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REPLY COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON THE PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE WANG ON PHASE 2 DECISION ON POWER CHARGE INDIFFERENCE ADJUSTMENT CAP AND PORTFOLIO OPTIMIZATION

JANET S. COMBS
RUSSELL A. ARCHER

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-1524
E-mail: Janet.Combs@sce.com

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission") and the April 5, 2021 Administrative Law Judge's proposed decision ("PD") on Phase 2 Decision on Power Charge Indifference Adjustment Cap and Portfolio Optimization, Southern California Edison Company ("SCE") respectfully files these reply comments.

II. SCE'S REPLY COMMENTS

A. The Commission Should Decline to Allocate Risk Among LSE Customers in VAMO

Alliance for Retail Energy Markets (AReM) and Direct Access Customer Coalition (DACC) argue that the VAMO introduces uncertainties for LSEs that should be addressed in the Commission's final decision. Specifically, AReM/DACC want pro-rata load shares in each vintage to be fixed at the time a Load-Serving Entity (LSE) elects a Voluntary Allocation, rather than adjusting based on actual load migration (which AReM/DACC call "vintaging risk")[1] or on the LSE's actual pro-rata load in each PCIA vintage (which they call "quantity" or "volume" risk) for each allocation year.[2] Similarly, AReM/DACC want the price of the allocations to be fixed at the RPS Market Price Benchmark ("RPS MPB" or "RPS Adder") "in effect" at the time the LSE elects the Voluntary Allocation, rather than adjusting each year based on the forecasted and trued up RPS MPB.[3]

SCE strongly disagrees and AReM/DACC's requests should be rejected. The Voluntary Allocation is not designed to allocate risk among LSEs' customers but rather ***to maintain statutorily required indifference*** among them for PCIA cost responsibility purposes. The Voluntary Allocation maintains indifference among customers with PCIA cost responsibility by offering those customers their share of the RPS attributes in each PCIA vintage for each allocation year, and for those customers electing the allocations (through their LSEs), by charging them the market value of the RPS attributes as determined by the Commission each year. If, as AReM/DACC advocate, the price of the allocations was fixed at the time an LSE elects it, untethered from market values under the annual MPBs, this

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1 *See* AReM/DACC's Opening Comments, Section I.B., pp. 3-4.

2 *See id.*, Sections I.A., p. 2, I.B., p. 4.

3 *See id*., Section I.D., p. 5.

would result in cost shifting among customers in direct contravention of California law.[4] Fixing quantity or vintaging – such that it disregards load migration among LSEs or load variations – would also result in cost shifting because it would disassociate the allocation of the benefits (the RPS attributes) from the allocation of above-market cost responsibility as determined year over year for IOUs' bundled service customers through generation rates and for departing load customers through vintaged PCIA rates.

There is nothing unfair about the uncertainties that AReM/DACC identify because *all customers* (including bundled service customers) participating in Voluntary Allocations through their LSEs face the *same uncertainties* as to quantity, vintage, and price. LSEs can continue to manage the RPS compliance risks AReM/DACC identify through fixed, forward renewable power purchase agreements, in addition to ***or in lieu of*** participating in the Voluntary Allocation.

For similar reasons, the Commission should reject AReM/DACC's request that allocations be prioritized over contract termination, amendment or assignment opportunities selected out of the Request for Information (RFI) process. Prioritizing allocations over other optimization actions is not justified under a voluntary allocation mechanism, nor is it in the best interest of customers with PCIA cost responsibility. Voluntary allocations of PCIA-eligible RPS resources maintain indifference among customers and mitigate duplicative procurement across LSEs; however, contract terminations, amendments or assignments of PCIA-eligible resources *reduce customers' PCIA obligations and overall costs*. One area of agreement with AReM/DACC is on resales: SCE submits that they should be permitted so all LSEs can effectively manage their portfolios.[5]

B. The Market Offer Should Exclude a Bid Floor and Unsold Volumes Valued at $0/MWh

AReM/DACC argue that a bid floor should be eliminated or cost-justified:

> *In order to enhance liquidity of the RPS market, AReM and DACC request that the PD be modified to prohibit a Market Offer rule that sets a bid floor. Alternatively, if one is to be adopted, the PD should specify that it must be demonstrated to the Independent Evaluator's and Procurement Review Group's satisfaction that selling the RPS attributes at a value lower than the bid floor would result in higher costs to customers than not*

[4] *See, e.g.*, Cal. Pub. Util. Code §§ 365.2 and 366.3.

[5] *See* AReM/DACC's Opening Comments, Section II, pp. 6-8; *see also* SCE's Opening Comments, Section II.E, pp. 7-8.

selling the attributes at all.[6]

SCE finds this proposal reasonable and consistent with SCE's Opening Comments.[7] SCE urges the Commission, in its final decision, to ***expressly authorize*** the IOUs to sell unallocated RPS volumes with no bid floor to provide assurance that doing so will not contradict Standard of Conduct (SOC) 4.

However, AReM/DACC's alternative proposal to value the unsold RPS volumes at the bid floor (if used) for calculating the RPS Adder should be rejected. AReM/DACC are incorrect that "[c]urrently, any unsold RPS is valued at $0 for purposes of calculating the RPS Adder during the True Up."[8] As SCE's Opening Comments explain, pursuant to D.19-10-001, unsold RPS volumes are valued "at zero for cost recovery purposes but excluded from the Renewable Energy Credit (REC) Adder for the MPB calculation unless and until they are sold."[9] Additionally, the IOUs should not be required to conduct additional Market Offers during a compliance period if unsold RPS volumes remain unsold even with no bid floor.[10] Rather, unsold RPS volumes remaining after a Market Offer with no bid floor should be redistributed to LSEs on a voluntary basis and then counted as sales at $0/MWh for RPS MPB calculation purposes.[11]

C. The Final Decision Should Maintain Flexibility for LSEs and Certainty for the IOUs for Short-Term Allocation Elections

Commercial Energy urges the Commission to designate a "short-term" allocation as one year;[12] whereas TURN argues that "short-term" should be equivalent to the term of the compliance period.[13] SCE believes one size may not fit all, and the PD appropriately provides adequate flexibility for IOUs to offer options such as a one-year allocation product and a three- or four-year allocation product; provided, however, that all products must be elected during the once-per-compliance-period Voluntary Allocation and cannot be subsequently rejected.

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6 *See* AReM/DACC's Opening Comments, Section III, pp. 9-10.

7 *See* SCE's Opening Comments, Section II.C, p. 6.

8 AReM/DACC's Opening Comments, p. 19.

9 *Id*., Section II.B, p. 5.

10 *See* AReM/DACC's Opening Comments, Section IV, p. 10.

11 *See* SCE's Opening Comments, Section II.C, p. 6.

12 *See* Commercial Energy's Opening Comments, p. 6.

13 *See* TURN's Opening Comments, p. 2.

D. The Final Decision Should Direct the IOUs to Exclude from VAMO those PCIA-Eligible RPS Resources that are Categorized as PCC 0 or Required to be Retained by the IOU

TURN requests the Commission clarify that RPS volumes current categorized as PCC 0 will lose this categorization upon allocation under VAMO due to statutory constraints.[14] SCE submits that RPS resources qualifying as PCC 0 ***should be excluded from VAMO*** precisely because they lose RPS compliance value if transacted. Similarly, RPS resources that, by law, the IOUs must retain for their own compliance purposes, including BioMAT, ReMAT,[15] and PURPA program and contract resources,[16] should also be excluded from VAMO. Moreover, any existing contracts that expressly prohibit the IOU from selling the RECS should also be excluded.

Thus, in clarifying this issue in its final decision, the Commission should direct the IOUs to exclude from VAMO those PCIA-eligible RPS resources that are categorized as PCC 0 and lose compliance value if transacted, or are statutorily required to be retained by the IOU, or are existing contracts with express prohibitions on the REC resales. In these cases, only the IOU can preserve the full value of the resource. The final decision should direct the IOUs to identify in their joint Tier 2 advice letter proposing their allocation methodology the contracts excluded from VAMO for these reasons.

E. The PD Should Not be Modified to Require Multiple RFIs

Parties' views diverge widely on the RFI requirement. American Clean Power ("ACP") California argues that no RFI should be required, that sellers are not likely to offer amendments, the integrity of contracts should be preserved, and details of proposals not selected from an RFI should not be report or disclosed.[17] Independent Energy Producers Association (IEP) expresses similar concerns.[18] On the other hand, the Joint CCAs argue that RFIs should be repeated on an ongoing basis and "review

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[14] *See* TURN's Opening Comments, p. 3 explaining, *"Product Content Category 0 (PCC 0) compliance credit is limited to the LSE that originally executed an eligible contract prior to June 1, 2010. . . . any resale of energy and/or RECs associated with a PCC 0 contract must be assigned the PCC that would apply if the resource was first contracted after June 1, 2010 . . . . Some of these contracts involve firmed-and-shaped products and unbundled RECs that, but for the grandfathering treatment in §399.16(d), would be treated as PCC 2 or PCC 3. The contribution of PCC2 and PCC3 to RPS compliance is limited under §399.16(c)."* (footnotes omitted)

[15] *See* Cal. Pub. Util. Code § 399.20(h) and (i) for ReMAT and BioMAT.

[16] *See* Cal. Pub. Util. Code § 399.21(a)(5).

[17] *See* ACP-California's Opening Comments, pp. 2-3.

[18] *See* IEP's Opening Comments, pp. 2-4.

of rejected offers does require reporting of such rejections and the justification for such rejections. . . "[19] Protect Our Communities Foundation (PCF) argues that the IOUs should be subject to after-the-fact reasonableness reviews and disallowances for not modifying, amending or terminating contracts pursuant to counterparty offers.[20] SCE and PG&E point out that no upfront and achievable standards exist by which to judge the prudency of an IOU's decision ***to not to act*** on a counterparty's offer to amend, assign or terminate a contract ***that has already deemed or found reasonable and approved for cost recovery***.[21]

The PD strikes a reasonable balance among the competing views by requiring the IOUs to hold one RFI in 2022, giving the IOUs an option to propose other RFIs in future years, and reserving the right to consider in the RPS proceeding "whether there is a need to define upfront, achievable standards after the first RFI has been conducted."[22] Absent such consideration, no further RFIs should be required. As ACP-California observes, "an explicit RFI is not necessary when the IOUs already are required to prudently manage their contracts and there is nothing stopping parties to a contract from voluntarily agreeing to amend terms of existing contracts."[23]

F. Other VAMO Issues

SCE agrees with PG&E that Voluntary Allocations should occur over a full calendar year.[24] The Commission should ensure that RPS Plans are finalized and approved by January 1 or otherwise permit the IOUs to begin Voluntary Allocations by January 1 of each year, including in 2023. SCE also agrees with PG&E that Voluntary Allocation elections should occur *in advance* of each RPS compliance period.[25] Commercial Energy is incorrect that IOUs can potentially "double recover" costs of VAMO.[26] A memorandum account records only "incremental" costs for subsequent review and recovery.

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19 *See* Joint CCAs' Opening Comments, p. 4.

20 *See* PCF's Opening Comments, Section III.A, pp. 8-10.

21 *See* PD, pp. 31-32.

22 *See* PD, p. 32.

23 ACP-California's Opening Comments, p. 2.

24 *See* PG&E's Opening Comments, Section II.B, pp. 5-6.

25 *See id*., Section II.A, p. 5.

26 *See* Commercial Energy's Opening Comments, pp. 11-12. The PD authorizes a memorandum account where the IOU can record its "incremental" costs, which are above costs already authorized for recovery in rates.

Respectfully submitted,

JANET S. COMBS
RUSSELL A. ARCHER

/s/ Janet S. Combs
By: Janet S. Combs

Attorney for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-1524
E-mail: Janet.Combs@sce.com

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