DOCKETED

Docket Number:	16-OIR-05
Project Title:	AB 1110 Implementation Rulemaking
TN #:	216570
Document Title:	William Westerfield III Comments: SMUD Comments on Staff Workshop - AB 1110 Implementation Rulemaking
Description:	N/A
Filer:	System
Organization:	William Westerfield III
Submitter Role:	Public Agency
Submission Date:	3/15/2017 4:17:25 PM
Docketed Date:	3/15/2017

Comment Received From: William Westerfield III
Submitted On: 3/15/2017
Docket Number: 16-OIR-05

SMUD Comments on Staff Workshop - AB 1110 Implementation Rulemaking

SMUD Comments on Staff Workshop - AB 1110 Implementation Rulemaking

Additional submitted attachment is included below.

STATE OF CALIFORNIA
BEFORE THE CALIFORNIA ENERGY COMMISSION

In the matter of:	)	Docket No. 16-OIR-05
	)	
AB 1110 Implementation Rulemaking	)	SMUD Comments on Staff
	)	Workshop – AB 1110
	)	Implementation Rulemaking
	)	
	)	March 15, 2017
	)	

Comments of the Sacramento Municipal Utility District on the Implementation Rulemaking for Assembly Bill 1110

The Sacramento Municipal Utility District ("SMUD") respectfully submits the following comments to the California Energy Commission ("Commission") regarding the Implementation Rulemaking For Assembly Bill 1110 (AB 1110).

In general, SMUD has a fundamental goal that the changes to the Power Source Disclosure requirements, required under AB 1110, serve to enhance understanding of the carbon footprint of every retail supplier of electric service, not to confuse or mislead customers. Accordingly, SMUD requests that CEC staff focus on two general concepts as this implementation proceeding goes forward:

- First, while establishing a GHG emissions intensity for an individual power plant or source is relatively simple, doing so for a POU or retail seller from a combination of resources is inherently complex and fraught with the potential to provide incorrect information to ratepayers.

- Second, the Commission's task to develop a format for including the disclosure of unbundled RECs as a percentage of annual sales is also full of complexity and carries the potential to confuse consumers more than inform them.

These tasks must be done carefully, deliberatively, and with great cooperation with affected stakeholders, and with the main goal in mind of providing consumers (our ratepayers) with accurate and easily understood information and avoiding confusion and market disruption. The following issues must be considered as part of the deliberative effort:

- The impact to retail product claims by green-pricing programs such as SMUD's Greenergy program, and shared solar systems such as SMUD's SolarShares program.

- The GHG intensity impact and/or adjustment due to participation in the California Air Resources Board's (CARB) Voluntary Renewable Energy (VRE) Program .

- The GHG intensity impact and/or adjustment with respect to procured renewable generation that is not delivered to a utility service territory, such as "firmed and shaped" procurement as noted in the Scoping Document and similar renewable power.

- The question as to the degree of consumer understanding of concepts, such as "unbundled RECs" and how this should guide the Commission's development of inclusion of this kind of renewable procurement in a consumer-facing power content label.

In addition to answering the preliminary scoping questions from the February 23rd workshop below, SMUD has the following comments:

Section 398.4(a) requires retail providers that offer electricity for sale that is consumed in California to disclose electricity sources. SMUD believes that the intent of this provision is that it applies only to retail electricity offers or products, not wholesale sales. However, wholesale electricity is often consumed in California. The CEC should clarify that the disclosure requirement is only for retail electricity sales.

Section 398.4(b) now requires disclosure of GHG emissions intensity of electricity sources in all product –specific, written promotional materials distributed to consumers. SMUD believes that the intent is that this provision applies only to "offerings" of electricity products that can be chosen by a broad variety of consumers, such as a retail provider's default product or a voluntarily chosen product like a green pricing program. The CEC should clarify that this requirement does not apply to custom offers, and to written materials provided in a custom offering such as term sheets and PowerPoint presentations.

Answers to preliminary Scoping Questions:

1. What Should Be the Programmatic Definitions of "annual sales", "electricity portfolio, and "electricity offering"?

The term "annual sales" should be defined as the amount of electricity sold annually to the retail customers that are taking service under a particular electricity product or offering. The terms "electricity portfolio" and "electricity offering" should be considered equivalent, as their use in AB 1110 would imply. These terms should be defined as referring to the electricity sources serving an electricity product that is available to be purchased by any member of a group or set of customers, such as "all residential customers." These terms, as defined, should not cover custom "contracts" to specific customers – these customers know what power sources they are receiving due to the custom nature of their contract, and hence need no power content label. It would also be a significant administrative burden and program cost if the power source disclosure regulations were applied to every custom contract between a utility and one of their

customers. The ability to "bundle" services into rough program areas, such as a shared solar program where the individual customers have differing participation in some way, should be free of the burden of providing a power content label and calculating a carbon intensity for individual customers.

2. Should Retail Suppliers Be Required to Report the Purchase of Eligible Renewable Energy Resources Based on the Year that the Renewable Electricity Was Generated or Based on the Year that the REC is Retired, if the Two Years Differ?

In order to keep the power content label on a consistent resource basis with non-renewable sources, retail suppliers should generally report the purchase of eligible renewable energy resources in the year of procurement or generation (and/or in some cases, the year for which procurement is intended), rather than the year a REC is retired. Non-renewable sources in the power source disclosure process are reported based on the year of procurement, and it would be inconsistent and confusing to depart significantly from this approach solely for eligible renewable sources. Some flexibility is appropriate, however, because RECs are an electricity product that can be unbundled from the underlying energy. Indeed, the very concept of a REC envisions use and computation at alternative times from real-time energy delivery. So, for example, a retail supplier with a green tariff program should be allowed to report use of a REC in concert with an established structure, such as Green-E standard's rule, which allows matching retail sales in any year with generation and/or RECs from the last half of the previous year and the first quarter of the subsequent year.

3. How Should Firmed and Shaped Electricity Products Be Categorized for the Power-Mix Percentage Calculations? Specifically, Should These Products Be Categorized Based on the Fuel-Type of Their REC or the Fuel-type of Their Substitute Electricity?

This is a key issue for giving full effect to existing RPS rules. Firmed and shaped electricity products should be categorized in the power content label ("PCL") according to the fuel-type of the REC, matching the nature of the underlying renewable energy procured. Utilities enter into firmed and shaped procurement to buy renewable power for their customers. At times, intermittent resources, such as wind and solar power plants, require firmed and shaped contracts in order to cost-effectively access remotely located generation and efficiently use the transmission grid to provide the benefits to local customers. Utilities are allowed to count such firmed and shaped renewable power toward RPS requirements, and should similarly be allowed to inform their customers in the PCL that they have been provided with renewable power. The PCL cannot and must not represent RPS compliance due to the annual nature of the PCL versus the multi-year, banking-allowed nature of RPS compliance. However, it is essential that the power source disclosure structure uphold the basic eligibility of renewable resources for the RPS.

4. **How Should Greenhouse Gas Emissions Intensities Be Calculated for Firmed and Shaped Electricity Products? Specifically, Should the Greenhouse Gas Emissions Intensity for These Products Be Calculated Based on the Emissions Profile Associated with the Generation Source of Their REC or Based on the Emissions Profile of Their Substitute Electricity?**

Greenhouse gas emissions intensities for firmed and shaped electricity products should be calculated based on the emissions profile of the generation, which for renewable energy is represented by the REC. Once again, utilities enter into firmed and shaped contracts in order to procure zero-emission, renewable power for their customers. Utility customers should enjoy the environmental benefits of the procurement their dollars support for firmed and shaped contracts, just like any other renewable procurement. California's Cap and Trade program recognizes the zero-GHG nature of this type of procurement through the "RPS Adjustment" process, where the GHG emissions of the substitute power are subtracted from the procuring utility's compliance obligations.

Similarly, the procurement intent of the utility, on behalf of ratepayers, should be honored for any eligible renewable procurement. For example, product content category 1 (PCC1) procurement (and similar PCC0 procurement) should be categorized on the PCL as renewable (matching the fuel type procured) with a zero-GHG intensity calculation for the utility, even in cases where that power is not delivered to the utility service area.

Procurement of unbundled RECs should be categorized in the PCL within the underlying renewable fuel type, and should impart a zero-GHG contribution to the intensity calculation for the procuring utility. Due to the ability to separate RECs from the underlying power and procure and/or use unbundled RECs in years that differ from the actual generation (for example, the 3-year window for retirement of RECs for the RPS), the CEC should consider structures to monitor the use of RECs and null power in the power source disclosure process. For example, the CEC could:

- Ensure any RECs included in the power source disclosure ("PSD") process be tracked in WREGIS (SMUD believes that most, if not all, are already so tracked).

- Indicate that RECs should be reflected in the PSD process in the year ***for*** which they were procured, not the year ***in*** which they were procured, and not in the year retired, if different.

- Indicate that RECs reflected in the PSD process as being associated with a particular retail provider's power mix cannot be resold (but can be held and banked by the procuring retail provider).

- Require an attestation by the entity claiming use in the PSD process that the RECs were not previously committed to another PSD disclosure.

5. Should Unbundled RECs (PCC3) Be Reflected in the Power mix or Disclosed Separately on the Power Content Label? What Factors Should Be Considered in Making This Determination?

SMUD understands that AB 1110 gives the CEC the responsibility of developing how to reflect unbundled RECs in the State's annual PCL, but notes that RECs are not intuitive, or easily understood by consumers. SMUD would prefer not bringing the concept of "REC Only" into the consumer disclosure process at all – we feel that it will just cause consumer confusion. Accordingly, SMUD recommends that the CEC reflect the concept of unbundled RECs only in a defined footnote in the PCL, rather than risk significant consumer confusion by trying to disclose unbundled RECs separately (like a fuel type) on the PCL.

In truth, unbundled RECs are not a separate renewable fuel resource like geothermal energy. RECs embody the attributes of the underlying renewable generation, including fuel type, even when unbundled. The underlying energy when a REC is unbundled and sold separately is not still classified as "solar" or "wind", etc., but rather is "null power" and the fuel type attribute goes with the REC. If compelled by AB 1110 to reflect unbundled RECs, the CEC could simply include an asterisk or footnote reference in the "Eligible Renewable" line, with the footnote explaining to consumers how much of the product is comprised of unbundled RECs and explaining in simple language what the term "unbundled REC" means, as follows:

> "xx percent of this product is from "Unbundled REC" procurement, meaning that it comes from buying the renewable nature of the source through a certificate of authenticity, without purchase of the actual energy from the source. Unbundled RECs reflect actual renewable generation that has occurred and provided to the electricity grid that serves California."

In addition, the CEC must explicitly allow retail providers to include additional information if desired about unbundled RECs, consistent with Section 298.4(h)(7).

6. How Should Null Power Be Categorized for the Power-Mix Percentage Calculations? How Should the Greenhouse Gas Intensity of Null Power Be Calculated?

Null power should be categorized as unspecified generation for the PCL. Once the REC has been separated from a power transaction, the underlying power – the null power – should not be traceable to a specific source from a resource-type perspective. It is essentially undistinguishable from an unspecified, generic, power transaction. As such, null power should have the same GHG signature or intensity as any other unspecified power. Using CARB default emission factors for unspecified power is appropriate.

7. AB 1110 Defines "Greenhouse Gas Emissions Intensity" as the Sum of All Annual Emissions of Greenhouse Gases Associated with a Generation Source Divided by the Annual Production of Electricity from the Generation Source. Are there any Reasons to Consider Calculating GHG Emissions Intensities Using Greenhouse Gases Other Than Those Accounted for in Both MRR and the EPA's Greenhouse Gas Reporting Program?

SMUD does not see any reason to include additional GHG in the intensity calculation at this time. CARB's MRR and the federal GHG reporting include the vast majority, if not all, of the GHG associated with a generation source. SMUD would not support developing a separate intensity calculation requiring additional measurement and reporting of new GHG as part of the AB 1110 process. SMUD notes that Section 398.5(d) requires the CEC to "… seek to minimize the reporting burden and cost of reporting that it imposes on retail suppliers."

8. What Are the Concerns, Limitations, and Benefits, of Relying on GHG Emissions Reported to the MRR Program for the Development of GHG Intensities for In-State and Out-of-State Facilities?

It makes sense to rely on the existing, well-developed, mandatory reporting structure at CARB to determine GHG intensities for in-state and out-of-state facilities. To do otherwise would imply duplicative and unnecessary work on behalf of reporting entities as well as CEC staff. However, care must be taken when translating this basic facility information into an overall GHG intensity for a retail supplier. The procurement of renewable, unspecified power, and null power; as discussed in the answer to Questions 4 and 6 above and Question 9 below must be taken into account as the overall GHG intensity of a retail supplier is calculated.

9. Should GHG Emissions Classified as Non-Covered or Exempt Under the Cap and Trade Program Be Included in PSD Greenhouse Gas Intensity Calculations?

The PSD GHG intensity calculations should follow the structure of the Cap and Trade program, and exclude non-covered or exempt GHG. GHG emissions from biomass and biogas sources are categorically different than GHG emissions from fossil fuel sources, and the Cap and Trade program appropriately excludes these sources. The PSD intensity calculations should do likewise.

10. Should the Power Source Disclosure Program Adopt ARB's Default Factor as the Greenhouse Gas Intensity for Unspecified Power?

Yes, the PSD intensity calculation should simply use ARB's default factor as it is updated over time, rather than establishing a separate factor to represent essentially the same concept. SMUD again notes that Section 398.5(d) requires the CEC to "… seek

to minimize the reporting burden and cost of reporting that it imposes on retail suppliers."

11. Energy Procured Through the Energy Imbalance Market (EIM) Is Reported Under the MRR Program as Specified Electricity? What Greenhouse Gas Intensity Factor Should Be Assigned to Electricity Procured through the EIM?

The CEC should defer to CARB and the California Independent System Operator here. The percentage of a power mix that is transacted through the EIM is fairly low, and does not merit development of a separate calculation or factor.

12. With Respect to POU GHG Intensity Adjustments, What Quantities of Electricity That Have Been Generated in Previous Years that Stakeholders Believe Would Qualify for This Adjustment?

SMUD believes that it is important to also reflect the other clause in AB 1110 that allows adjustments for "… wholesale sales from specified sources that do not emit any greenhouse gases." Some renewable procurement involves buying bundled renewable generation, keeping and holding the RECs on behalf of customers, and reselling the underlying power in the wholesale market. In order to capture the true GHG intensity of overall power procurement of a retail provider, these types of resource transactions must be reflected in the calculation, as an "adjustment" or otherwise.

SMUD appreciates the opportunity to provide comments pursuant to the pre-rulemaking workshop for AB 1110, and looks forward to continued discussion with CEC staff as the AB 1110 implementation proceeds.

/s/

WILLIAM WESTERFIELD
Senior Attorney
Sacramento Municipal Utility District
P.O. Box 15830, MS A311
Sacramento, CA 95852-0830

/s/

TIMOTHY TUTT
Program Manager, State Regulatory Affairs
Sacramento Municipal Utility District
P.O. Box 15830, MS A31

Sacramento, CA 95852-0830
cc: Corporate Files (LEG 2017-0126)