

PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298



Southern California Gas Company
GAS (Corp ID 904)
Status of Advice Letter 6191G
As of November 6, 2023

Subject: Request for Approval to Procure Greenhouse Gas (GHG) Cap-and- Trade Compliance Instruments from New Brokers

Division Assigned: Energy

Date Filed: 09-19-2023

Date to Calendar: 09-22-2023

Authorizing Documents: D1412040

Disposition:	Accepted
Effective Date:	10-19-2023

Resolution Required: No

Resolution Number: None

Commission Meeting Date: None

CPUC Contact Information:

edtariffunit@cpuc.ca.gov

AL Certificate Contact Information:

Gary Lenart

(213) 244-2424

Tariffs@socalgas.com

PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco CA 94102-3298



To: Energy Company Filing Advice Letter

From: Energy Division PAL Coordinator

Subject: Your Advice Letter Filing

The Energy Division of the California Public Utilities Commission has processed your recent Advice Letter (AL) filing and is returning an AL status certificate for your records.

The AL status certificate indicates:

- Advice Letter Number
- Name of Filer
- CPUC Corporate ID number of Filer
- Subject of Filing
- Date Filed
- Disposition of Filing (Accepted, Rejected, Withdrawn, etc.)
- Effective Date of Filing
- Other Miscellaneous Information (e.g., Resolution, if applicable, etc.)

The Energy Division has made no changes to your copy of the Advice Letter Filing; please review your Advice Letter Filing with the information contained in the AL status certificate, and update your Advice Letter and tariff records accordingly.

All inquiries to the California Public Utilities Commission on the status of your Advice Letter Filing will be answered by Energy Division staff based on the information contained in the Energy Division's PAL database from which the AL status certificate is generated. If you have any questions on this matter please contact the:

Energy Division's Tariff Unit by e-mail to
edtariffunit@cpuc.ca.gov



Joseph Mock
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.3718
Fax: 213.244.4957
JMock@socalgas.com

September 19, 2023

Advice No. 6191-G
(U 904 G)

Public Utilities Commission of the State of California

Subject: Request for Approval to Procure Greenhouse Gas (GHG) Cap-and- Trade Compliance Instruments from New Brokers

Southern California Gas Company (SoCalGas) hereby submits for California Public Utilities Commission (Commission) approval this request to add to the list of brokers procuring authorized Greenhouse Gas (GHG) compliance instruments.

Purpose

Pursuant to Decision (D.) 14-12-040, Southern California Gas Company (SoCalGas) hereby requests California Public Utilities Commission (CPUC, or Commission) approval to add the voice brokers Marex Spectron International Limited (MSIL) and Spectron Energy Inc. (SEI) to its list of approved brokers for procuring authorized GHG compliance instruments, including carbon allowance derivatives, to satisfy its compliance obligation under the California Air Resources Board's (ARB) GHG Cap-and-Trade program. MSIL and SEI provide brokerage services for California Carbon Allowance (CCA) futures contracts cleared through the Intercontinental Exchange (ICE) and brokerage services for CCAs and California Carbon Offsets (CCOs) through bilateral transactions transacted with marketing companies and/or offset project developers.

Background

On March 19, 2014, the Commission issued Rulemaking (R.)14-03-003 to address issues related to GHG cost and revenues resulting from the implementation of ARB's GHG Cap-and-Trade program for natural gas corporations. On July 25, 2014, SoCalGas was among five parties¹ who filed a Joint Motion to Adopt Settlement (Settlement Agreement) to approve ratemaking standards and mechanisms on cost forecasting, cost recovery, purchasing limits, consignment and proposed 2015 forecast revenue requirements for the gas utilities' compliance with Assembly Bill (AB) 32 natural gas supplier GHG Cap-and-Trade program obligations beginning January 1, 2015. D.14-12-040 approved, with modifications, the

¹ SoCalGas, San Diego Gas & Electric Company, Pacific Gas & Electric Company, Southwest Gas Corporation, and the Office of Ratepayer Advocates.

Settlement Agreement, which included the following provision related to how gas utilities should request Commission approval to purchase GHG compliance instruments on an exchange or from a brokerage firm not previously approved by the CPUC for such procurement:

Prior to purchasing GHG compliance instruments on an exchange or from a brokerage firm not previously approved by the Commission for such procurement, each utility must submit a one-time Tier 2 AL detailing: (1) what exchange or brokerage firm it seeks to use, (2) the liquidity and transparency of the pricing offered by the exchange or brokerage firm, specifically for California GHG compliance instruments, including an explanation of how the price of products procured on the exchange or through the brokerage is market-based, and (3) the regulatory authority or authorities to which the brokerage firm is subject.

By Advice Letters (AL) 4755, 4955, 5011, and 5056 SoCalGas has received approval to use a market provided by ICE and the voice brokers Evolution Markets Inc., Evolution Markets Futures LLC, Amerex Brokers LLC, TFS Energy Futures, LLC, Tullet Prebon Americas Corp, BGC Financial, L.P., and BGC Environmental Brokerage Services, L.P.

Request

SoCalGas requests that the Commission, as they did by approving ALs 4755, 4955, 5011, and 5056 approve the addition of MSIL and SEI to SoCalGas' list of approved brokers for engaging in such activity. The addition of MSIL and SEI would increase liquidity by expanding the availability of market-based compliance instruments available to SoCalGas.

Liquidity refers to the ease of entering a marketplace and locating counterparties with whom to transact. Liquid markets are markets where many buyers and sellers exist and a high level of trading occurs. In liquid markets, due to the high level of trading activity, traders can enter the market and transact without significantly influencing prices. Trading volume and open interest are metrics often used to gauge liquidity.

The voice broker market, including MSIL and SEI, continues to assist in creating liquidity by allowing numerous buyers and sellers to anonymously share and access pricing information at the same time. The addition of MSIL and SEI would allow SoCalGas to locate even more competitive bids and offers for CCA and CCO instruments.

Voice brokers canvass the market daily, searching for bids and offers of various instruments. These prices are then made available to the market through phone, instant messenger, and email. The voice broker community effectively creates a diverse marketplace of buyers and sellers, facilitating the meeting of competitive bids and offers so trading can occur. By engaging multiple voice brokers, market participants can choose to purchase a current offer (or sell to a current bidder) or list a more competitive bid or offer. Adding MSIL and SEI to SoCalGas' list of approved brokers will increase the size of the available market.

Voice brokers in futures markets, including MSIL and SEI, are subject to the regulatory supervision of several entities. They are subject to direct regulatory oversight by the Commodities Futures Trading Commission (CFTC). ICE also regulates voice brokers with a primary focus on trade operations, transparency, and fairness. Voice brokers are also subject to the supervision of the National Futures

Association (NFA). The NFA is a self-regulatory body with the principal functions of policing members, auditing members for minimum financial requirements, enforcing trading rules and ethical standards, provide arbitration between customers and NFA members, and establish training and proficiency standards.

Protests

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be submitted electronically and must be received within 20 days after the date of this Advice Letter, which is October 9, 2023. Protests should be submitted to the attention of the Energy Division Tariff Unit at:

E-mail: EDTariffUnit@cpuc.ca.gov

In addition, protests and all other correspondence regarding this Advice Letter should also be sent electronically to the attention of:

Attn: Gary Lenart
Regulatory Tariff Manager
E-mail: GLenart@socalgas.com
E-mail: Tariffs@socalgas.com

Effective Date

SoCalGas asserts this submittal is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. SoCalGas respectfully requests that this submittal become effective October 19, 2023, which is 30 calendar days after the date submitted.

Notice

A copy of this AL is being sent to SoCalGas' General Order (GO) 96-B service list and the Commission's service list in R.14-03-003. Address change requests to the GO 96-B service list should be directed via e-mail to Tariffs@socalgas.com or call 213-244-2424. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or via e-mail at Process_office@cpuc.ca.gov.

/s/ Joseph Mock
Joseph Mock
Director – Regulatory Affairs

Attachments



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.:

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person:

Phone #:
E-mail:
E-mail Disposition Notice to:

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #:

Tier Designation:

Subject of AL:

Keywords (choose from CPUC listing):

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL:

Summarize differences between the AL and the prior withdrawn or rejected AL:

Confidential treatment requested? Yes No

If yes, specification of confidential information:

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information:

Resolution required? Yes No

Requested effective date:

No. of tariff sheets:

Estimated system annual revenue effect (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed¹:

Pending advice letters that revise the same tariff sheets:

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

Name:
Title:
Utility Name:
Address:
City:
State: Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email: