

DOCKETED

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Additional submitted attachment is included below.

February 23, 2018

Via E-Mail

California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket No. 16-OIR-05: Comments of Shell Energy North
America (US), L.P. on Revised AB 1110 Implementation Proposal

To: Energy Commission:

In accordance with the “Notice” issued in the above-referenced proceeding on January 22, 2018, Shell Energy North America (US), L.P. (“Shell Energy”) provides comments on the Commission Staff’s revised AB 1110 implementation proposal for the Power Source Disclosure (“PSD”) program. Shell Energy, which is a “retail supplier” as defined in P.U. Code Section 398.2(b), submitted previous comments in this proceeding on July 28, 2017. Shell Energy’s comments address two matters: first, the Staff’s proposed treatment of PCC 2 resources with respect to “GHG emissions intensity” in the Staff’s revised AB 1110 implementation proposal; and second, the GHG emissions factor for in-State unspecified resources.

I.

INTRODUCTION

The Commission should modify the Staff’s proposed treatment of PCC 2 resources in an LSE’s annual PSD. Both the existing RPS requirements and the existing PSD rules support procurement of PCC 2 resources to meet an LSE’s statutory RPS obligation. As a result, LSEs have invested substantially in PCC 2 resources, in many cases on a long-term basis. By failing to recognize the zero carbon impact of PCC 2 resources on an LSE’s supply portfolio, the Staff proposes to devalue these PCC 2 resources, thereby harming LSEs and the suppliers that entered into agreements based on existing rules.

The Staff’s proposed approach, if adopted, would also harm ratepayers that have paid a premium for PCC 2 RPS supplies, and have paid for the transmission to import GHG-free, RPS-eligible energy into California. The proposed implementation rules, as well as the reporting template, should be modified to reflect zero carbon intensity for PCC 2 resources.

Furthermore, the ARB's "default" emissions factor, which represents a calculation for out-of-State unspecified generation resources, should not be applied to all sources of unspecified electricity. The ARB's default emissions factor should not be used for in-State unspecified resources. In order to accurately reflect "unspecified power" from in-State sources in an LSE's Power Content Label, the emissions factor should reflect emissions from in-State resources.

II.

PCC 2 SUPPLIES SHOULD BE RECOGNIZED AS ZERO EMISSION RESOURCES IN AN LSE'S POWER CONTENT LABEL

Staff proposes that a reporting entity should be required to "use the GHG emissions intensities of the generator that produced the substitute electricity" to determine the GHG emissions intensity of "firmed and shaped" (PCC 2) resources. Revised Proposal at p. 21. Furthermore, in cases in which the source of the substitute electricity is unknown, Staff proposes that a reporting entity should "use the default GHG emissions intensity of unspecified electricity. . . ." Id.

The implementation rules for AB 1110 should recognize that PCC 2 resources do not increase the GHG emissions intensity of an LSE's supply portfolio. At the February 1, 2018 workshop, the ARB Staff representative noted, in connection with the draft template, that the ARB accounts for emissions associated with PCC 2 resources. Although the "default emissions factor" is assigned to power imports from firmed and shaped (PCC 2) products, ARB provides an "RPS adjustment" to ensure that LSEs do not carry a carbon obligation for such imports.

Staff acknowledges that for an LSE's "power mix," PCC 2 resources should be "assigned the resource type of the generator from which the RECs were derived." Id. at p. 21. Similarly, the Commission's calculation of GHG emissions intensity for PCC 2 resources should reflect the RPS eligibility of these resources.

If an LSE were to be assigned a carbon obligation for its PCC 2 imports, the cost of this obligation would be passed along to the LSE's customers. The LSE's customers would be forced to pay twice: once for the RPS premium associated with PCC 2 procurement; and once for the carbon associated with importing the firmed and shaped energy. The Staff's proposed approach, if adopted, would undermine the value of PCC 2 resources for an LSE and its customers.

In this connection, PCC 2 imports, like PCC 1 resources, require transmission. Customers pay for the transmission required to import the firmed and shaped energy. The Staff's proposal improperly ignores the additional cost of transmission. Customers should receive the benefit of all the costs that are reflected in the price for PCC 2 resources.

Finally, if through its implementation of AB 1110, the Commission concludes that it is simply accounting for the GHG emissions associated with the actual firmed and shaped energy, there should be an asterisk or additional information on the Power Content Label to indicate that the State of California recognizes PCC 2 resources as eligible RPS resources that contribute to an LSE's RPS compliance obligation. The notice also should indicate that the imported power does not carry a carbon obligation.

III.

THE GHG EMISSIONS FACTOR USED FOR UNSPECIFIED IN-STATE RESOURCES IN AN LSE'S POWER CONTENT LABEL SHOULD REFLECT THE EMISSIONS FACTOR FOR IN-STATE RESOURCES

Staff proposes that ARB's default emissions factor (as developed under MRR) should be applied to all sources of unspecified electricity. Revised Proposal at p. 23. Staff's proposal should be rejected. The ARB's default emissions factor should not be used for unspecified in-State resources. The ARB's default emissions factor represents a calculation based on generation outside of California. In order to accurately reflect in-State "unspecified power" in the Power Content Label, the emissions factor should reflect emissions from in-State resources.

Staff states that it is "not aware of a simple and reliable method of distinguishing between in-state and imported sources of unspecified electricity. . . ." *Id.* Staff ignores, however, information provided regularly by the California Balancing Authorities. For example, each year the CAISO DMM publishes its generation by fuel type. The CAISO provides annual information on generation by fuel type in its Annual Market Performance Report. Additionally, ARB receives emissions data from all electric generation in the State that emits more than 10,000 metric tons of CO₂ per year. Through these sources, the Commission can determine an emissions factor for unspecified in-State resources.

Staff can and should adopt a distinct default emissions factor for in-State unspecified resources based on the information available from the ARB and all California Balancing Authorities. For purposes of transparency and accuracy, it is important to differentiate the GHG emissions associated with in-State and out-of-State unspecified resources. To assign a default emissions factor that represents only out-of-State unspecified sources of energy would be misleading.

IV.

CONCLUSION

Modifications must be made to the Staff's proposed PSD reporting requirement for GHG emissions. The Commission should modify the Staff's proposed GHG accounting treatment for PCC 2 resources in an LSE's annual PSD to reflect a zero carbon obligation for these resources. Moreover, in the Power Content Label, the Commission should adopt a GHG emissions factor for in-State unspecified resources that is distinct from the "default" emissions factor that is based on out-of-State resources.

If you have questions regarding the issues raised in these comments, please do not hesitate to contact the undersigned.

Best regards,

A handwritten signature in blue ink, appearing to read "John W. Leslie".

John W. Leslie
of
Dentons US LLP
on behalf of
Shell Energy North America (US), L.P.