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Comment Received From: Todd Jones
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CRS Comment on PG&E Supplemental GHG Metric Methodology

Please find CRS's comments on PG&Eâ€™s Clean Net Short (CNS) proposal for emissions disclosure to retail consumers attached.

Additional submitted attachment is included below.

CRS center for resource solutions

October 3, 2017

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California Energy Commission
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Docket No. 16-OIR-05: Comments of Center for Resource Solutions (CRS) on Pacific Gas & Electric's (PG&E's) Clean Net Short (CNS) Proposal for Emissions Disclosure to Retail Consumers per Implementation of Assembly Bill (AB) 1110 and Updates to Power Source Disclosure (PSD) Regulations

Mr. Scavo:

CRS appreciates this opportunity to submit supplemental comments in response to PG&E's Supplemental Comments Regarding Greenhouse Gas (GHG) Methodology and Supplemental GHG Metric Presentation (Docketed August 23, 2017).

Background

PG&E has submitted a new proposed methodology for GHG emissions disclosure to retail customers. It involves calculating hourly electric system GHG emissions and allocating those emissions to individual load-serving entities (LSEs) using a new metric it calls clean net short (CNS):

> *"CNS is the MW [megawatt] difference between load and the GHG-free and non-dispatchable generation for each hour in the year. For a specific LSE, the CNS is the difference between the LSE's hourly load and its hourly generation from owned or contracted GHG-free and non-dispatchable resources. On a system level, the CNS is the difference between the total system load and the total GHG-free and non-dispatchable generation for each hour."*
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> *"As an example, consider an LSE that has 1,000 MW of load in a given hour. If the LSE's owned/contracted resources produce 700 MW of GHG-free generation and 50 MW of nondispatchable CHP [combined head and power] in that hour, then the LSE's CNS is 250 MW for that hour. If the aggregate system is using 5,000 MW of fossil generation in that corresponding hour, then the LSE is allocated 250/5,000 (or 5%) of the system's total GHG emissions for that hour, plus all GHG emissions associated with that LSE's non-dispatchable CHP resources."*

To summarize, PG&E is proposing that emissions be allocated to LSEs by first determining the portion of an LSE's load in a given hour that it is physically delivering with fossil capacity (the CNS in MW), and then assigning that portion of the total fossil capacity used in that hour and corresponding emissions to the LSE. In other words, under this proposal, LSEs are allocated a share of the statewide emissions based on its share of non-renewable capacity on an hourly basis. PG&E is proposing that this be done over the course of a year in order to report annual emissions associated with electricity delivered to customers (i.e. the emissions attributes of delivered power).

CRS corresponded with PG&E between August 13 and September 29, 2017 via telephone and email to clarify its understanding of the CNS proposal, particularly with respect to the role of renewable energy credits (RECs), which is addressed in our comments below.

Comments

CRS's primary question for PG&E, which was not addressed in its initial or supplemental comments or presentation, was: does an LSE have to own the RECs in order to claim a share of GHG-free capacity from renewables in a given hour under this methodology?

After speaking with PG&E, it appears its answer is no. The CNS methodology is divorced entirely from RECs and focused on load and generation data. According to PG&E, it has no impact on the Renewable Portfolio Standard (RPS) compliance program. CNS was developed in the context of mass-based targets for investor-owned utilities (IOUs) for Integrated Resource Planning (IRP). However, to avoid double counting, to be consistent with REC definitions in California and the Western Renewable Energy Generation Information System (WREGIS), and to be consistent with the treatment and use of RECs in corporate GHG reporting standards and registries used by thousands of companies, the CNS approach should not be used for emissions disclosure to retail customers in PSD without being modified to require RECs for renewable energy delivery claims, including consumer emissions claims.

If RECs are not required as a part of demonstrating an LSE's share of GHG-free from renewables delivered in a given hour, then there can be double counting as both the physical power and REC can be used to report delivery/consumption of zero-emissions power in different programs. Under this scenario, PG&E could buy a large amount of wind energy, sell the associated RECs to Oregon for its RPS, and report to its customers in California that they are receiving zero-emissions power. Under the same scenario, there would be a discrepancy between reporting of fuel type and emissions. If that was the only wind in PG&E's mix, it would be able to report to customers that they are getting zero-emissions power (which is, again, double counted in Oregon), but it would not be able to report to its customers that they are getting wind power. Though PG&E considers such a scenario to be uncommon and unlikely now, this rulemaking is setting PSD requirements for the future and with growing renewable energy in California, this scenario could happen.

In general, it does not make sense to report delivered electricity as either renewable or zero-emissions to retail consumers without the RECs. Otherwise, we are left with potentially confusing disclosures to customers such as wind energy delivered through the RPS that has emissions. To avoid these nonsensical outcomes, the state would need to change the RPS to not rely on RECs, so that compliance could only be demonstrated through generating renewable energy or buying power directly from a renewable generator. This would significantly increase the cost of the RPS both for compliance entities and the state. It would have an overall negative affect on renewable energy development, and it would disproportionately affect smaller suppliers. It would cause problems for the overall western renewable energy market since all other state RPS programs use RECs, and it would be antithetical to growing market integration across the West.

Even if RECs were to be required in order for an LSE to claim a share of GHG-free capacity from renewables in a given hour under this methodology, the LSE's share of renewable energy would in that case be based on bundled contracts for power. **This would fail to recognize unbundled RECs and shaped and firmed contracts for emissions disclosure, and establish that only bundled renewable energy can deliver zero-emissions power.** This is effectively saying that RPS Portfolio Content Category

(PCC) 3 purchases (and possibly some PCC 2 purchases) would not deliver zero-emissions power to customers. In other words, all of the RPS delivers power from renewable fuel types, but only a portion of the RPS delivers power with the emissions profile of renewable fuel types (i.e. all of the wind delivered through the RPS is delivered as wind, but only a portion of this wind is zero-emissions power). This again does not make sense.

Whether this proposal is accepted or not, the Commission should require RECs to report delivery of GHG-free power from renewables through PSD. And if this proposal were to be accepted with a REC requirement, it is still problematic in that it does not recognize RECs plus system power as zero-emissions power, which is at odds with the RPS and best practice in voluntary markets, and disproportionately negatively affects small LSEs and consumers.

Please let me know if we can provide any further information or answer any other questions.

Sincerely,

Todd Jones
Senior Manager, Policy and Climate Change Programs