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California Fuels & Convenience Alliance Comments

Additional submitted attachment is included below.

California Fuels and Convenience Alliance

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February 12, 2024

California Energy Commission
Docket Unit
Docket No. 23-OIR-03
715 P Street, MS-4
Sacramento, CA 95814

RE: [Docket #23-OIR-03] General Rulemaking Proceeding for Developing Regulations, Guidelines, and Policies for Implementing SB X1-2 and SB 1322

The California Fuels and Convenience Alliance (CFCA) represents about 300 members, including nearly 90% of all the independent petroleum marketers in the state and more than one half of the state's 12,000 convenience retailers. Our members are small, family- and minority-owned businesses that provide services to nearly every family in California. Additionally, CFCA members fuel local governments, law enforcement, city and county fire departments, ambulances/emergency vehicles, school district bus fleets, construction firms, marinas, public and private transit companies, hospital emergency generators, trucking fleets, independent fuel retailers (small chains and mom-and-pop gas stations) and California agriculture, among many others.

The CFCA has significant concerns with the proposed emergency action on spot market reporting, as currently drafted. While we understand the Commission's intent to enhance transparency and market oversight, we believe that the proposed changes impose an undue burden on market participants, jeopardizing the efficiency and integrity of the fuel market.

EXCESSIVE REPORTING BURDEN

The proposed reporting requirements significantly expand the burden on market participants. Requiring transactions to be reported both at consummation and settlement, along with an increased scope of transactions, places an unnecessary strain on industry resources. Many of the transactions mandated for reporting do not align with the criteria used by OPIS in setting the index price, rendering them irrelevant for market transparency. Requiring double reporting for each transaction adds unnecessary redundancy to existing reporting processes. The current reporting mechanisms, when coupled with the proposed changes, may result in excessive and repetitive information, without commensurate benefits in terms of market oversight.

IMPACT ON COMPETITION AND MARKET DYNAMICS

The increased reporting burden may disproportionately affect smaller market participants, potentially hindering competition. The added administrative complexities could lead to market inefficiencies and hinder the fluidity of transactions, ultimately impacting fuel prices and availability for consumers.

POTENTIAL FOR MARKET MANIPULATION BY FOREIGN IMPORTERS

The proposed changes raise significant concerns about the potential for market manipulation by foreign importers. With the increased reporting requirements, there is an elevated risk that foreign entities may exploit the system to strategically influence market dynamics. For example, these entities might engage in reporting practices that create false market signals, giving them an unfair advantage in price negotiations and ultimately driving up prices for consumers.

Such manipulative actions could distort the competitive landscape, unfairly favoring certain market participants and disadvantaging others. It is crucial to consider the global nature of the fuel market and the possibility that foreign importers may exploit reporting requirements to gain an undue upper hand, leading to adverse consequences for businesses and consumers alike.

UNKNOWN INFORMATION FIELDS

Several new information fields added to the report may not be known at the time of reporting. For instance, vessel names or numbers may not be available immediately upon completion of a transaction. Participants are compelled to report "unknown," introducing the risk of non-compliance for information beyond their control.

MANUAL PROCESSES AND STAFFING

A substantial number of the new information fields are not maintained in industry participants' transaction systems. This necessitates manual processes, leading to errors and late reporting. Extracting information like the name of the scheduler and nominated times from scattered communications is not only burdensome but also irrelevant to OPIS price information.

INSUFFICIENT TIME FOR IMPLEMENTATION

The Commission should consider delaying the implementation of the new reporting forms by at least 120 days. This would allow industry participants to hire additional staff, reprogram transaction systems, and automate the extraction of required information. Without such relief, there is a high risk of reporting erroneous and incomplete information due to the expedited implementation.

In conclusion, we urge the California Energy Commission to reconsider the proposed emergency action on spot market reporting requirements. We believe that a collaborative approach, involving stakeholders and allowing for a reasonable transition period, will better achieve the Commission's goals without unduly burdening market participants.

If you have any questions, please contact Alessandra Magnasco at alessandra@cfca.energy.

Sincerely,

Alessandra Magnasco
Governmental Affairs & Regulatory Director