

# California Community Choice Association

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## Contact

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1. Please provide a summary of your organization's comments about the draft final proposal in general, as reflected in Sections 2 through 5 of the paper.

The California Community Choice Association (CalCCA) appreciates the opportunity to comment on the California Independent System Operator's (CAISO) Billing, Payment, and Credit Enhancements Issue Paper and Draft Final Proposal. CalCCA's comments focus on the Issue Paper Topic: Visibility into Financial Condition of Load-Serving Customers (Section 6) and are addressed in Section 2 below.

2. Please provide your organization's comments about how to improve CAISO's visibility into the financial condition of load in the CAISO's BAA (Section 6 of the paper).

The CAISO's presentation on slide 56 indicates that it seeks disclosures that can provide information about load serving entities' (LSE) overall financial condition at least quarterly, plus material changes as they occur. In summary, CalCCA recommends:

- The CAISO should use the existing information on CalCCA's Key Documents portal to monitor the overall financial condition of CCAs;
- The CAISO should examine the financial monitoring approach that is ultimately adopted in the California Public Utilities Commission's (CPUC) POLR proceeding to determine if the same approach could be leveraged in the CAISO process for monitoring material changes in financial condition;
- Before requiring LSEs to report to the CAISO on their overall financial condition or material changes in financial condition, the CAISO must first ensure it has the necessary relationship in place to require the disclosure of such information;
- CAISO should also consider whether there are other entities similarly situated to LSEs that should also be obligated to report their financial condition to the CAISO; and
- In the event the CAISO adopts a regular reporting timeline for reporting overall financial conditions or material changes in financial conditions, the reporting timeline should not be less than 60 days after the CCA's Board approval.

## Overall Financial Condition

Community Choice Aggregators (CCAs) are public agencies that strive to be highly responsive and transparent. In that spirit, CalCCA has worked with its members to create a portal on CalCCA's website that allows easy access to each member CCA's financial documents, including its budgets, annual audited financial statements, monthly or quarterly unaudited financial statements, schedule of outstanding debt, insurance policy summary, and credit ratings.<sup>[1]</sup> The CAISO should use this existing information to monitor the overall financial condition of CCAs.

## Material Changes in Financial Condition

The California Public Utilities Commission (CPUC) is expected to issue a proposed decision in the Provider of Last Resort (POLR) proceeding (Rulemaking 21-03-011) in short order. In that proposed decision, the CPUC will decide on a formal process to monitor the financial condition of CCAs. Two proposals the CPUC will consider in its proposed decision, one by CPUC Energy Division Staff and another by CalCCA, would require CCAs to report financial information including the status of procurement contracts, financial statements, and monthly days liquidity on hand (DLOH) to Energy Division upon hitting defined “triggers” such as DLOH below 45 days, cash reserves below five percent, or events of defaults on Resource Adequacy contracts.<sup>[2]</sup> The CAISO should examine the financial monitoring approach that is ultimately adopted in the POLR proceeding to determine if the same approach could be leveraged in the CAISO process. This could potentially minimize the administrative burden financial reporting could have on CCAs because they would be reporting the same information to both the CPUC and CAISO when material changes in financial condition occur.

### **Other Recommendations**

Fundamentally, this stakeholder initiative is looking a step further than the CAISO’s existing financial relationships today. At present, the CAISO has financial transactions with Scheduling Coordinators, Participating Transmission Owners, Convergence Bidding Entities, and Congestion Revenue Rights Holders. While an LSE may serve in each of those roles, they may also not serve in any of them. This initiative appears to be predicated on the notion that the financial health of an LSE could have impacts on each of the entities listed above and will therefore have impacts on the CAISO financially. Once the CAISO steps one level further than it currently does to review the financial health of LSEs, the next question the CAISO should ask is whether that step needs to be taken with any other CAISO relationships .

Before requiring LSEs to report to the CAISO on their overall financial condition or material changes in financial condition, the CAISO must first ensure it has the necessary relationship in place to require the disclosure of such information. The CAISO may not have a direct relationship with an LSE, particularly if the LSE is not its own Scheduling Coordinator. In the CAISO’s tariff section 4, the CAISO defines the relationship between the CAISO and a number of entities including Participating Transmission Owners, Utility Distribution Companies, Generators, Participating Loads, Convergence Bidding Entities, etc. This section does not, however, define the relationship between the CAISO and the LSE. Therefore, if the CAISO seeks a tariff requirement for LSEs to disclose financial information to the CAISO, this initiative must first establish a relationship between the CAISO and LSE.

CAISO should also consider whether there are other entities similarly situated to LSEs that are represented by another entity in the CAISO markets and therefore do not have direct relationships with CAISO. This could include entities that are not LSEs represented by third-party Scheduling Coordinators, Convergence Bidding Entities, or Congestion Revenue Rights holders. The CAISO should consider whether these

similarly situated entities should also be obligated to report their financial condition to the CAISO.

Finally, in the event the CAISO adopts a regular reporting timeline for reporting overall financial conditions or material changes in financial conditions, the reporting timeline should not be less than 60 days after the CCA's Board approval.

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[1] CalCCA Key Documents Portal: <https://cal-cca.org/key-cca-documents/>.

[2] Ruling of the Assigned Administrative Law Judge Entering Staff Proposal into the Record and Noticing Public Workshops (Attachment 2), R.21-03-011 (Jan.06, 2023): <https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=500761891>, and

California Community Choice Association's Opening Brief, R.21-03-011 (July 10, 2023) at 43-47: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M513/K886/513886966.PDF>.

3. Please provide your organization's comments about the proposal to amend the minimum participation requirement (Section 2.1).  
CalCCA has no comments at this time.
4. Please provide your organization's comments about the proposal to designate a single agreement between a market participant and CAISO to govern all settlements, billing and payment (Section 2.2).  
CalCCA has no comments at this time.
5. Please provide your organization's comments about the proposals to clarify rules regarding replenishment of the reserve accounts (Section 3.1).  
CalCCA has no comments at this time.
6. Please provide your organization's comments about the proposal to authorizing CAISO to use the reserve accounts more flexibly when the combined balance is not sufficient to prevent a payment shortfall (Section 3.2).  
CalCCA has no comments at this time.
7. Please provide your organization's comments about the proposals to refine rules for allocating default losses (Section 3.3).  
CalCCA has no comments at this time.

8. Please provide your organization's comments about the proposals to clarify rules relating to separate invoices and authorizing CAISO to issue separate invoices for late payment penalties and black start services (Section 3.4 & 3.5).

CalCCA has no comments at this time.

9. Please provide your organization's comments on the proposal to authorize CAISO to use the reserve account to pay out-of-cycle invoices up to \$2,000 (Section 3.6).

CalCCA has no comments at this time.

10. Please provide your organization's comments on the proposal to amend tariff rules about methods of payment (Section 4.0).

CalCCA has no comments at this time.

11. Please provide your organization's comments about the proposals to clarify the tariff (Section 5.0).

CalCCA has no comments at this time.

12. Please provide your organizations comments about any other issues relevant these issues, including other possible improvements that CAISO could consider.

CalCCA has no comments at this time.

13. Please provide your organization's comments on the proposed WEIM Decisional classification (Section 7.0)

CalCCA has no comments at this time.