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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Review, Revise, and Consider Alternatives to the Power Charge Indifference Adjustment.	R.17-06-026 (Filed June 29, 2017)

CALIFORNIA COMMUNITY CHOICE ASSOCIATION REPLY COMMENTS ON THE PROPOSED DECISION

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REPLY COMMENTS ON THE PROPOSED DECISION

The California Community Choice Association[1] (CalCCA) submits these reply comments pursuant to Rule 14.3 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure on the *Phase 2 Decision on Power Charge Indifference Adjustment Cap and Portfolio Optimization* (Proposed Decision or PD), issued on April 5, 2021.

I. THERE IS NO GOOD REASON NOT TO ADOPT THE GHG-FREE ALLOCATION PROPOSAL

Southern California Edison Company (SCE) underscores the conclusion that the Working Group 3 (WG3) greenhouse gas-free (GHG-Free) allocation is the "best course," finding the PD's rejection of the allocation "inconsistent" with prior Commission decisions.[2] The Utility Reform Network (TURN) similarly finds the PD's internal inconsistency "puzzling": the PD rejects the WG3 allocation while accepting the existing interim allocation.[3] The Commission should resolve these inconsistences by adopting a permanent GHG-Free allocation. There is simply no good reason to defer adoption of this important element of the WG3 proposal.

A key driver for the PD's rejection appears to be an argument advanced late in the proceeding by Pacific Gas and Electric Company (PG&E): the Commission should "consider the impact of GHG-emitting resources on the PCIA-eligible portfolio's value."[4] PG&E's rationale is specious and overlooks the fundamental purpose and structure of the Power Charge Indifference Adjustment (PCIA).

The PCIA calculation is an exercise of determining "above market" portfolio costs by reducing portfolio costs by the value of portfolio benefits. The Commission and the investor-owned utilities (IOUs) have already implicitly agreed that there is a unique GHG-Free value in

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[1] California Community Choice Association represents the interests of 23 community choice electricity providers in California: Apple Valley Choice Energy, Baldwin Park Resident Owned Utility District, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Peninsula Clean Energy, Pico Rivera Innovative Municipal Energy, Pioneer Community Energy, Pomona Choice Energy, Rancho Mirage Energy Authority, Redwood Coast Energy Authority, San Diego Community Power, San Jacinto Power, San José Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, Valley Clean Energy, and Western Community Energy.

[2] SCE Opening Comments at 10-11.

[3] TURN Opening Comments at 5. It is also unclear how the PD proposes to consider a market value for GHG-free resources in a later phase of the proceeding when these resources are allocated at no cost through 2023.

[4] PG&E Opening Comments at 3.

authorizing the PG&E and SCE interim allocation programs. Likewise, the PD suggests a unique value by acknowledging Cal Advocates' conclusion that the allocation would result in "higher rates for bundled customers."[5] GHG-Free energy has a unique value *beyond* the value of brown power represented in the Brown Power market price benchmark (MPB) in the PCIA calculation. Because this incremental value is not recognized in the PCIA MPB, Public Utilities Code §366.2(g) requires that these benefits be directly allocated to customers paying for the resources that produce these benefits.

While there is a unique value to GHG-Free energy that is not accounted for, the MPB already accounts for value of the "emitting" or brown power resources. The Brown Power MPB values these resources based on energy revenue from their sale into the California Independent System Operator (CAISO) market. Because their actual value is fully considered in the PCIA, there is no need to further adjust the Brown Power MPB. Contrary to PG&E's suggestion that the emitting resources may be overvalued, these resources are valued at precisely the value they receive in the market: the CAISO settled market price.

PG&E's opposition to the GHG-Free allocation remains curious, given its support of an interim allocation. The opposition, however, no doubt is tied to the potential loss of an unwarranted preference it now enjoys in its Power Content Label (PCL): PG&E's 2020 PCL shows all of PG&E's bundled customers sales as 100 percent carbon free due to the way these GHG-free resources are represented in the PCL. The GHG-Free allocation would eliminate that preference at the expense of customers of other load-serving entities who share in cost responsibility for these resources. The loss of PG&E's long-standing preference, however, is not a sufficient reason for this Commission to defer treatment of these resources yet again. It is time the Commission removed this preference to align the PCIA calculation with applicable law.

II. THE COMMISSION SHOULD ENABLE THE RPS VAMO TO DELIVER ITS INTENDED BENEFITS

A. Reject Cal Advocates' Proposal to Limit the Allocation to Bundled Customer "Excess"

Cal Advocates asks the Commission to "clarify that the IOUs should not allocate resources that are necessary to meet customer needs and satisfy the IOUs' RPS compliance obligations."[6] Cal Advocates entirely misses the key principle embodied in the WG3 proposals:

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5 PD at 49.

6 Cal Advocates Opening Comments at 2.

proportional allocation is the only way to ensure that all customers get their share of the benefits of the PCIA portfolio. Moreover, Cal Advocates' justification for this position is based on an erroneous interpretation of Decision (D.) 18-10-019 in the PD regarding the definition of "excess resources" and should be similarly rejected. For all the reasons CalCCA provided in its opening comments, anything less than proportional allocation would fail to meet the requirements of Public Utilities Code §366.2(g), producing a cost shift from bundled to unbundled customers under §365.2.[7]

B. Eliminate the Bid Floor for Renewable Portfolio Standard (RPS) Market Offers

SCE urges the Commission to "[a]uthorize the IOUs to offer unallocated RPS volumes without a bid floor, in an effort to sell these RPS volumes and establish market values for MPB purposes."[8] SCE highlights the importance of receiving an express authorization to enable IOUs' compliance with Standard of Conduct 4. The Alliance for Retail Energy Markets and Direct Access Customers Coalition likewise oppose a bid floor for RPS Market Offers to "enhance liquidity in the RPS market."[9] CalCCA agrees and requests that the Commission modify the PD to remove the Market Offer bid floor for RPS sales.

C. Account for PCC0 Resources in the Proportional Allocation of RPS Energy

TURN asks the Commission to address the IOUs PCC0 energy in the context of the RPS allocation.[10] CalCCA agrees that the RPS VAMO should not disturb the legacy status of PCC0 energy and offers a practical solution. In fulfilling bundled customers' proportional allocation of RPS energy, as elected by the IOU, PCC0 resources should be applied first. Thereafter, remaining PCC1 resources can be used fill the balance of the bundled customers' allocation and the allocation to other LSEs' customers.

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[7] The PD's definition of "excess resources" (PD at 12, Conclusion of Law 2) is based on a single mention of this term in D.18-10-019 unrelated to allocation (at 58). Elsewhere, however, D.18-10-019 clearly uses the term to refer to proposals by Commercial Energy, which was the basis for VAMO (at 20, 22) and the Joint Utilities (at 93-94) to allocate all of the IOU resources. Neither D.18-10-019 nor the Phase 2 Scoping Memo (at 5) ever define the term excess resource.

[8] SCE Opening Comments at iii, 6; *see also, e.g.,* AReM/DACCA Opening Comments at 7.

[9] AReM/DACCA Opening Comments at 9.

[10] TURN Opening Comments at 3-4.

D. Allow Resale of Allocated Products

SCE and others, like CalCCA, asks the Commission to permit resale of allocated RPS products, arguing that prohibition is "not a reasonable to the PD's speculation that resales could increase administrative costs and complexity."[11] SCE also urges the Commission to "be wary of placing restraints on the market for compliance products that can facilitate LSEs' ability to manage their portfolios."[12] The Commission should expressly permit resale for all customers.

SCE asks in the alternative, however, that the Commission permit the IOUs – preferentially -- to resell the allocations they receive on behalf of bundled customers. The Commission must reject further tilting the balance to provide a preference to IOUs. The WG3 proposal aims to place bundled and unbundled customers who bear cost responsibility for PCIA resources on equal footing. Either *all* LSEs must be permitted to resell their allocated rights, or *none* of the LSEs – including the IOUs -- should be permitted to engage in resale.

E. Reject PG&E's Proposed Provisions on Collateral

PG&E proposes new Finding of Fact 7.c., which requires LSEs accepting allocations to meet "certain credit or collateral requirements, netting agreements or other commercial arrangements."[13] The Commission should reject this requirement. CCAs already pay the Financial Security Requirement, which serves as collateral in the event that a CCA goes out of business. Additionally, the Provider of Last Resort (POLR) proceeding (R.21-03-011) will establish a structure for a "designated POLR," and any detailing of collateral requirements should occur in that forum. Furthermore, in many instances other LSE have far superior credit ratings, which suggests that the IOUs should perhaps be the ones to post collateral. If the Commission nevertheless adopts PG&E's proposal, it should be consistent with existing transaction confirms.[14]

F. Reject Any Proposals that Limit JPA Procurement

Commercial Energy joins PG&E in seeking rules for the Market Offer that prevent "joint bidding behavior," calling out specifically "CCAs that belong to a Joint Powers Agency."

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11 SCE Opening Comments at 7-8.

12 *Id.* at 8.

12 PG&E Opening Comments, Attachment A at 11.

14 PG&E existing confirms provide that collateral will be waived if (1) the IOU retains the POLR designation and 2) CCA customers are the IOU's distribution or transmission customers and the IOU is the billing agent for these customers.

CalCCA has already responded fully to this issue comments in R.20-05-003.[15] Joint procurement – particularly through a JPA – is not new. Indeed, existing joint agencies have been successful for many decades: the Northern California Power Agency and the Southern California Public Power Authority[16] were formed in 1967 and 1980, respectively, to jointly procure resources on behalf of multiple locally owned electric utilities. Moreover, if Commercial Energy is concerned about the purchasing power of a CCA JPA, it must recognize that creating a joint procurement entity with greater size simply puts the JPA on par with the large IOUs and, most importantly, enables procurement of resources that may be too large or costly for a single CCA. Joint procurement should not be demonized.

G. RPS VAMO Allocations Should Commence for Deliveries on January 1, 2023

PG&E observes that the PD's timelines would result in partial year deliveries. PG&E requests instead that all allocations provide a full year of deliveries due to the deferral of issues to the RPS proceeding. While not expressly stated, PG&E appears to be asking for a January 1, 2024, implementation.

CalCCA strongly opposes any further delay in implementing the RPS VAMO. Instead, the Commission should limit the issues deferred to the RPS proceeding to enable deliveries commencing January 1, ***2023***, as WG3 proposed. At a minimum, because the issues deferred to the RPS proceeding primarily involve the Market Offer, the Commission should direct that the IOUs implement the Voluntary Allocation for January 1, 2023, RPS energy deliveries.

III. CONCLUSION

CalCCA appreciates the opportunity to submit these comments and requests adoption of the recommendations proposed herein. For all the foregoing reasons, the Commission should modify the proposed decision as provided in CalCCA's opening comments.

May 3, 2021

Respectfully submitted,

Evelyn Kahl, General Counsel

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[15] CalCCA comments, April 9, 2021, at 4-8. CalCCA incorporates this discussion by reference into these Reply Comments.

[16] *See* SCPPA and NCPA.