



Staff Report Item 4:

To:	Ava Community Energy Authority
From:	John Newton, Director of Regulatory Affairs
Subject	Regulatory Update
Date:	March 6, 2026

Summary/Recommendation

This staff report provides the Marketing, Regulatory, and Legislative sub-committee with regulatory context relevant for corresponding legislative items.

This is informational. No action is required.

Financial Impact

N/A

Analysis and Context

This presentation will provide regulatory context for Ava's Public Policy legislative team presentation at the March 6, 2026 MRL, specifically relevant to (1) hourly transactability within the California Public Utility Commission's resource adequacy program, (2) power charge indifference adjustment transparency, and (3) the evolving new large load California regulatory framework.

Committee Recommendation (if applicable)

None recommended.

Attachments (if applicable)

Presentation entitled "Marketing, Regulatory, and Legislative Sub-Committee Regulatory Update."



Marketing, Regulatory, and Legislative
Sub-Committee
Regulatory Update

Michael Quiroz & John Newton | March 6, 2026



Regulatory Update Roadmap

- **Purpose:** Provide regulatory context for the following topics that are part of today's Legislative Update
 - Resource Adequacy Hourly Transactability
 - Power Charge Indifference Adjustment Transparency
 - Evolving California Large Load Regulatory Framework
- **Key Takeaways**
 - Resource Adequacy Hourly Transactability within the CPUC's Slide of Day Framework presents a key opportunity to improve customer affordability
 - Ongoing CPUC Reforms to the Power Charge Indifference Adjustment that can produce significant electric rate uncertainty for customers need to be predictable and the methodology needs to be transparent
 - As the default load serving entity for all new loads in the communities Ava serves, new large loads in California are beginning to drive a range of changes in the regulatory landscape

Resource Adequacy Overview

- **What is Resource Adequacy?**

- Resource adequacy ensures that there is enough energy generating capacity and reserves to maintain a balanced supply and demand across an electric system

- **Goal of the CPUC's Resource Adequacy Program**

- Ensure enough capacity is under LSE contract in the near term (1–3 years) to *reliably* serve customer demand
- Incentivize the siting, construction, and retainment of resources needed for future grid reliability

- **How CPUC RA Program works today**

- Load serving entities like Ava must show they have procured sufficient generating capacity to meet expected energy demands as well as additional capacity in reserve for grid stress events
- 1 annual showing (year ahead) and 12 monthly showings (month-ahead)

Slice of Day and Transactability

- Prior to 2025, LSEs were required to procure capacity to cover a **single peak demand hour** each month
- Slice of Day (“SOD”) regulations, first implemented in 2025, require LSEs to procure capacity to cover **24 hours in the worst day of each month**
- Under existing rules, LSEs are restricted in how they can transact with other entities to ensure compliance.
 - Adjustments to an LSE’s portfolio are limited to transacting product for the whole month even though obligations are unique to each hour.
 - This mismatch means LSEs must purchase more RA than they need to meet their obligations, creating artificial market scarcity and unnecessarily driving up RA demand (and prices)
- CCAs have supported **transactability** to address this mismatch
 - Transactability would allow CCAs to trade obligations at the hourly level in order to reduce costs to consumers
 - If RA requirements are set on an hourly basis, some or all of the products should be transactable on an hourly basis
- Parties are evaluating transactability in the current RA proceeding

Power Charge Indifference Adjustment Transparency

Power Charge Indifference Adjustment Is Meant to Prevent Unintended Cost Shifts

- The CPUC is tasked with ensuring that electric energy consumers neither impose nor receive unintended benefits from customers that remain with investor-owned utility service.
- The CPUC accomplishes this by determining a Power Charge Indifference Adjustment (PCIA) based on the imputed value of legacy utility resources relative to recent market values.

Energy Division Report Asserts PCIA Calculation Methodology Needs Reform

- Early in 2025, CPUC Staff published a report asserting that the way the PCIA was calculated was flawed—resulting in a distorted valuation of legacy utility resources—and urgently needed reform.

CPUC's Accelerated Rulemaking

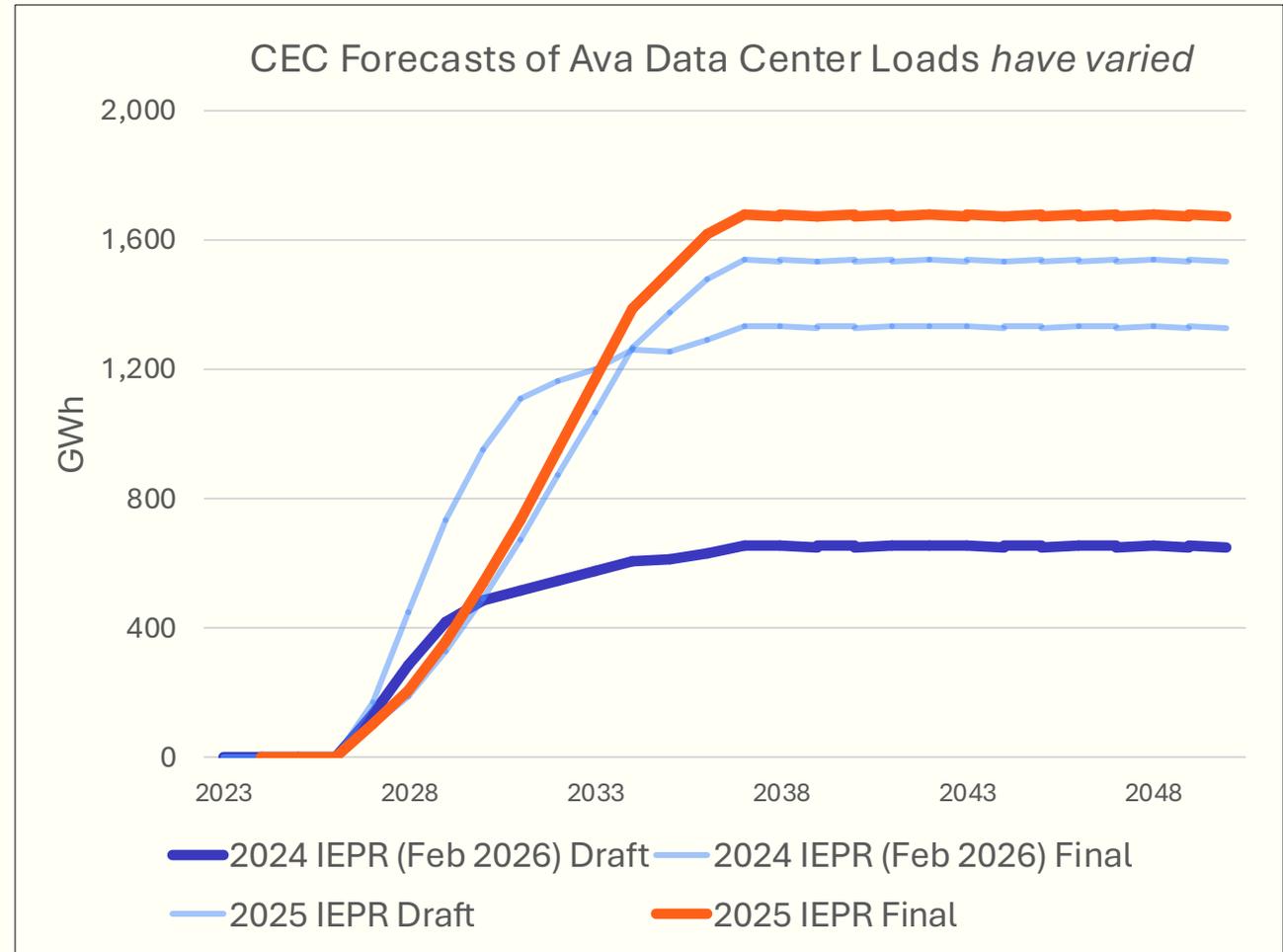
- In a conspicuously brief first track of its rulemaking, the CPUC largely adopted the findings of CPUC Staff's report and implemented PCIA calculation changes that resulted in meaningful impacts for Ava and other CCA customer electric costs.

Lack of Transparency

- Despite requests from Ava, our trade association, and other parties to the rulemaking, the **CPUC did not share the information CPUC Staff had used** to conclude that the previous methodology was flawed and that rapid change was needed.

Evolving Large Load California Regulatory Framework

- PG&E's Application to establish Electric Rule 30 would establish a new standardized process to connect retail load interconnection at electric transmission voltage.
- New loads have typically connected to distribution level gride (below 60 kV), with standard processes evolving to meet this type of load.
- More recently, there has been an uptick of large loads seeking to connect at transmission level voltages (above 60kV).



Legislative Companion: Various