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

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On behalf of
California Community Choice Association

May 12, 2022

SUMMARY OF RECOMMENDATIONS

- ✓ The Alliance for Retail Energy Market's Opening Comments should be rejected as they over-emphasize the risk of illiquidity and will result in an inaccurate Renewables Portfolio Standard (RPS) Adder.
- ✓ The Commission should adopt Energy Division Staff's Plan to exclude the 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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The California Community Choice Association[1] (CalCCA) submits these Reply Comments to the April 28, 2022 Comments of the Alliance for Retail Energy Markets (AReM) on *Administrative Law Judge's Ruling Regarding Market Price Benchmarks*,[2] issued April 18, 2022 (Ruling). For the reasons set forth below, the Commission should reject AReM's request to include Voluntary Allocation transactions in the calculation of the Renewables Portfolio Standard (RPS) Adder component of the Market Price Benchmark (MPB).

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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] R.17-06-026, *Comments of the Alliance for Retail Energy Markets on Ruling Requesting Renewable Portfolio Standard Market Price Benchmark (MPB) Calculation* (April 28, 2022) (AReM Opening Comments) at 2.

I. THE COMMISSION SHOULD REJECT AREM'S REQUEST TO INCLUDE VOLUNTARY ALLOCATIONS IN THE CALCULATION OF THE MPB

AReM's request to include Voluntary Allocation transactions in the calculation of the RPS Adder component of the MPB places unnecessary emphasis on the dangers of market illiquidity and should be rejected. [3] In Opening Comments, both AReM and CalCCA recognize the potential risk that the Voluntary Allocations pose to the Commission's framework for calculating the RPS Adder. In years in which most load-serving entities (LSEs) are motivated to take their Voluntary Allocations instead of seeking a lower price in subsequent solicitations, *i.e.,* when market prices are rising, there is a potential for there to be few bi-lateral transactions outside of the Voluntary Allocations.[4]

AReM overstates this liquidity problem, however, when it suggests the Commission's market framework is already illiquid, lists certain transactions that are excluded, and suggests the allocations will only exacerbate the issue.[5] Little evidence exists to suggest the current market is illiquid, and evidence in other Commission proceedings suggest otherwise. For example, utility testimony supporting the IOUs' Energy Resource Recovery Account (ERRA) compliance application list many transactions between the utilities and other LSEs for RPS attributes.[6] Numerous other transactions take place each year between LSEs that are not a part of those filings. While the Commission has not adopted a bright-line definition of what constitutes illiquidity, it is far from clear that the current framework suffers from a liquidity problem.

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3 R.17-06-026, *Comments of The Alliance For Retail Energy Markets On Ruling Requesting Renewable Portfolio Standard Market Price Benchmark (MPB) Calculation* (April 28, 2022) (AReM Opening Comments) at 2.

4 R.17-06-026, *California Community Choice Association's Reply Comments on Administrative Law Judge's Ruling Regarding Market Price Benchmarks*, (April 28, 2022) (CalCCA Opening Comments) at 4.

5 AReM Opening Comments at 2-3.

6 *See, e.g.*, A.22-04-001, Exh. SCE-03 at 93, Table II-23 ("New RPS Contracts Executed January 1, 2021-December 31, 2021").

In contrast to this potential liquidity problem, including the Voluntary Allocations when calculating the MPB is likely to be problematic. As the Staff Plan recognizes, including Voluntary Allocation transactions may create a persistency issue where prices from older transactions continue to influence the MPB. Because the allocations are valued at the prior year's MPB, which includes market transactions from Q1-3 of year "n-2" and Q4 of year "n-3", the value of these older transactions will "persist" in the MPB. Such a result is contrary to D.19-10-001, which focuses on more recent transactions, *i.e.*, Q1-3 of year "n-1" and Q4 of year "n-2" when calculating the RPS Adder.[7] It is not difficult to envision a scenario where LSEs are motivated to only take their allocations when RPS prices are rising, leading to an artificially depressed RPS Adder.

AReM's concern is valid, but its solution is riskier than the problem it aims to solve. A better approach is to exclude the Voluntary Allocations from the MPB and monitor the liquidity of the bilateral RPS market to ensure a stable RPS Adder.[8]

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[7] D.19-10-001, Ordering Paragraph 1 and Attachment A, Table II (including the following transactions in the forecast RPS Adder: "Transactions executed in Q4 of year (n-2) and Q1-3 of year (n-1) for delivery in year n").

[8] CalCCA Opening Comments at 4.

II. CONCLUSION

For all of the foregoing reasons, CalCCA 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

May 12, 2022