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July 9 Joint Agency Symposum - Comments

Additional submitted attachment is included below.

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August 7, 2015

California Energy Commission
Dockets Office, MS-4
Re: Docket No. 15-IEPR-04 -"Electric Reliability"
1516 Ninth Street
Sacramento, CA 95814-5512

RE: Comments on July 9 Joint Agency Symposium

Southern California Gas (SoCal Gas) and San Diego Gas and Electric (SDG&E) would like to provide our general support for California's efforts to continue taking a leadership role in advancing clean energy policies. We are committed to working with the California Energy Agencies and the Governor's Office as they strive to continue and expand the State's efforts to reduce greenhouse gas (GHG) emissions and the impact of carbon on our air and environment.

The Energy Agencies should more fully acknowledge the technology and cost challenges of achieving cost effective GHG reductions. Keeping costs and technology development in mind as the State addresses global warming is essential, so that we are encouraging the growth of California's economy that is necessary for others to follow California's lead.

Pathways Presentation

The Pathways presentation by E3 described the model not as an optimization tool, but as a tool to estimate GHG emissions if particular actions are taken. In the Pathways model, GHG reductions are based on 4 major energy transitions – Energy Efficiency and Conservation, Fuel Switching, Decarbonizing Electricity, and Decarbonizing Liquid and Gaseous Fuels. In each of these transitions, technology development and policy will be keys to success.

Energy Efficiency: Deeper energy efficiency (EE) upgrades are critical to reducing GHG emissions. As the State is working to accomplish the goal of doubling the efficiency of existing buildings, SoCal Gas and SDG&E make two policy recommendations:

1. Revise the rules governing energy efficiency programs so that energy efficiency resources can be used to provide incentives to assist in bringing existing older buildings to code, as well as helping buildings to exceed code requirements.
2. Simplify the way EE savings are measured in order to expand current levels of EE participation. Energy and GHG savings should be estimated at the premise-level, instead of measure-level or program-level, to better estimate the actual impacts of EE on the electric or gas forecasts.[1]

[1] This would include measuring savings through normalized metered energy consumption. Measure-level or program-level evaluations are useful for determining the effectiveness of specific measures and program design for future portfolio improvements.

Transportation Fuel Switching: All sectors will need to contribute to deliver the reductions needed to meet the state's long-term GHG reduction goals. The transportation sector, with 40 percent of GHG emissions, must contribute at least a proportional reduction to other sectors to achieve the State's goals and to assist with making the transition affordable. Regarding affordability, the Pathways model shows a more than 50 percent increase in electricity bills by 2030, which is substantially offset by consumer savings in the transportation sector.[2] To the extent electricity and natural gas are needed to support cost-effective GHG reductions in the transportation sector, the State's Energy Agencies must ensure that policies are in place to facilitate and encourage those GHG reductions through increased use of near zero and zero emission vehicles. SoCal Gas and SDG&E make two policy recommendations:

1. Explore strategies and investments that will expand California's infrastructure for alternative fuels.
2. Ensure the reauthorization of the Low Carbon Fuel Standard (LCFS). The value created by the LCFS credits will expedite the development of the alternative fuel vehicle market, particularly in the heavy duty sector.

California Energy Agency Presentations

California Public Utilities Commission (CPUC): SoCal Gas and SDG&E agree with the CPUC that California should take an integrated approach to reducing GHG emissions that looks across all sectors and opportunities to achieve the State's overall climate objectives from a global perspective, which may include reevaluation of existing mandates and utilization of a more comprehensive approach. Rather than a number of separate procurement planning activities, the State's Energy Agencies should develop a framework that supports side-by-side comparison of the costs and benefits of various GHG reduction strategies, including renewables and energy efficiency.

SoCal Gas and SDG&E also support the use of accurate price signals to achieve GHG reductions in California's decentralized decision-making framework. Accurate price signals, as opposed to mandates, are necessary to achieve the state's GHG objectives on a least cost basis.

California Independent System Operator (CAISO): In order to reliably manage the grid, energy demand must match energy supply. Renewable generation patterns do not always match demand patterns -- which will likely require the utility to curtail energy or pay others to take the excess energy. This over-generation issue will drive up energy costs if the State's energy policy does not address this situation thoughtfully. One way to address this challenge is to utilize the energy storage and delivery capabilities that exist within the natural gas grid. Deployment of excess renewable generation to power new electrolysis technology that produces hydrogen and synthetic methane for storage and delivery can help manage the mismatch between supply and demand and protect the grid, while also delivering net zero carbon energy into the marketplace.

SDG&E supports the CAISO comments on the need for regional coordination as California's electric sector operates in a market that extends well beyond our borders. This may provide an opportunity to manage the over-generation issue and align GHG policy in the West. However, California's Energy Agencies should support a change in AB 32 GHG accounting in over-generation situations. One such change would exclude GHG emissions of exported power associated with increased regional

[2] Pathways model shows a $50/month increase in electric bills. The Energy Information Agency estimates that the average California electric bill was $90/month in 2013.

coordination and over-generation. Otherwise, there is a large impediment to regional coordination – namely, while substantially reducing GHG in the West as shown by the CAISO presentation, it may not reduce measured GHG in California due to GHG accounting and may in fact increase it.

California Energy Commission (CEC): SoCal Gas and SDG&E support the CEC's emphasis on technology. The Pathways model and other long-term forecasting assume that new technologies will be available and adopted. Additional research should be centered on key technologies needed for GHG reduction including power-to-gas for storage and direct use, especially for hard to decarbonize sectors like residential and commercial heating and transportation; as well as being a source for hydrogen for fuel cell vehicles. Additionally technology development is needed on the conversion of waste to energy, biomass to biogas and/or to renewable diesel.

SoCal Gas and SDG&E make the following policy recommendation:

1. Support the CEC in its research efforts to enable key GHG-reducing technologies.

Public Comment

Surprisingly, there was no mention of cost until the very last commenter (a representative from TURN) spoke; SoCal Gas and SDG&E also have cost concerns. Even if the technologies develop as forecasted, the E3 Pathways model shows that electricity consumers will experience a more than 50 percent bill increase and substantially higher increase in rates.[3] While public opinion polls suggest the public supports the State's long term goals, those polls do not supply the accompanying costs. It is not clear if the public supports GHG reductions accompanied by a 50 percent increase in electric bills. Further, if forecasts are wrong and consumers are hit with billions of dollars in GHG costs through the cap-and-trade program and subsidies of new technologies, public support for California's GHG reduction program may quickly wane, especially if businesses leave and unemployment skyrockets.

Conclusion

Climate change is a global problem that needs a global solution. California can provide leadership in GHG reduction activities for the rest of the world to replicate, but should also be aware of its limits. While success is expected, if the U.S. is not following, and California's policies are simply shifting economic activity or GHG emissions to other states, then California should be able to reevaluate expensive GHG policies that may not be accomplishing their stated goals and harming California's economic wellbeing.

Yours sincerely,

Tamara Rasly

[3] See footnote 2. Because the large amount of energy efficiency, bills will increase at a slower pace compared to rates.