

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 6**

TO: Community Advisory Committee

FROM: Gordon Samuel, Chief Operating Officer

SUBJECT: Valley Clean Energy’s Policy regarding PG&E allocation of Greenhouse Gas (GHG)-free (Large Hydro and Nuclear) resources to Community Choice Aggregators

DATE: November 21, 2024

RECOMMENDATION

Recommend that the VCE Board of Directors:

1. Accept the 2025 allocation of large hydro GHG-free attributes;
2. Accept the 2025 allocation of nuclear power GHG-free attributes;
3. Authorize the Executive Officer to enter into an agreement(s) with PG&E to accept the 2025 Large Hydro and Nuclear GHG-free allocations

BACKGROUND and ANALYSIS

PG&E owns or contracts for a number of GHG-free resources (including large hydro and nuclear from Diablo Canyon Power Plant). PG&E has been able to count these resources on its power content label (PCL) to meet its GHG-free targets. Other load serving entities (LSEs), on the other hand, have been paying for those same assets through the Power Charge Indifference Adjustment (PCIA), yet do not receive any of the GHG-free benefits – this includes VCE.

In mid-2019, CCAs approached PG&E to discuss whether PG&E would be agreeable to selling energy from their large hydro facilities. PG&E ultimately refused to make sales in 2019, but subsequently approached CCAs and offered to allocate GHG-free resources (nuclear and large hydro) to CCAs and other eligible LSEs.

Eventually the allocations became available in 2020, and the VCE Board elected to receive only the large hydro attributes. This became effective in the third quarter of 2020 and VCE received approximately 24,000 MWHs in 2020; 37,382 MWHs for 2021 (Feb -Dec); and 53,886 MWHs for 2022; and 83,073 MWHs for 2023 (note: VCE will not know the final 2024 numbers until April 2025; through mid 2024 the amounts have been tracking very similar to 2023 amounts).

In prior years, staff recommended VCE not accept the nuclear GHG-free allocation, but regulatory changes have prompted staff to reassess this recommendation. CPUC Decision 23-12-036 extended the operation of Diablo Canyon Nuclear Power Plant, which was previously set to retire in two phases in late 2024 and early 2025. First, under this new regulatory structure the cost of operation for Diablo

Canyon will now be paid for by all CPUC-jurisdictional LSE customers across the entire state as a separate charge on their bills (i.e. regardless of whether VCE elects to accept or reject the attributes, VCE customers will still be paying for it). Secondly, as part of this regulatory change VCE has already been allocated resource adequacy (RA) capacity from Diablo Canyon for the 2025 RA compliance year, with an average of 6 MW of nuclear capacity per month (ranges from approximately 4MW up to 10 MW). Third, if VCE does not accept the nuclear allocation then PG&E will be able to count VCE’s share of the GHG-free energy attributes on its PCL. Finally, as a result of the above changes, many CCAs – including MCE, SCP, PCE, Ava, DCE, Pioneer, RCEA, and SVCE – have elected to accept the nuclear attributes for 2025 which reduces the potential reputational risk associated with accepting the resource.

There is no obligation to accept this allocation of GHG-free attributes. An LSE can choose to accept neither resource pool, one or the other, or both. The volume that each LSE receives will ultimately depend on the volume of electricity generated by each resource pool and the proportion of PG&E’s load served by the LSE.

TENTATIVE SCHEDULE

2025 Carbon Free Sales Tentative Timeline	
November 1, 2024	<ul style="list-style-type: none"> • Notice Issued with 2025 Sales Agreement for review by Eligible LSEs
Up to Week of November 15, 2024 (ACTION REQUIRED)	<ul style="list-style-type: none"> • Feedback on form Sales Agreement due to PG&E
Up to Week of December 12, 2024 (ACTION REQUIRED)	<ul style="list-style-type: none"> • PG&E will provide Eligible LSEs Offers and a final version of 2025 Sales Agreement
January 1, 2025 (<i>pending execution of Sales Agreement</i>)	<ul style="list-style-type: none"> • Expected start of Delivery Period under 2025 Sales Agreement
Week of June 19, 2025 (<i>approximation</i>)	<ul style="list-style-type: none"> • First Quarterly Report with estimated Allocation Amount will be distributed
On or about April 15, 2026	<ul style="list-style-type: none"> • Final Report will be distributed to participating LSEs

In addition, please see below the upcoming key dates for **2024** Carbon Free Sales:

Reminders for 2024 Carbon Free Sales	
Week of December 16, 2024 (<i>approximation</i>)	Third Quarterly Report for 2024 with estimated Allocation Amount will be distributed
On or about April 15, 2025	Final Report for 2024 will be distributed to participating LSEs

RECOMMENDATION

As discussed with the CAC and Board in the past on the topic of allocations, staff’s position on large hydro has not changed, but staff has reassessed the nuclear position. Key factors in this reassessment include:

- The CPUC Decision extending Diablo Canyon operations and having all LSE's customers pay for it; VCE is using 6 MW of Diablo for RA; many of VCE's peers have elected to receive the nuclear attributes; large hydro and nuclear improve the VCE emission rate shown on the PCL.
- The monetary value has improved over prior years. The large hydro allocations can be resold, but per the CPUC decision the nuclear attributes cannot be resold. Staff is assessing whether to sell a portion of the large hydro attributes.
- More CCA's have opted to take the nuclear attributes this year.

Based on these factors that "force" VCE to take the resource for RA purposes and the reduction in potential reputational risk, on balance, staff believes that VCE is better served by accepting both the hydro and nuclear allocations for 2025.

In summary, staff is recommending:

1. Accept the 2025 allocation of large hydro GHG-free attributes;
2. Accept the 2025 allocation of nuclear power GHG-free attributes;
3. Recommend the Executive Officer enter into an agreement(s) with PG&E to accept the 2025 Large Hydro and Nuclear GHG-free allocations.