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Email correspondence following 4/17/2017 meeting with CRS and CEC

Additional submitted attachment is included below.

From: Todd Jones
Subject: Follow up to 4/17 meeting with CRS
Date: April 19, 2017 at 2:40PM
To: Courtney Smith, Jordan Scavo, Ken Rider
Cc: Blair Swezey

Hi Courtney, Jordan, and Ken,

Apologies in advance for the long email, but I wanted to follow up on one question that came up during the meeting and provide the resources we discussed, along with one new resource that was released just today. Regarding the resources first, I've attached:

1. CPUC Decision 08-08-028 (also available at http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/86954.pdf);
2. The latest Green-e Verification Report (for reporting year 2015, issued in 2016) (also available at https://www.green-e.org/docs/2015%20Green-e%20Verification%20Report.pdf);
3. The slides from my presentation and a few notes on some of them; and
4. A new memo from WREGIS on WREGIS Certificates and EIM crossover (also available athttps://www.wecc.biz/Administrative/WREGIS%20EIM%20Memo%2020170419.pdf).

Again, the CPUC decision pertains specifically to avoided grid emissions attributes and RECs, not the direct emissions attribute of the renewable generation that is used for emissions disclosure to customers under AB 1110 and scope 2 reporting. But it nevertheless explains the exception for "emission reduction credits" in CA's definition of renewable energy credit and reinforces that all emissions attributes are contained in the REC. I owe Jordan some more granular information on the Green-e certified California voluntary RE market, which I am currently digging up and will send to him separately, to supplement the Green-e Verification Report. I explain the relevance and importance of the WREGIS memo further below.

Toward the end of our meeting, a question came up about the effect of holding RECs (e.g. for RPS compliance) on residual mix calculations. I'll attempt to restate the question: if RE does not get reported in PSD until RECs are retired, does this distort the residual mix emissions factor (i.e. make it look cleaner)? How are specified RE purchases factored out if we may not know until the RECs are retired that specified RE was delivered? Please let me know if I have misunderstood the question or if it can be stated more clearly. But to the extent that I've understood the question correctly, I've provided an answer here.

Where there is all-generation certificate tracking (e.g. NEPOOL, PJM, NY), the residual mix reported to customers on disclosure labels is the combination and average of all generation for which attributes/certificates were not actively bought and retired—all unsold attributes. This would include specified null and unspecified power. These systems do include a mechanism, called a reserve account, that allows account holders, like LSEs, to remove RECs from the residual mix calculation without having to retire them. In a place without all-generation tracking like the West, residual mix can be calculated as the system mix minus everything that was sold as specified generation (this includes null power that was directly contracted). It could also be calculated as the aggregated mix of generation that was sold on the spot market or purchased in EIM by CA LSEs, not included in specified contracts.

Any specific contracts for RE should not be included in residual mix. In particular, any RE purchases that are intended for RPS, whether or not the RECs are retired, should be excluded from the residual mix. In other words, RE for which the RECs have been sold, held, or otherwise not retired (null power) in that reporting year is not included in the residual mix calculation. This effectively means that the emissions attributes of this power (including banked RECs) aren't included anywhere in emissions disclosure—not reported as specified RE or included in the residual mix. If a significant amount of RECs are held or banked, this may result in residual mix emissions that in combination with emissions from all other generation are slightly dirtier than actual grid emissions, but this just reflects the fact that zero-emissions attributes are being held and not being delivered.

In order to calculate this residual mix, reporting entities need to identify all RE purchases they made that are intended for the RPS (those are the only purchases for which they should be holding and not retiring RECs), even if they haven't retired the RECs yet.

To comply with a requirement that RECs must be retired to substantiate all reported deliveries of specified renewable energy on a PCL, reporting entities always have the option to simply make annual retirements of RECs for RPS in

order to report deliveries of RE for PSD.

Moving forward with this approach, CEC may provide LSEs with the option to true up older labels based on retirements of RECs held from previous years, provided that:

1. they disclose on the PCL that the specified RE number could change, and
2. that this is only permitted for the RPS component of the PCL (not all RE).

This truing up is not ideal. It causes problems for Green-e certified RE products that are 100% RE and include a portion of RE delivered for the RPS (permitted under Green-e so that suppliers do not need to deliver more than 100% RE), and it requires revision of PSD. However, this is the only accurate way to provide PSD to consumers if obligated parties under the RPS are not committing to delivering RPS renewables until after PSD disclosures are required.

I hope that helps answer the question. We would be happy to discuss this further.

Finally, regarding the new WREGIS memo (released April 19, 2017), I'm drawing your attention to this because it has important implications for both power source and emissions disclosure per AB 1110 as well as proposed amendments to the cap-and-trade regulation and MRR pertaining to REC reporting requirements for specified imports. This memo is the result of lengthy discussion at WREGIS and among its members and advisors regarding the treatment of imported renewable electricity bidding into the EIM claimed as specified renewable imports under the MRR and cap and trade regulation and the resultant requirement for REC ownership and retirement.

This memo is further confirmation that the direct emissions attributes of RE generation are contained in WREGIS certificates, and that a claim on this attribute (the emissions or emissions factor associated with RE) represents a claim on the REC and requires REC retirement in WREGIS: "In the case of carbon attributes being claimed by a buyer of the energy, the REC would need to be retired in WREGIS as one or more defined attributes would be used by the buyer."

This memo also addresses how California's cap-and-trade program and GHG accounting and reporting under the MRR affects RECs and RE delivery claims. It confirms that REC retirement in WREGIS is required for energy that is assigned a specified renewable emissions factor to calculate emissions associated with delivered electricity for the purposes of cap-and-trade compliance: "WREGIS account holders bidding energy into the EIM should be prepared to retire the RECs associated with that energy."

Thank you all again for your time and consideration and we would be happy to follow up with additional information or discussion at any time.

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