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## Valley Clean Energy Board Meeting – Thursday, February 9, 2023



### Item 17 – Legislative and Regulatory Updates

## Legislative Update

Mark Fenstermaker – Pacific Policy Group

# Item 17 – Legislative/Regulatory Update

## Dates & Deadlines

- December 5, 2022 – Legislature Convenes 2023-24 Session
- January 4 – 2023 Legislative Session Reconvenes
- January 10 – Governor Releases Proposed 2023-24 Budget
- February 17 – Last day to introduce bills
- April 28 – Last day for policy committees to hear fiscal bills (1st House)
- June 2 – Last day for bills to pass house of origin
- June 15 – Last day for the Legislature to pass Budget Bill
- July 14 – Last day for policy committees to hear fiscal bills (2nd House)
- July 14 – August 14 – Summer Recess
- September 14 – Last day of 2023 Legislative Session
- October 14 – Last day for Gov. Newsom to sign or veto bills
- January 3, 2024 – Legislature reconvenes for 2024 Legislative Session



# Item 17 – Legislative/Regulatory Update

## Change is in the Air

- Assembly: 24 new members (30% turnover)
- Senate: 10 new members (25% turnover)
- Legislative Leadership:
  - Assembly has voted for Assemblymember R. Rivas (Hollister) to replace Speaker Rendon on July 1, 2023
  - Senator Atkins (San Diego) remains Senate Pro Tem, terms out in 2024

## Change is in the Air – Senate Energy, Utilities & Communications

- Committee grew from 14 to 18 members, 11 Democrats to 4 Republicans
- There are 7 new committee members, 1 is brand new to the Legislature
- New Chair Senator Bradford

- Braford (Chair) (D – Gardena)
- Dahle (Vice Chair) (R – Bieber)
- Ashby (D – Sacramento) (New Senator)
- Becker (D – Menlo Park)
- Caballero (D – Merced)
- Dodd (D – Napa)
- Durazo (D – LA)
- Eggman (D – Stockton)
- Gonzalez (D – Long Beach)
- Grove (R – Bakersfield)
- McGuire (D – Geyserville)
- Min (D – Irvine)
- Newman (D – Fullerton)
- Rubio (D – Baldwin Park)
- Seyarto (R – Murrieta)
- Skinner (D – Berkeley)
- Stern (D – Malibu)
- Wilk (R – Santa Clarita)

## Change is in the Air – Assembly U&E

- Committee has 15 members, 11 Democrats to 4 Republicans
  - There are 6 new committee members, 3 are brand new to the Legislature
- 
- Garcia (Chair) (D – Coachella)
  - Patterson (Vice Chair) (R – Fresno)
  - Bauer-Kahan (D – Orinda)
  - Calderon (D – Whittier)
  - Carrillo (D – Los Angeles)
  - Chen (R – Yorba Linda)
  - Connolly (D – Marin)
  - Holden (D – Pasadena)
  - Mathis (R – Porterville)
  - Muratsuchi (D – Torrance)
  - Reyes (D – Colton)
  - Santiago (D – Los Angeles)
  - Schiavo (D – San Fernando Valley)
  - Ting (D – San Francisco)
  - Wallis (R – Palm Springs)

# Item 17 – Legislative/Regulatory Update

## Budget Woes

- State is facing a projected \$22.5 billion deficit
- Proposed cuts to allocations for energy programs
  - Reduces by \$1.1 billion the investments in Zero-Emission Vehicles from \$10 billion to \$8.9 billion.
  - Appropriates \$100 million to the Clean Energy Reliability Investment Plan funds for reliability and enabling investments that will accelerate the clean energy transition, which was part of SB 846 (Dodd) to extend Diablo Canyon.
  - Reverts \$400 million from the California Arrearage Payment Program
  - Delays \$370 million of funds and reduces \$87 million of future funds for the Equitable Building Decarbonization Program at the CEC and. Maintains approximately \$835 million (91 percent).
  - Reduction of \$25 million in 2023-24 from the Transmission Financing Program at the California Infrastructure Bank. This maintains approximately \$225 million (90 percent).
  - Reduction of \$270 million in 2023-24 from the Residential Solar and Storage program at the PUC. Maintains approximately \$630 million (70 percent) for incentives for low-income utility customers.

## Budget Optimism

- Despite the deficit and multitude of proposed cuts, the budget maintains \$100 million to the Clean Energy Reliability Investment Plan funds for reliability and enabling investments that will accelerate the clean energy transition, which was part of SB 846 (Dodd) to extend Diablo Canyon.
- The Administration's proposal for this funding includes the following reference:
  - ❖ Strategic investments in the agricultural and water sectors that reduce both peak electricity consumption and water use.



## Regulatory Update

Sheridan Pauker – Keyes and Fox

# Item 17 – Legislative/Regulatory Update

## VCE Compliance Requirements

1. Annual RPS Procurement Plans (Draft and Final)
  2. RPS Compliance Reports (Annual and at the conclusion of each compliance period)
  3. Annual RPS Workforce Development & Diversity Data Request
  4. Annual RPS Cost/Cost Savings Data Request
  5. Monthly Resource Adequacy (RA) reporting
  6. Year-Ahead RA reporting
  7. Biennial Integrated Resource Planning compliance filings
  8. Biannual “Mid-Term Reliability” Procurement Compliance requirements and reporting
  9. Monthly Load Migration Forecasts
  10. Annual Power Content Label Report
  11. Annual Power Content Label Audit
  12. Annual Energy Storage Procurement compliance advice ltr
  13. Annual Emission Performance Standard compliance advice ltr
  14. Annual Supplier Diversity reports
  15. Annual report on transportation electrification and vehicle-grid integration strategies
  16. Annual and Triennial Data Privacy reports
  17. Annual Integrated Energy Policy Report
  18. Annual Demand Forecast forms
  19. Quarterly Procurement Status Data Responses
  20. Semi-Annual RPS-PCIA Data Responses
  21. Semi-Annual PCIA-RA Data Responses
- Other obligations that KF/EQ does not handle:
- Monthly and Annual Energy Information Administration Reporting
  - Monthly Congestion Revenue Rights Nominations and Load Forecasts (CAISO)
  - Quarterly Fuel and Energy Reporting (CEC)
  - Annual Retail Load Reporting for Mandatory Greenhouse Gas Reporting Regulation (CARB)

# Item 17 – Legislative/Regulatory Update

Docket	Title	VCE party (Y/N)
<a href="#">R.20-05-003</a>	IRP Rulemaking	Y
<a href="#">R.18-07-003</a>	RPS Rulemaking	Y
<a href="#">R.21-10-002</a>	RA Rulemaking (2023-2024)	Y
<a href="#">A.20-10-011</a>	Commercial EV Real-Time Pricing Pilot	N
<a href="#">R.18-12-006</a>	Transportation Electrification	Y
<a href="#">R.19-09-009</a>	Microgrid	N
<a href="#">R.22-07-005</a>	Demand Flexibility	Y
<a href="#">R.19-01-011</a>	Building Decarbonization	N
<a href="#">A.22-05-002</a>	Demand Response Programs (2023-2027)	N
<a href="#">R.17-06-026</a>	PCIA Rulemaking	N
<a href="#">R.21-03-011</a>	Provider of Last Resort Rulemaking	Y
<a href="#">A.21-06-021</a>	PG&E 2023 Phase 1 GRC	N
<a href="#">A.22-05-029</a>	PG&E 2023 ERRRA Forecast	N
<a href="#">A.20-02-009</a>	PG&E 2019 ERRRA Compliance	N
<a href="#">A.21-03-008</a>	PG&E 2020 ERRRA Compliance	N
<a href="#">A.22-02-015</a>	PG&E 2021 ERRRA Compliance	N

Docket	Title	VCE party (Y/N)
<a href="#">R.21-10-001</a>	Utility Safety Culture Assessments	N
<a href="#">A.22-09-018</a>	PG&E Generation Asset Transfer	N
<a href="#">R.22-10-010</a>	CCA BioMAT	Y
<a href="#">R.22-11-013</a>	Distributed Energy Resource Programs	N
<a href="#">I.15-08-019</a>	Investigation into PG&E Organization, Culture and Governance	Y
<a href="#">R.19-03-009</a>	Direct Access Rulemaking	N
<a href="#">R.20-11-003</a>	Ensuring Summer 2021 Reliability	Y
<a href="#">A.19-11-019</a>	PG&E 2020 Phase II GRC	N
<a href="#">A.21-06-001</a>	PG&E 2022 ERRRA Forecast	N
<a href="#">A.20-06-011</a>	PG&E Regionalization Plan	Y
<a href="#">R.21-03-001</a>	Wildfire NBC Rulemaking (2022-2023)	N

# Item 17 – Legislative/Regulatory Update

- **VCE's Proposed Expansion of AgFIT**

- CalCCA proposed expansion to all IOU territories, 500 MW, 5 years, fully opt-in, all types of ag load.
- Other supporters: Utility Consumers Action Network, Microgrid Resources Coalition.
- Concerns expressed by: CA Farm Bureau, Federal agencies, large energy consumers; PG&E; SCE; Public Advocates Office.
- Next Step: workshops to be scheduled in Q2 '23 in Demand Flexibility proceeding.
- Track A will establish an income-graduated fixed charge pursuant to AB 205.

- **More Incremental Capacity Procurement Proposed in IRP**

- 4 additional GWs from renewables & storage in IRP Proposed Decision.
- VCE's share would be 8 MW by 2026 by June 1, 2026, and another 8 MW by June 1, 2027, in addition to prior procurement mandates.
- Assumes 85 GW of new resources will be built to serve CPUC-jurisdictional LSEs by 2035.
- VCE recently completed filing documenting IRP progress.

# Item 17 – Legislative/Regulatory Update

- **Low PCIA Rates/ERRA Updates**

- PG&E ERRA forecasted cumulative indifference amounts (a key component of PCIA rates) fell below zero for several vintages, mostly as a result of high brown power prices.
- PG&E proposed to artificially set a floor of zero on the forecast cumulative indifference amount, but CalCCA successfully argued that PCIA rates must be allowed to go negative.
- As a result, CCA customers in the PG&E territory will see very low (and for some vintages, negative) PCIA rates this year.
- A Proposed Decision in the PG&E 2019 ERRA Compliance proceeding would prohibit PG&E from adjusting future rates to collect any revenue shortfalls caused by PSPS events in 2019.

- **RPS Voluntary Allocation and Market Offer (VAMO) Process**

- IOUs are offering for sale remaining short-term contracts after their excess RPS contracts were voluntarily allocated to participating LSEs.
- For long-term contracts, open question as to when IOUs will finalize offer. CalCCA protested PG&E's Advice Letter and seeks a more detailed schedule.
- VCE filed its Final 2022 RPS Procurement Plan on Jan. 18 and was commended by the CPUC.
- VCE's Draft 2023 RPS Procurement Plan will be due in July.

# Item 17 – Legislative/Regulatory Update

- **PG&E Asset Transfer Application**

- Seeks to transfer non-nuclear generation assets to new subsidiary (Pacific Generation) and sell up to 49.9% of equity interests in Pacific Generation to third party investors.
- Stated goal is to raise capital.
- Potential implications CCA customers: use of capital raise (shareholders vs. ratepayers); PG&E could become even higher risk with negative implications for ratepayers; increase to PCIA; increasing complexity of ERRA; implications for dispatch obligations and behavior; potential implications for allocated VAMO assets; RA compliance responsibility.

- **Provider of Last Resort (POLR) Staff Proposal**

- Proposes financial monitoring of CCAs, cost recovery associated with customers returning to POLR service, and the LSE deregistration process related to procurement requirements.
- Opening comments are due March 21, 2023; replies due April 7, 2023.

- **PG&E Diablo Canyon Closure (New Proceeding)**

- Considering whether to extend Diablo Canyon after 5-year extension under SB 846.
- CCA considerations: impacts to PCIA; whether CCAs will be allocated GHG-free, RA attributes.

## Legislative/Regulatory Update

Questions/Answers



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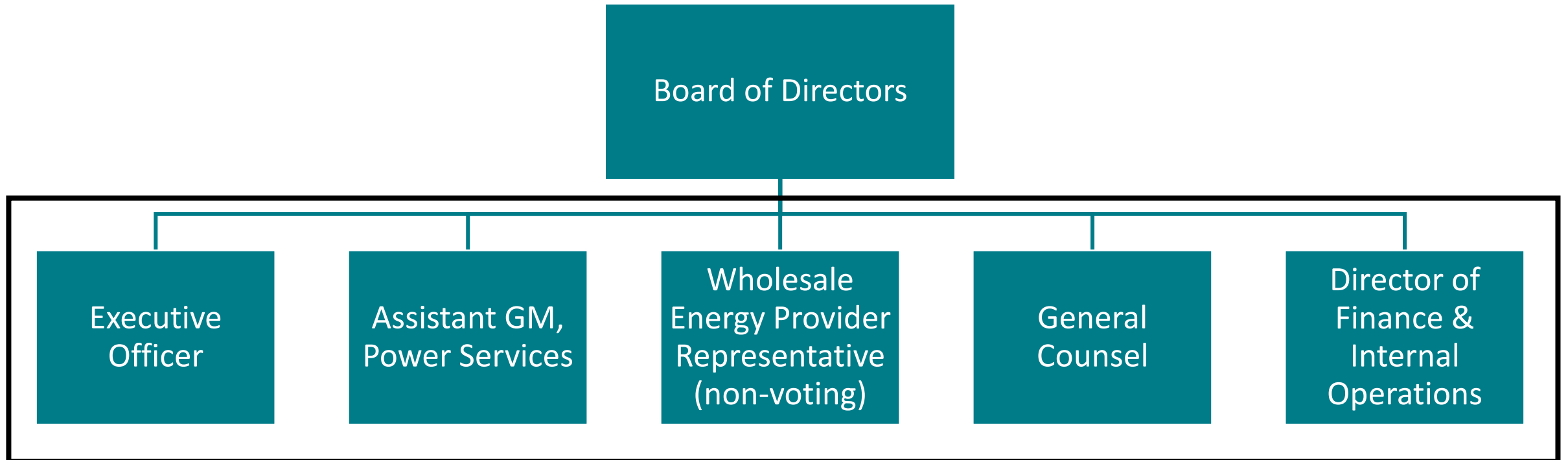
## Valley Clean Energy Board Meeting – Thursday, February 9, 2023



### Item 18 – Wholesale Energy Risk Management Program

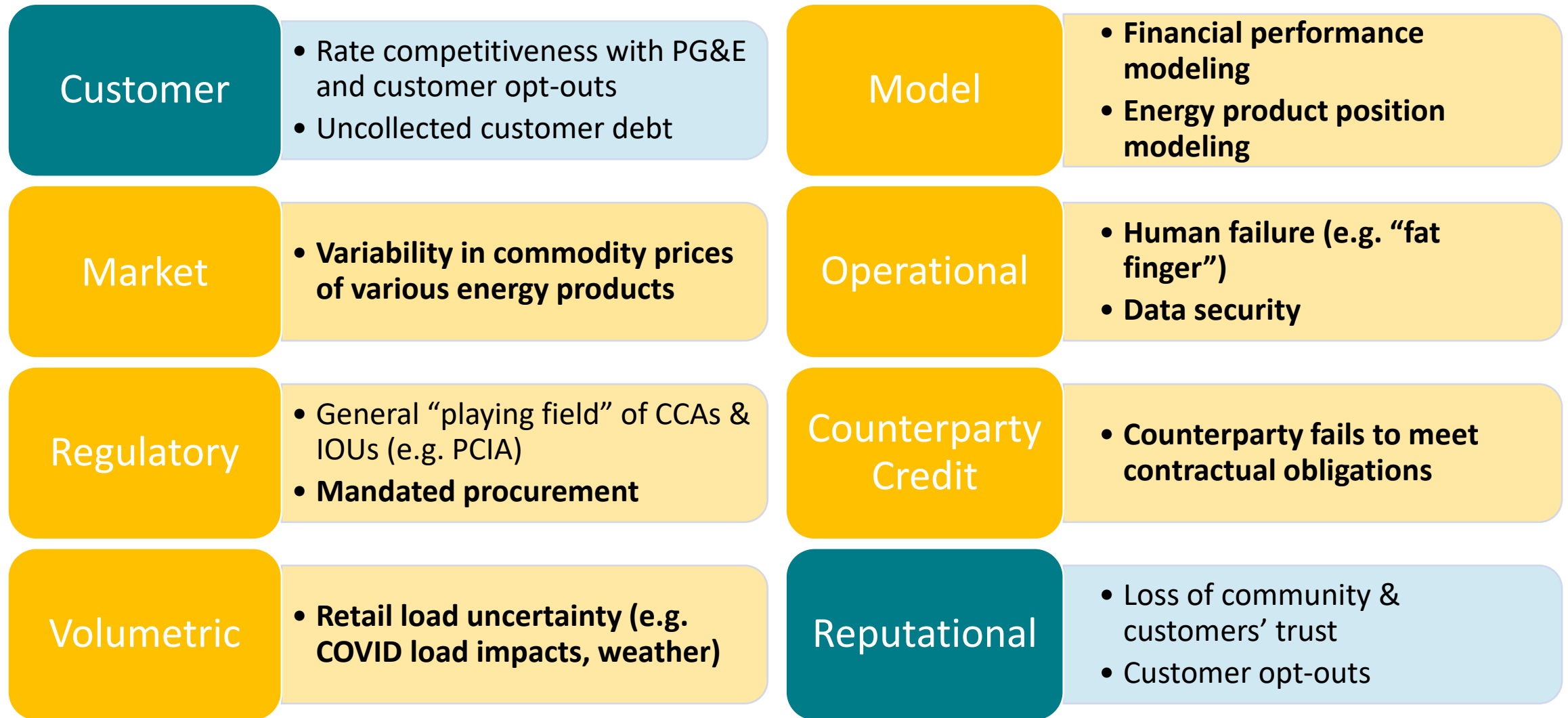


# Item 18 – Wholesale Energy Risk Management Program: VCE’s Risk Management Organizational Structure



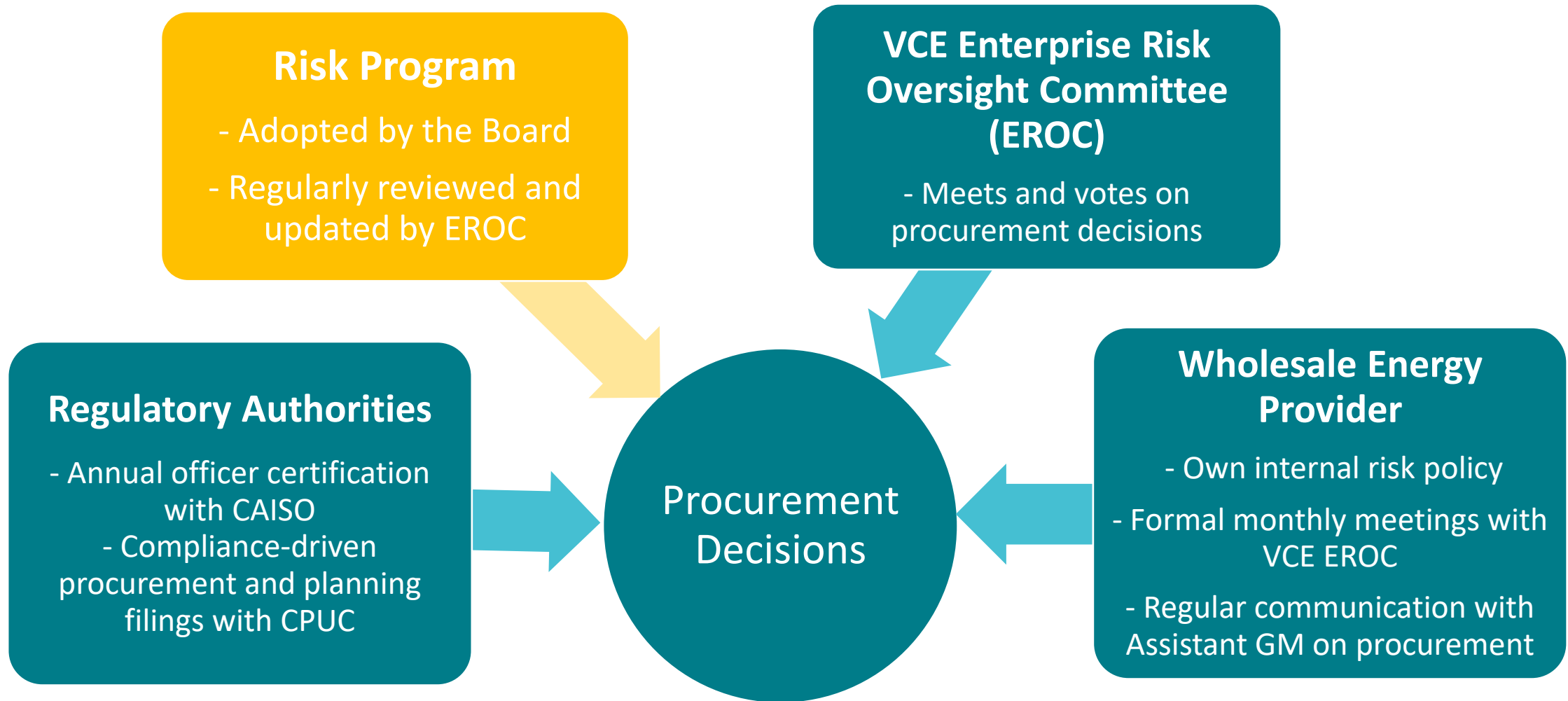
Enterprise Risk Oversight Committee (EROC)

# Item 18 – Wholesale Energy Risk Management Program: Energy Procurement is a Subset of the Broader Enterprise Risk Policy



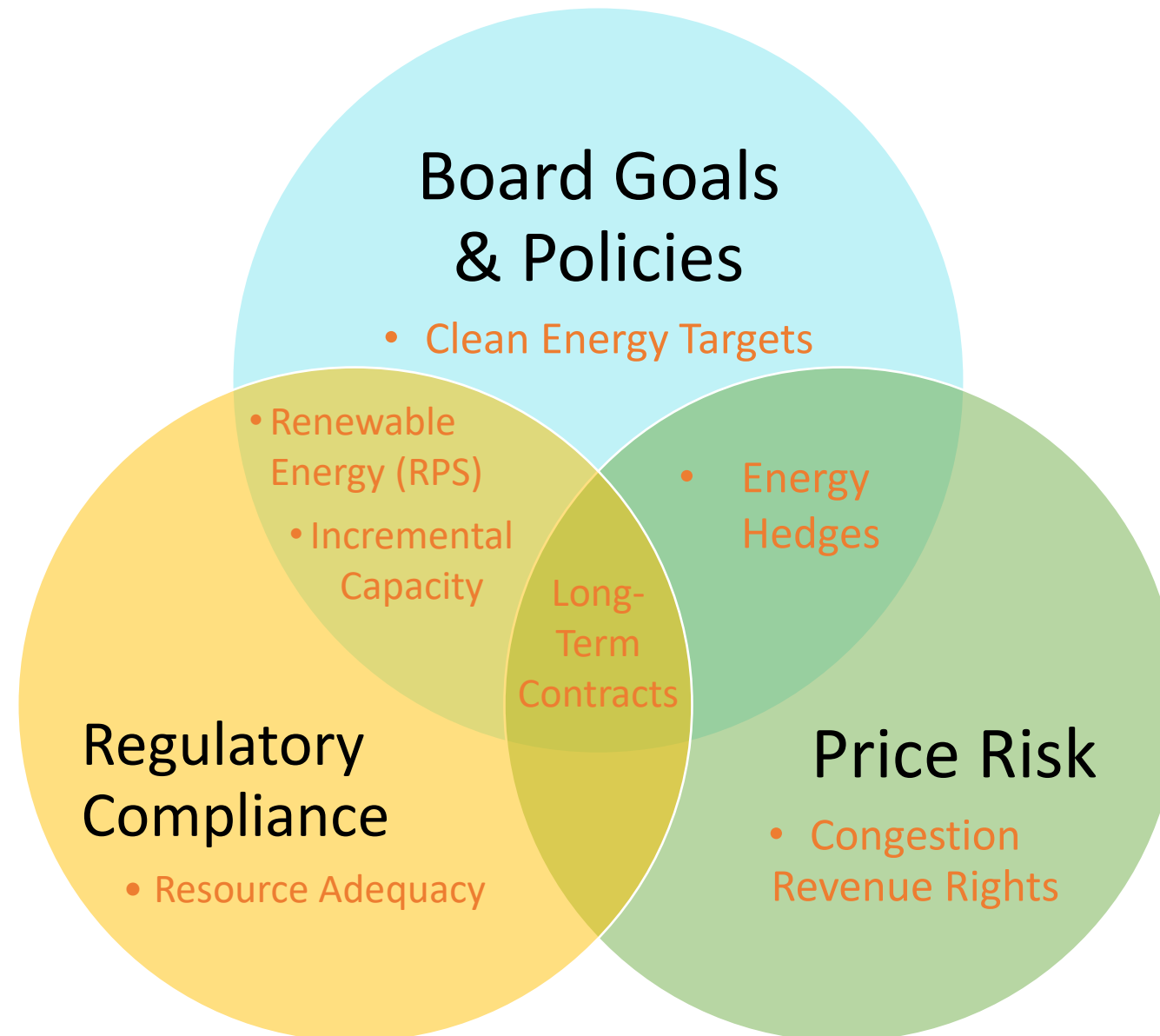
1) Above categories do not represent all risks but rather illustrating the energy procurement areas among others that comprise “enterprise risk”

# Item 18 – Wholesale Energy Risk Management Program: VCE’s Risk Management Program for Energy Procurement

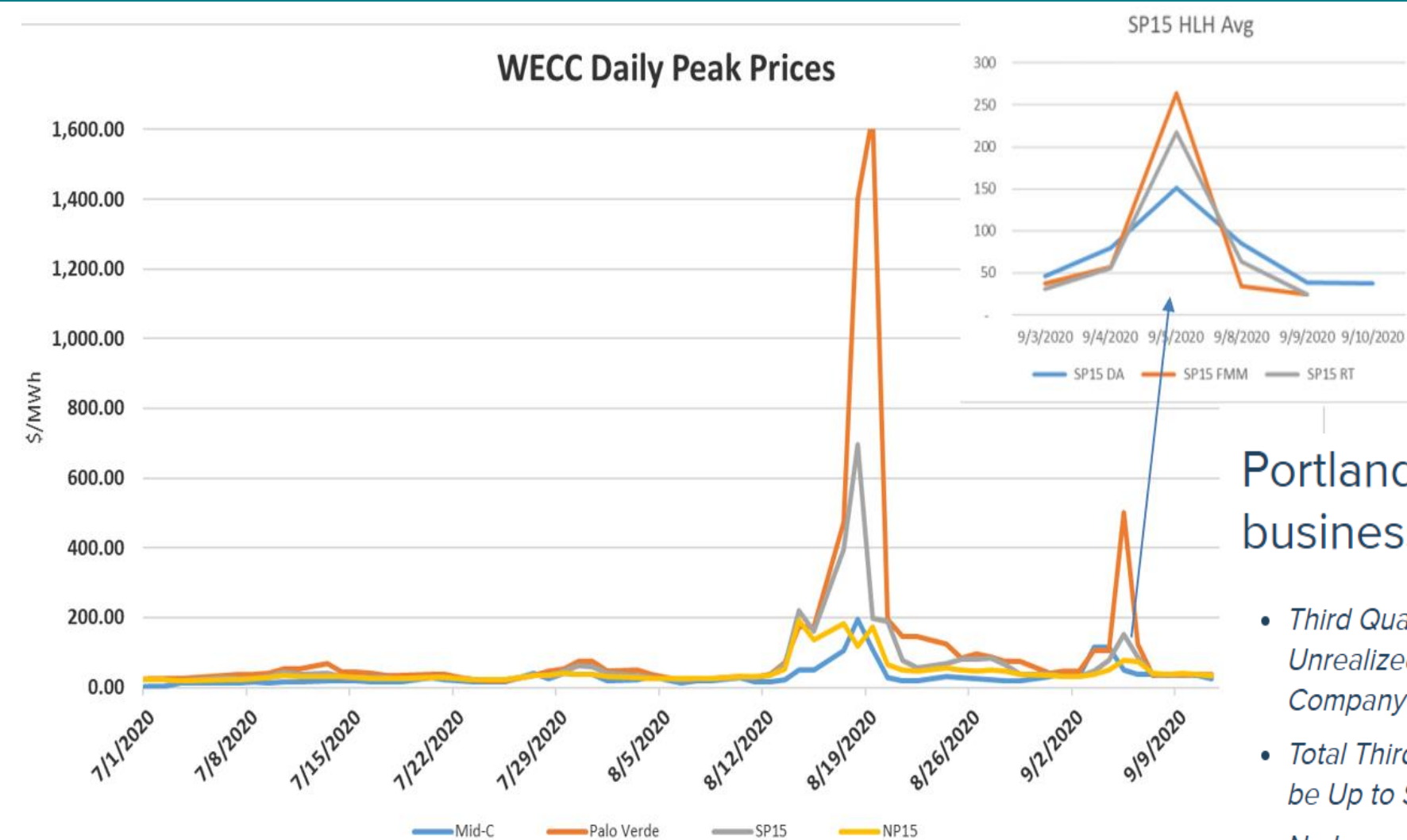


1) Wholesale energy related activities account for approximately 85% of VCE’s annual budget

# Item 18 – Wholesale Energy Risk Management Program: Procurement Purposes & Products



# Item 18 – Wholesale Energy Risk Management Program: The Potential Value of Energy Procurement Risk Management



Portland General Electric provides business update

- *Third Quarter Realized Losses of \$104 Million and Unrealized Mark-to-Market Losses of \$23 Million in the Company's Energy Trading Portfolio as of August 24, 2020*
- *Total Third Quarter Losses in the Portfolio are Estimated to be Up to \$155 Million Subject to Market Conditions*
- *No Impact on Customer Prices or PGE's Ability to Serve Customers*

# Item 18 – Wholesale Energy Risk Management Program: Wholesale Energy Procurement Risk Management Program Overview

1. Program Overview
2. Roles & Responsibilities
3. Delegation of Authority
4. Position Tracking and Management Reporting
5. Business Practices
6. Authorized Transaction Types or Products
7. Energy Risk Procurement Strategy
8. Definitions

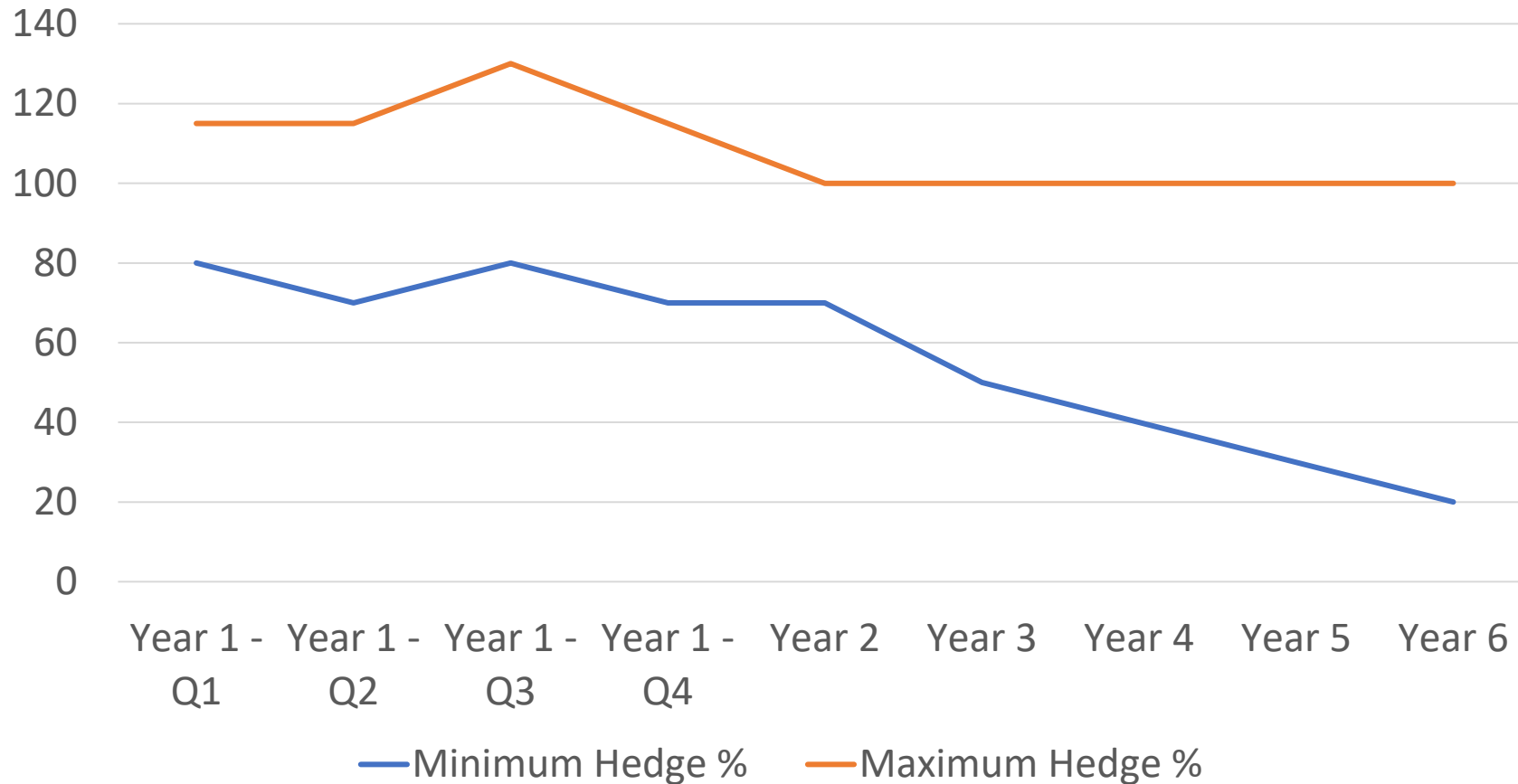
# Item 18 – Wholesale Energy Risk Management Program: Delegation of Authority

Position	Maturity Limit	Term Limit	Energy Transaction Volume Limit (MWh)	Capacity Transaction Value Limit (\$)
<b>VCE Board of Directors</b>	Any transaction that exceeds the Enterprise Risk Oversight Committee limits			
<b>Enterprise Risk Oversight Committee</b>	42 Months	36 Months	500,000	\$5,000,000
<b>Executive Officer</b>	36 Months	30 Months	375,000	\$3,000,000
<b>Wholesale Energy Provider</b>	30 months	24 Months	250,000	\$1,500,000

- The Wholesale Energy Provider Transaction Volume Limit of 250,000 MWh is equal to roughly all of VCE’s Q3 load.
- The EROC Capacity Transaction Limit of \$5 million translates to ~40 – 50 MW of 2024 RA

# Item 18 – Wholesale Energy Risk Management Program: Energy Hedging Schedule

## VCE Energy Hedging Schedule



### Additional Procurement Controls:

- HLH periods to be procured to a minimum of 100% hedged for prompt month
- Annual Summer Assessment with target of completing all Q3 hedges prior to June 15



1) HLH = Heavy Load (On-Peak) Hours



# Item 18 – Wholesale Energy Risk Management Program: Takeaways & Next Steps

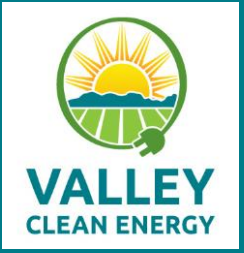
- Energy procurement is a significant portion of the broader enterprise risk policy as it accounts for a significant amount of annual spend for VCE (85%+)
- VCE's current enterprise risk management policy was adopted in 2018
- In addition, over time, VCE has developed 3 energy-specific policies (procurement plan, delegations & directives, and the wholesale energy risk management policy)
- Staff is proposing consolidation into a single new enterprise risk management policy. Key proposed updates will include:
  - Updated delegation authority and hedging schedule
- Based on Board feedback, staff will adjust the enterprise risk policy and return with a draft Policy for Board consideration at a future meeting



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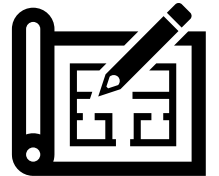
## Item 19 – VCE Strategic Plan



# Item 19 – Strategic Plan Update

## Background & Overview

- VCE is a Mission driven organization
- The VCE Three-year Strategic Plan aligns organizational efforts with policy priorities.
  - Plan Adopted November 2020 for the years 2021 through 2023
  - Plan is the basis for developing annual organization and individual goals, annual budgets, key decisions, and priorities.
- Significant progress has been made in each goal area.
- Outline a process and timeline for extending beyond the current end of the planning period (end of 2023)



# Item 19 – Strategic Plan Update

## FINANCIAL STRENGTH



**Goal:** Maintain and grow a strong financial foundation and manage costs to achieve long-term organizational health.

## PROCUREMENT & POWER SUPPLY



**Goal:** Manage power supply resources to consistently exceed California's Renewable Portfolio Standard (RPS) while working toward a resource portfolio that is 100% carbon neutral by 2030.

## CUSTOMERS & COMMUNITY



**Goal:** Prioritize VCE's community benefits and increase customer satisfaction and retention.

## DECARBONIZATION & GRID INNOVATION



**Goal:** Promote and deploy local decarbonization and grid innovation programs to improve grid stability, reliability, community energy resilience, and safety.

## STATEWIDE ISSUES: REGULATORY & LEGISLATIVE AFFAIRS



**Goal:** Strongly advocate for public policies that support VCE's Vision/Mission.

## ORGANIZATION, WORKPLACE & TECHNOLOGY



**Goal:** Analyze and implement an optimal long-term organizational, management, and information technology structure at VCE.

# Item 19 – Strategic Plan Update

## FINANCIAL STRENGTH



### Key Accomplishments (2022):

## PROCUREMENT & POWER SUPPLY



## CUSTOMERS & COMMUNITY



## DECARBONIZATION & GRID INNOVATION



## STATEWIDE ISSUES: REGULATORY & LEGISLATIVE AFFAIRS



## ORGANIZATION, WORKPLACE & TECHNOLOGY



- Maintained cash reserves and liquidity with lines of credit through the initial launch, COVID-19 pandemic, and power market volatility to optimize VCE's financial health and competitiveness with PG&E.
- Repaid/Closed \$5M Line of credit to the County of Yolo
- New & Updated Policies - Cost recovery-based customer rate policy, expanded customer options (UltraGreen, Standard Green, & Base Green), collections policy, debt policy, Rate adjustment system to support establishing a credit rating by 2024.
- Credit Rating – 4 years of “Clean” audited Financials, credit line facilities for liquidity, and PFM as financial Advisor
- Customer Financial Support – Rate discounts (CARES, FERA, & Medical baseline), California Arrearage Payment Program (CAPP), Percentage of Income Payment Plan (PIPP) Pilot, Arrearage Management Program (AMP), etc.

# Item 19 – Strategic Plan Update

FINANCIAL STRENGTH



PROCUREMENT & POWER SUPPLY



CUSTOMERS & COMMUNITY



DECARBONIZATION &  
GRID INNOVATION



STATEWIDE ISSUES: REGULATORY &  
LEGISLATIVE AFFAIRS



ORGANIZATION, WORKPLACE &  
TECHNOLOGY



## Key Accomplishments (2022):

- 12 Power Purchase Agreements (PPAs) - >85% renewable content by 2024
  - Local Power Content – Putah Creek (Winters/Yolo County), Gibson (Yolo County), & Tierra Buena Battery Storage Facility
  - 4 through California Community Power, PV plus storage, long duration storage, and geothermal technologies
  - Totals: 243 MW Renewables, 128 MW BESS, and 7 MW Demand Response.
- Performed portfolio analysis for 100% carbon neutral and carbon-free hour-by-hour with Energeia.
- Completed Integrated Resource Plan (IRP) reflecting 80% renewables by 2030 (Board policy) and nearly 100% by 2035

# Item 19 – Strategic Plan Update

FINANCIAL STRENGTH



PROCUREMENT & POWER SUPPLY



CUSTOMERS & COMMUNITY



DECARBONIZATION &  
GRID INNOVATION



STATEWIDE ISSUES: REGULATORY &  
LEGISLATIVE AFFAIRS



ORGANIZATION, WORKPLACE &  
TECHNOLOGY



## Key Accomplishments (2022):

- AgFIT pilot development and implementation designed to provide VCE agricultural customers with hourly price signals and incentives for irrigation automation and scheduling software to better manage energy costs.
- Maintained customer participation rate of over 90% for service territory.
- Customer Programs – 3-Year Programs Plan adopted by Board; 4 new programs launched and 3 maintained (2021-2022)
- Customer Opt-Ups – Member Agency (Yolo County, City of Davis)
- Significant improvements to the VCE website and materials, including adding content on newly launched programs, carbon-free vs. renewables, highlighting key UltraGreen customers on the homepage, updating FAQs, updating the financial resources page, adding the VCE Power Contract map, translating virtually everything into Spanish and improving Spanish website navigation.

# Item 19 – Strategic Plan Update

FINANCIAL STRENGTH



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STATEWIDE ISSUES: REGULATORY &  
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ORGANIZATION, WORKPLACE &  
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## Key Accomplishments (2022):

- Completed portfolio analysis for 100% carbon neutral and carbon-free hour-by-hour by 2030 (Goal 4 – Decarbonization & Grid Innovation)
- Engaging member jurisdiction staff for UltraGreen Analysis & opt-up adoption; worked with Yolo County and City of Davis to opt up all muni-accounts not covered by existing renewable energy to 100% renewable UltraGreen.
- Awarded \$3.25M in funds for the 3-year pilot funding from CPUC under the Reliability OIR to develop and deploy an agricultural auto demand response (AgFIT).
- Exploring options for improved localized grid reliability (e.g. local solar + storage + microgrid).



# Item 19 – Strategic Plan Update

FINANCIAL STRENGTH



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ORGANIZATION, WORKPLACE &  
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## Key Accomplishments (2022):

- Actively participated in the CPUC Summer Reliability proceeding (AgFit Pilot) and PG&E Regionalization Proceeding. Active in the recently concluded legislative session for 2022.
- Briefed regulatory agencies on 1<sup>st</sup> season of AgFIT results – load shifted and engagement on sources of funding for pilot expansion.
- Adopted updated Legislative Platform.
- Engaged with and supported CalCCA priority legislative efforts, including becoming more directly involved with CalCCA’s Legislative Committee.
- Engaged with CalCCA PCIA forecasting team to make more informed forecasts of PCIA and PG&E rates for budget forecasting.
- September 2022 Heat Storm - Participated in Statewide efforts led by Governor’s Office to reduce/shift load during historic week-long heat event; direct engagement with member jurisdictions and customers to reduce/shift load during critical peak hours.

# Item 19 – Strategic Plan Update

FINANCIAL STRENGTH



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ORGANIZATION, WORKPLACE &  
TECHNOLOGY



## Key Accomplishments (2022):

- Transitioned Wholesale Energy Services role to The Energy Authority.
- Transitioned Customer Outreach support to REACH Strategies.
- Recruited and retained key personnel for leadership and operational positions.
- Lead California Community Power joint powers authority Board subcommittee in the development and adoption of it's first multi-year strategic plan - optimize shared CCA platform to execute multiple PPAs to meet regulatory requirements.
- Continue to promote, support, and provide annual diversity reports (GO 156) for CPUC.
- Actively monitor POU formation activities and funding options in PG&E service territory.

# Item 19 – Strategic Plan Update

## “Rolling” Strategic Plan Concept (Beyond 2023)

- Current Strategic Plan runs through the end of 2023.
- The proposed one-year “rolling” action plan
  - Maintain a three-year outlook.
  - Extensions each year so that the Plan is always 1+ years
  - 2024-2025 Strategic Plan Objectives – Completed in 2023. Addition of two years
  - 2026 Strategic plan objectives – Completed in 2024. First year of rolling 1+ year development

# Item 19 – Strategic Plan Update

**Tentative development milestones and timeline:** Strategic “Rolling” Plan development calendar:

- **February 13, 2023 (Current)** - Rolling strategic plan development process and timeline.
- **February 23, 2023 - CAC.** Present rolling strategic plan process and timeline to CAC. Recommend that the CAC form a Task Group to provide feedback related to the development of a rolling strategic plan.
- **March–June 2023** – CAC Task Group to provide input and feedback to staff in developing the working draft plan.
- **June – July 2023** – Draft Plan. Present Draft to CAC/Board for feedback in Q3 2023.
- **August – September 2023** – Final draft plan. Present final draft to CAC/Board for consideration for adoption by Q4 2023.

## Discussion