

# Calculation of the Market Price Benchmarks for the Power Charge Indifference Adjustment Forecast and True Up

October 2, 2024

Pursuant to Decision (D.) 22-01-023, Energy Division issues the following values for the Power Charge Indifference Adjustment (PCIA) Forecast and True Up, which the investor-owned utilities (IOU) will use for their 2025 Energy Resource Recovery Account (ERRA) Forecast Updates in early October, 2024. The PCIA calculations incorporate Market Price Benchmarks (MPB) – the Energy Index, Renewable Portfolio Standard (RPS) Adder, and Resource Adequacy (RA) Adder – as defined by D.18-10-019 and revised by D.19-10-001, D.22-01-023 and D.23-06-006. D.22-01-023 directed Energy Division to calculate and distribute these values by the first business day in October each year and D.23-06-006 directed Energy Division to calculate and distribute a Greenhouse Gas-Free (GHG-Free) forecast MPB.

The reported GHG-Free values do not meet the 1,000 GWh threshold set by D.23-06-006<sup>1</sup> to set an MPB. As such, the MPB for GHG-Free resources is \$0 per MWh.

There has been an unforeseen delay to the release of the RA MPB.

**Table 1. 2024 Market Price Benchmarks Used in PCIA Calculations**

2024 Final Market Price Benchmarks				
		PG&E	SCE	SDG&E
RA Adder	System RA	Not available		
	Local RA	Not available	Not available	Not available
	Flexible RA	Not available		
RPS Adder		\$65.63		

**Table 2. 2025 Forecast Market Price Benchmarks**

2025 Forecast Market Price Benchmarks				
		PG&E	SCE	SDG&E
	On-Peak	\$55.02	\$41.54	\$41.54

Energy Index	Off-Peak	\$53.18	\$47.84	\$47.84
RA Adder	System RA	Not available		
	Local RA	Not available	Not available	Not available
	Flexible RA	Not available		
RPS Adder		\$67.06		

**Market Price Benchmarks**

The PCIA calculation was established in D.11-12-018 and has most recently been refined in D.23-06-006. The PCIA is the amount by which the IOU is indifferent to the energy power costs after load departs from bundled service and is equivalent to an IOU’s total PCIA- eligible portfolio costs less the portfolio’s market value in a given year. Market value is defined in D.19-10-001 as “the estimated financial value, measured in dollars, that is attributed to an IOU portfolio of energy resources for the purpose of calculating the Power Charge Indifference Adjustment for a given year.”<sup>2</sup> D.19-10-001 defines MPBs as “estimates of the value per unit (not total portfolio value) associated with three principal sources of value in IOU portfolios (energy, resource adequacy, and renewable energy).”<sup>3</sup> MPBs are multiplied by the relevant portfolio volume as part of the overall calculation of market value. The forecasted adders are mechanisms that aim to reduce uncertainty of the indifference amount, and the true up adders are mechanisms that aim to align realized market revenues with forecasted values.

**Energy Index**

Energy Index is the MPB that reflects the estimated market value of each unit of energy in an IOU’s PCIA-eligible portfolio, in dollars per megawatt hour (\$/MWh). The Energy Index was previously referred to as the “Brown Power Index.”<sup>4</sup>

The Energy Index above was calculated using Platts-ICE Forward Curve-Electricity market data. Energy Division received a Platts on-peak and off-peak forward price for each month of 2024 and each electrical zone (NP15 and SP15), as calculated on each individual non-holiday weekday from September 1, 2024 through September 30, 2024 (inclusive). Using this data, Energy Division calculated a 2024 monthly average price for each peak period and each electrical zone, thereby arriving at the values in Table 1 above. The IOUs will use weighted averages of these values in the October Updates to their 2025 ERRR Forecast Applications.

## **RPS Adder**

The RPS Adder is the MPB that reflects the estimated value (incremental to the Energy Index) of each unit of RPS-eligible energy that is attributable to the fact of that eligibility, in dollars per megawatt hour (\$/MWh). Both the forecast and the final adders are based on bundled, short-term (under ten years), index-plus<sup>6</sup>, Portfolio Content Category 1 (PCC-1)<sup>7</sup> transactions.

- **The Forecast RPS Adder** was calculated using the volume-weighted average of all eligible IOU, CCA, and ESP market transactions executed from September 2023 through August 2024, with delivery in 2025.
- **The Final RPS Adder** was calculated using the volume-weighted average of all eligible IOU, CCA, and ESP market transactions executed from December 2022 through August 2024, with delivery in 2024.