



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA

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Order Instituting Rulemaking To Continue
Implementation and Administration, and
Consider Further Development, of California
Renewables Portfolio Standard Program.

Rulemaking 18-07-003

**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) CONCERNING REVIEW OF MARKET OFFER
PROCESS**

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Dated: **March 10, 2022**

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I.

OVERVIEW

Pursuant to Rule 11.1 of the California Public Utilities Commission’s (Commission or CPUC) Rules of Practice and Procedure, Southern California Edison Company (SCE), Pacific Gas and Electric Company (PG&E), and San Diego Gas & Electric Company (SDG&E) (hereinafter referred to as Joint Investor-Owned Utilities or Joint IOUs), hereby request that the Commission issue a Ruling authorizing the Joint IOUs to seek review of the Market Offer Process through a Tier 3 Advice Letter submitted April 29, 2022, rather than through each of their Draft 2022 Renewables Portfolio Standard (RPS) Procurement Plans, as Decision (D.) 21-05-030 contemplates,¹ in order to assure that Market Offer Renewable Energy Credit (REC) sales can coincide with voluntary allocation deliveries, with deliveries commencing on January 1, 2023.

¹ See, D. 21-05-030, p. 38.

II.

THE COMMISSION SHOULD REVIEW AND APPROVE THE MARKET OFFER PROCESS THROUGH A TIER 3 ADVICE LETTER PROCESS, RATHER THAN THROUGH THE DRAFT 2022 RPS PROCUREMENT PLANS

The Voluntary Allocation and Market Offer (VAMO) process contemplated in D.21-05-030 establishes two separate but interrelated processes. The Voluntary Allocation process gives each Power Charge Indifference Adjustment (PCIA)- eligible Load Serving Entity (LSE) an option to take an allocation of the Joint IOUs' PCIA-eligible RPS portfolios in proportion to "their vintage, forecasted annual load share."² When an LSE rejects some or all of their allocation, the rejected amount is the "[PCIA-eligible] RPS energy remaining after a Voluntary Allocation."³ When one or more LSEs reject some or all of their allocation, the PCIA-eligible RPS energy remaining will become available for sale. The IOUs must attempt to sell all PCIA-eligible RPS energy remaining after a Voluntary Allocation by employing the second process contemplated in D.21-05-030, the Market Offer.⁴ The Market Offer will likely function similar to a REC sales solicitation where IOUs offer for sale the remaining PCIA-eligible RPS energy created by LSEs rejecting some or all of their allocation. D.21-05-030 anticipates that deliveries for both the Voluntary Allocation and Market Offer processes will begin in 2023.⁵

A. D.21-05-030 SETS FORTH A SCHEDULE THAT MAY RESULT IN SOME VALUABLE RECS BEING VALUED AT ZERO STARTING ON JANUARY 1, 2023

The schedule contemplated in D.21-05-030 will realistically result in a Market Offer process to begin sometime after approval of the IOU's 2022 RPS Procurement Plan in the first

² D. 21-05-030, OP 2(b), p. 63.

³ D. 21-05-030, OP 3(a), p. 64.

⁴ D. 21-05-030, OP 3, p. 64.

⁵ D. 21-05-030, OP 6, pp. 65-64.

quarter of 2023, resulting in deliveries sometime in mid-year 2023. This timing misses an opportunity to mitigate above market costs for any PCIA-eligible RPS energy remaining after Voluntary Allocations that could have otherwise been avoided if the Market Offer commenced sooner. Customers with PCIA cost responsibility pay the above market costs of the RPS portfolio through the PCIA rate, and IOU bundled service customers pay the costs of PCIA-eligible resources in their bundled generation rates; thus, sales of excess resources benefits bundled and unbundled customers. As described below, timely implementation of Market Offer transactions on January 1, 2023 will further affordability for all customers through the creation of a revenue stream to offset those above-market costs.

The example in the table below compares the impact to above market costs for one REC of remaining PCIA-eligible RPS energy if it is either, (A) unsold or (B) sold in the Market Offer after Voluntary Allocations start delivery as contemplated on January 1, 2023.

Table 1: Example Comparison of Above Market Cost of Sold and Unsold REC

(A) Excess unsold in Market Offer		(B) Excess sold in Market Offer	
Contract Cost 1 MWh	\$100	Contract Cost 1 MWh	\$100
Revenue from Sale of 1 REC	\$0	Revenue from Sale of 1 REC	\$15
Above market costs for 1 MWh ⁶	\$100	Above market costs for 1 MWh ⁷	\$85

A REC that is unsold, as is the case with example A, will result in above market costs that are \$100 because the REC could not be monetized. Alternatively, in example B, a REC that is sold in the Market Offer process creates revenue that will offset the above market costs of the REC, reducing above market costs to \$85, benefiting all customers.

While the example above contemplates only one REC, the excess that may be created in the early months of 2023 due to a lagging Market Offer, may be much more significant. Using the simple example above, scaled to a more realistic volume of unsold RECs, if 100,000 RECs

⁶ This simple example does not contemplate revenues from sales of the RPS energy in the CAISO market.

⁷ See fn. 6, *supra*.

are unsold, the contract costs that would become above market would equal \$10,000,000. However, if those 100,000 RECs were sold through a Market Offer at \$15, the above market costs would be reduced to \$8,500,000, creating savings for customers.

The process contemplated in D.21-05-030 intentionally omitted detailed requirements about the Market Offer process, leaving the RPS proceeding as the venue for the Commission to assess Market Offer proposals, which include refinements of how it is approved. Adjusting the Market Offer process proposal timeline will mitigate above market costs of RECs that were not elected in the Voluntary Allocation process to be sold through a Market Offer transaction.

A TIER 3 ADVICE LETTER REVIEW IS APPROPRIATE BECAUSE THE MARKET OFFER PROCESS WILL MIRROR THE REC SALES PROCESS WITH WHICH THE COMMISSION IS VERY FAMILIAR

The Commission has reviewed the Joint IOUs' REC Sales processes in each of their RPS Procurement Plans beginning in 2017. While these REC Sales processes have evolved over the years, the Commission's decision on the most recent Procurement Plans has been relatively consistent, allowing for multiple solicitations each year starting within 10 days of the submission of the IOU's Final RPS Procurement Plan and for Tier 1 Advice Letter approval of REC Sales Agreements.⁸ D. 21-05-030 orders the Joint IOUs to base their Market Offer processes "upon existing processes, rules, oversight requirements, and reporting requirements for REC solicitations previously approved in the Commission's RPS proceeding."⁹ Because the Commission has already issued orders approving these existing processes, rules, oversight requirements, and reporting requirements, it has determined that they are just and reasonable. The Tier 3 Advice Letter would merely indicate precisely how these existing processes, rules, oversight requirements, and reporting requirements would apply to the Market Offer process. As

⁸ See, e.g., D. 22-01-004 and D.21-01-005 for the most recent 2020 and 2021 RPS Plans.

⁹ D. 21-05-030, Ordering Paragraph 3 b.

a result, a Tier 3 Advice Letter process for review of the Market Offer REC Sales processes is appropriate.

III.

CONCLUSION

The Joint IOUs respectfully request that the Commission promptly issue a Ruling authorizing the Joint IOUs to seek review of the Market Offer Process through a Tier 3 Advice Letter submitted April 29, 2022, rather than through their Draft 2022 RPS Procurement Plans, in order to assure that Market Offer REC sales can start delivery on January 1, 2023 to benefit bundled service and departing load customers by optimizing the IOUs' PCIA portfolios. A prompt Ruling will allow each of the IOUs to carry out the Commission's objective in implementing the new VAMO processes in a smooth and orderly fashion so that they can take effect on January 1, 2023, as the Commission has directed.

Respectfully submitted,

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/s/ Carol Schmid-Fraze

By: Carol Schmid-Fraze

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March 10, 2022

VERIFICATION

I am a Principal Manager in the Regulatory Affairs Organization of Southern California Edison Company and am authorized to make this verification on its behalf. I have read the foregoing **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) CONCERNING REVIEW OF MARKET OFFER PROCESS**. I am informed and believe that the matters stated in the foregoing pleading are true. I declare under penalty of perjury that the foregoing is true and correct.

Executed this **10th day of March, 2022**, at Rosemead, California.

/s/ Dhaval Dagli

By: Dhaval Dagli

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