

# PCIA Guiding Principles 1/17/2018

1. **Transparency of method and values**
2. **Reasonable Forecast with Key Variables**
3. **Create a true market benchmark that is scalable**
4. **Consistent with IRP to eliminate double procurement and maintain state energy goals**
5. **Indifference, i.e. Net Costs/Benefits pass through**

# Applying a Proven Stranded Cost Methodology from Natural Gas Assets (negotiated with PG&E and ORA in 2010)

## Core PG&E Gas Assets Allocated by Market Share

- Triennial pro-rata allocation of transmission and storage assets held for reliability and price stability by the core
- Follow-on auction optionality for remaining assets
- Objective measure of asset value and price in each period
- Stranded costs/benefits assessed to each CTA for period

## But PG&E Natgas uses Assignment not Allocation

- Only 6 transmission contracts and storage from PG&E ratebase
- Each CTA directly contracts with asset owner
- CTA decides on utilization of assets, not assigned output
- Stranded costs pass to each CTA, not to customer

# Create Clearinghouse for Electricity PCIA

## Allocate Generating Assets by Contract Bucket

- Use the five aggregation buckets from the Modified NDA
- Establish period for allocation, i.e. quarterly, annual
- IOU maintains all contracts (absent buyouts)

## Each LSE accepts/rejects prorata allocation by Bucket

1. Aggregated with forecast contract rates/volumes
2. All attributes included (RA/RPS/AS)
3. NO PCIA assessed on accepted volumes
4. Diff between Determined PCIA and forecast is credited to LSE
5. IOU bills LSE on monthly metered volumes at contract rate

## Rejected volumes Auctioned to all LSEs to Determine PCIA

- Closed bids (used with natgas) or Online auction?
- PCIA is the difference between contract and bid amounts

# Does Clearinghouse fulfill Principles?

## Strengthens our Common Interests

1. Auction creates transparent market value
2. Validates forecast, credible to all parties
3. No True up on Allocated or Auctioned load since actual generation and revenues in monthly accounting to LSEs
4. Eliminates redundant procurement of RPS/RA
5. Maintains market flexibility in event of mass returns as IOU still holds long term contract
6. Long term value not auctioned, only sold thru buyout

## Questions for PCIA determination/assessment

- Assign credits from allocations to LSEs or customers?
- Revenues from auctions to offset overall customer PCIA?
- Distinguish assets between quarterly and annual bids?
- Bandwidths around PCIA change quarter over quarter?

# The Opportunity to Serve is a Privilege!



## Thank You.

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