitted a transparency template proposal in Phase 1, Track 1 of the RDF proceeding, followed by a workshop to discuss this PG&E proposal. Subsequently, this PG&E transparency proposal was slightly modified by Safety Policy Division (SPD) staff (Staff), and this modified version was circulated to the RDF proceeding service list for comments. In D.21-11-009 of the RDF proceeding, the Commission directed Southern California Edison (SCE) to test drive this modified version using the 2022 SCE RAMP. On July 12, 2022, SCE circulated the results of its Transparency Pilot using the modified PG&E transparency template along with other supporting documents to the service lists in the RDF proceeding and then formally filed the [Transparency Pilot](#)<sup>2</sup> to the proceeding docket on June 14, 2023.

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<sup>1</sup> See Phase 3 Scoping Memo at 4-5 and 13.

<sup>2</sup> SCE Transparency Pilot, available here:

<https://docs.epuc.ca.gov/PublishedDocs/Efile/G000/M511/K023/511023583.PDF>.

## Key Observations on the SCE Transparency Test Drive Submission

1. With one key exception, as explained in Observation 2 below, SCE fulfilled its obligations on the test drive by providing information in most of the requested fields in the modified templates.
2. One of the transparency template's key objectives is to assess the effects of uncertainty on key parameters used in the risk modeling process. The utility provides this level of transparency regarding uncertainties by a qualitative assessment of the quality of key input information and a quantitative assessment using sensitivity analysis of key input parameters. For each identified parameter in the quantitative assessment, the utility must provide the best estimate (the mean) of the parameter and an estimated upper and lower bound of the parameter. The utility is then required to report on the effects on the risk score using the upper and lower bounds of the parameter.

Where SCE fell short was in the Sensitivity Analysis portion of the test drive:

- a) SCE deviated from the template by providing Risk Spend Efficiency (RSE) calculations instead of the requested risk scores.
  - b) The PG&E template intended the sensitivity analysis to be on a key parameter that preferably models the risk behavior. This portion of the template intends to look at how uncertainty in a model's parameter affects the risk score. To fully test drive the sensitivity analysis template, it would have been more preferable to choose a parameter that describes a probability distribution underlying a risk event. SCE, instead, chose mitigation effectiveness as the parameter for testing the sensitivity analysis template. This choice resulted in "N/A" being entered in the fields dealing with confidence levels or confidence intervals. If the Commission decides to hold another round of test drives using the 2022 SCE RAMP or another utility's RAMP, it should direct the utility to select a set of test parameters that would make use of all the available fields in the transparency templates.
  - c) SCE performed the sensitivity analysis by applying a +/- 1% perturbation on the mitigation effectiveness. Again, this is different from what the template is asking for. SCE's misinterpretation of what the template asks for may be traced to the fact that SCE uses an example risk that is not modelled using probability distributions. The template implicitly assumes the use of probability distributions and asks for the sensitivity of the risk score based on changes to key parameters of the distributions.
  - d) SCE also misinterpreted the sensitivity analysis as a scenario analysis based on changes to mitigation effectiveness levels. Although this is valuable information, it differs from what the template asks for. We could add this requirement to the template.
3. SCE made some good suggestions to improve the usefulness of the transparency template. The first is to clarify that "year" refers to the beginning of the year. The second one is to add a column of existing values of the parameter before sensitivity analysis is applied. The third good suggestion is to clarify that sensitivity analysis assumes only the selected parameter in question is changed while holding other parameters constant. Staff

agree with SCE that these modifications would improve the usefulness of the transparency template.

### **Next Steps**

A workshop discussing the Transparency Pilot is expected to be held on July 12, 2023, in the R.20-07-013 RDF proceeding. Following the workshop, IOUs will file a post-workshop summary report to which all parties can offer Opening and Reply Comments.