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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.	Rulemaking 17-06-026

CALIFORNIA COMMUNITY CHOICE ASSOCIATION'S COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING REGARDING MARKET PRICE BENCHMARKS

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On behalf of
California Community Choice Association

April 28, 2022

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- ✓ The Commission should adopt Energy Division Staff's Plan to exclude the Renewables Portfolio Standard (RPS) Voluntary Allocations when calculating the RPS Market Price Benchmark (MPB).
- ✓ The Commission should monitor the liquidity of the bi-lateral RPS market to ensure a stable RPS MPB.

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COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING REGARDING
MARKET PRICE BENCHMARKS

The California Community Choice Association[1] (CalCCA) submits these Comments in response to the *Administrative Law Judge's Ruling Regarding Market Price Benchmarks* (Ruling), issued April 18, 2022.

I. INTRODUCTION

The Ruling requests comments on the *Energy Division Staff Implementation Plan to Address Renewable Portfolio Standard Voluntary Allocation Transactions in Market Price Benchmark Calculations* (Staff Plan).[2] Decision (D.) 21-05-030 establishes the Voluntary Allocation and Market Offer (VAMO) process for renewables portfolio standard (RPS) resources.[3] Through the Voluntary Allocation, non-investor-owned utility (IOU) load-serving

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[1] California Community Choice Association represents the interests of 23 community choice electricity providers in California: Apple Valley Choice Energy, Central Coast Community Energy, Clean Energy Alliance, Clean Power Alliance, CleanPowerSF, Desert Community Energy, East Bay Community Energy, Lancaster Choice Energy, Marin Clean Energy, Orange County Power Authority, 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, Santa Barbara Clean Energy, Silicon Valley Clean Energy, Sonoma Clean Power, and Valley Clean Energy.

[2] Ruling, Attachment A.

[3] D.21-05-030, *Phase 2 Decision on Power Charge Indifference Adjustment Cap and Portfolio Optimization,* R.17-06-026 (May 20, 2021).

entities (LSEs) may accept allocations of RPS-eligible energy from the IOU portfolio. The IOUs and non-IOU LSEs will enter into contracts for the Voluntary Allocations, and the non-IOU LSE will pay for the resources at the applicable year's MPB.

The Commission should adopt the Staff Plan, which proposes to exclude the Voluntary Allocations for purposes of future MPB calculations. Removing Voluntary Allocation transactions from the MPB calculation will result in the MPB accurately reflecting market prices and dynamics. In addition, as the Voluntary Allocation transactions will be contracted for at the applicable year's MPB, such transactions should be excluded to ensure the new calculation is not weighted by a previous year's MPB. On an ongoing basis to ensure a stable RPS MPB, the Commission should monitor the impact of the Voluntary Allocation process on the liquidity of the bi-lateral RPS market.

II. THE COMMISSION SHOULD ADOPT THE STAFF PLAN TO EXCLUDE VOLUNTARY ALLOCATIONS FROM THE CALCULATION OF THE MPB

The Commission should adopt the Staff Plan to exclude Voluntary Allocations from the calculation of the MPB. Excluding the Voluntary Allocation transactions will (1) ensure the RPS MPB reflects market prices and dynamics; and (2) ensure the following year's MPB is not weighted by the previous year's MPB. While the Staff Plan creates a risk that the MPB is set by a shallow market for RPS attributes, adequate Commission monitoring of the impact of excluding Voluntary Allocations from the calculation can ensure a stable RPS MPB.

A. Voluntary Allocations are Not Market Sales

Voluntary Allocations are simply not market sales. Under the Voluntary Allocation, each IOU will allocate "slices" of its entire RPS portfolio to non-IOU LSEs in its service territory.[4] The IOU and the non-IOU LSE will enter into a contract for the Voluntary Allocation, in which

[4] D.21-05-030 at 58, Conclusion of Law 7(a), and 63, Ordering Paragraph 2(a).

the non-IOU LSE will pay for their "slice" at the applicable year's MPB. The allocation allows departed load customers who already pay for the above-market costs of the resources in question to receive the RPS benefits from those resources. As the IOUs explain, "[a]llocation of the [RECs] under the Voluntary Allocation process simply allows the . . . RECs to follow the departed load customers who are already obligated to pay for them."[5] The Voluntary Allocation "includes none of the hallmarks of a standard sales transaction – it does not require the IOU and LSEs to negotiate terms related to price, counterparty (only LSEs serving departed load are eligible) or quantity."[6] Thus, the Staff Plan will appropriately exclude allocations that are not true market-based sales.

B. Voluntary Allocations Should Not Impact the Market Price Benchmark Calculation

The MPB should not be impacted by the Voluntary Allocations, which will not reflect a true measure of what the market is willing to pay for RPS attributes. The RPS Adder in the MPB represents the value of transactions from solicitations and resulting bi-lateral contracting, which are generally transactions for RPS output from a particular resource or a subset of later-determined resources in the IOUs' portfolios. These transactions are fundamentally different than the Voluntary Allocations, which are transacted based on the administratively set previous year's MPB. The calculation of the new MPB should not be influenced or weighted by the previous year's MPB.

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[5] *Joint Motion of Southern California Edison Company (U 338-E), Pacific Gas and Electric Company (U 39-E) and San Diego Gas & Electric Company (U 902-E) to Amend Scoping Memorandum to Accommodate Voluntary Allocation Structure*, R.18-07-003 (Dec. 8, 2021) (Joint IOU Motion), at 7.

[6] *Id.*

C. The Commission Should Monitor the Impact of Excluding the Voluntary Allocations in the MPB Calculation

The Staff Plan will result in the possibility of the RPS MPB being set through an illiquid, shallow bi-lateral market for RPS attributes. For example, in years in which RPS prices are particularly high, *i.e.*, when LSEs may be motivated to take their Voluntary Allocations instead of seeking a lower price in subsequent solicitations, there may be few bi-lateral transactions outside of the Voluntary Allocations. This could potentially lead to increased volatility in the calculation of the RPS Adder. However, liquidity in the market may change from year to year on account of myriad different factors. It is difficult to predict in advance the likelihood of the risk of illiquidity, especially in light of increasing RPS requirements that may foster more robust market participation outside of the allocations. Nonetheless, the Commission should monitor the impact of the Voluntary Allocation process on the liquidity of the bilateral RPS market to ensure a stable RPS Adder. Such monitoring could take a form similar to that of the *ex post* analysis the Commission required in D.22-01-023 to analyze the impact of moving from a November Update to an October Update.[7]

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[7] *See* D.22-01-023, *Decision Resolving Phase 2 Issues Related to Energy Resources Recovery Account Proceedings,* R.17-06-026 (Jan. 27, 2022), at 27, Ordering Paragraph 2 (stating that "[b]y March 1, 2024, the staff of the California Public Utilities Commission is authorized to file and serve upon the service list of this proceeding and any successor proceeding an analysis of the impact of changing the [PCIA MPB] release date on forecast accuracy.").

III. CONCLUSION

For all the foregoing reasons, CalCCA respectfully supports the Staff Plan and looks forward to an ongoing dialogue with the Commission and stakeholders with regard to ensuring liquidity in the RPS market post Voluntary Allocation implementation.

Respectfully submitted,

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On behalf of
California Community Choice Association

April 28, 2022