DOCKETED

Docket Number:	15-RETI-02
Project Title:	Renewable Energy Transmission Initiative 2.0
TN #:	207323
Document Title:	For Reference: PG&E Comments to the Air Resources Board on SB 350 IRP Targets 1/11/16
Description:	N/A
Filer:	System
Organization:	Pacific Gas and Electric Company/Nathan Bengtsson
Submitter Role:	Public
Submission Date:	1/14/2016 4:43:37 PM
Docketed Date:	1/14/2016

Comment Received From: Nathan Bengtsson
Submitted On: 1/14/2016
Docket Number: 15-RETI-02

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Additional submitted attachment is included below.

Pacific Gas and Electric Company™

Claire Halbrook
Climate Policy Principal
State Agency Relations

1415 L Street, Suite 280
Sacramento, CA 95814
(916) 386-5711
cehu@pge.com

January 11, 2016

Ms. Rajinder Sahota
Chief, Climate Change Program Planning & Management Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95812-2828

Re: SB 350 Integrated Resource Plan Targets

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide comments on greenhouse gas (GHG) target-setting for Integrated Resource Plans (IRP), under Senate Bill (SB) 350 (de León). Before beginning the target-setting process, PG&E urges the Air Resources Board (ARB) to consider the overall purpose of these targets, the role of these targets in the sector's long-term planning efforts, and any interactive effects or unintended consequences that could emerge. In the following comments, PG&E describes how the requirements of SB 350 should be interpreted and provides options for fulfilling these requirements while avoiding the negative consequences associated with creating binding sector- and entity-specific GHG targets.

PG&E's recommendations are based on the following key principles:

- ARB is not required by SB 350 to set binding GHG reduction targets for the electric sector or individual load-serving entities (LSEs);
- ARB can demonstrate that the electric sector will meet the state's GHG objectives by forecasting emissions reductions from existing electric sector programs, including the new requirements set forth in SB 350;
- Targets should not jeopardize the existing market-based, economy wide Cap-and-Trade program but ensure GHG price signal is reflected in long-term electric sector planning; and
- Targets should be developed and applied consistently and equitably across all entities that are required to prepare IRPs.

To satisfy the goals of SB 350 while maintaining the integrity and effective operation of the California Cap-and-Trade Program, ARB must not create binding sector or LSE-specific GHG reduction targets for 2030.

<u>SB 350 Does Not Require ARB to Establish GHG Emissions Reduction Targets for the Electric Sector or Individual LSE's</u>

ARB and the other agencies involved in implementing SB 350 should consider the provisions related to IRP GHG targets in the context of the entire bill, as well as existing law. Sections 454.52 and 9621 of SB 350 presume the existence of a 2030 GHG reduction target percentage for the electricity sector as a whole and for individual LSEs. However, neither AB 32 nor SB 350 specifically directs ARB to establish sector-specific GHG emission reduction targets. In fact, setting accurate and fairly distributed sector- and LSE-specific reduction targets would pose a substantial technical challenge, given the limited availability of LSE-specific baseline and marginal cost abatement data, the complex and varying tracking requirements for the seven tracked greenhouse gases, and the uncertainties created by future load departures and vehicle electrification. Furthermore, an effort to create and enforce binding sector and LSE-specific reduction targets would conflict with AB 32's objective of achieving maximum technologically-feasible and cost-effective GHG emission reductions.

Planned ARB Analysis Is Sufficient to Meet Any Requirements Imposed on ARB by SB 350

Rather than setting binding targets, PG&E would support any ARB efforts to forecast post-2020 GHG emissions reductions from existing electric sector programs (e.g. the 50% RPS, doubling of energy efficiency to the extent feasible and cost-effective, meeting the storage procurement mandate, and electrification of other sectors) as part of the 2030 Target Scoping Plan and the Clean Power Plan, just as was done in the original Scoping Plan. We expect these analyses will indicate that the electric sector is doing more than any other sector to support the state in achieving its post-2020 GHG reduction goals. These analyses, which do not involve setting sector or entity-specific targets, are sufficient to meet any requirements imposed by Sections 454.52 and 9621 of SB 350.

Targets Should Preserve the Integrity of the Cap-and-Trade Program

We strongly support staff's conclusion that IRP targets are not meant to introduce sub-targets within the existing, multi-sector Cap-and-Trade program, and "must not disrupt the efficient operation of the economy-wide program."[1] A fundamental principle of the Cap-and-Trade program is that market mechanisms, coupled with a declining statewide emissions cap, provide the most cost-effective method of achieving the state's GHG emission reduction goals. Sector and entity-specific GHG targets within an economy-wide system that has an absolute cap on emissions are not likely to change the total amount of emissions from within that system. Within a capped system, sector and entity-specific targets could only change how the emission reductions are achieved, who pays for those reductions, and at what cost. PG&E therefore strongly cautions against the creation of binding sector or LSE-specific GHG reduction targets for 2030, as these would raise ratepayer costs without necessarily securing any additional statewide GHG benefit. Instead of proposing binding GHG reduction targets, PG&E encourages ARB to focus on designing a flexible, economy-wide, market-based post-2020 program and continue to move away from introducing additional sector or entity-specific GHG emission constraints.

Targets Should Ensure GHG Price Signal Is Reflected in Long-term Planning

For the reasons discussed above, PG&E supports ARB in exploring cost metric targets that incentivize LSEs to minimize total resource costs (including GHG costs) while achieving the state's GHG and other policy goals. PG&E recommends that ARB work with the California

[1] Slide 18 from staff presentation: http://www.arb.ca.gov/cc/capandtrade/meetings/20151214/rpssb350.pdf

Public Utilities Commission (CPUC) and the California Energy Commission (CEC) to ensure that the long-term GHG price signal created through the Cap-and-Trade program is appropriately and consistently reflected in long-term electric planning. We believe that Cap-and-Trade allowance prices provide an appropriate price signal to all sectors (including the electric sector) to invest in abatement activities. This approach offers several benefits compared to a mass or rate-based emissions target, including:

(1) Supporting the market-based design and intent of the statewide Cap-and-Trade program and complementary measures
(2) Automatically incorporating and adjusting to projections of changing supply mix and electricity demand, and allowing least-cost carbon reductions to be prioritized and weighed against other planning goals such as affordability, reliability, impact on disadvantaged communities, and mitigation of local air pollution
(3) Ensuring consistency across LSEs by ensuring they use the same GHG price range in their Integrated Resource Plans
(4) Allowing ARB and other interested parties to aggregate the projected electric sector emissions projected to result from pre-specified allowance prices

Targets Should Be Applied Consistently Across LSEs

Finally, while PG&E strongly supports IRP targets to be in the form of cost metrics, we believe that under any method targets should be set and applied consistently across LSEs. ARB should establish LSE targets at the same time and, if updated, they should also be updated concurrently. Likewise, the same process and methodology must be used to establish all LSE targets, and targets must be applied equitably. This approach is crucial to ensure that all entities within the electric sector are consistently considering emissions reductions in their long-term planning.

Sincerely,

/s/

Claire Halbrook
Climate Policy Principal