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TID AB 1110 Comments

Additional submitted attachment is included below.

February 23, 2018

California Energy Commission

Dockets Office, MS-4

Re: Docket No. 16-OIR-05

1516 Ninth Street

Sacramento CA, 95814-5512

Filed Electronically

RE: TID Comments on AB 1110 Staff Proposal and February 1st Workshop.

Turlock Irrigation District (“TID”) submits the following comments and responses on the California Energy Commission’s (“CEC”) staff Proposal for implementing AB 1110 (the “Proposal”) at the February 1st workshop. TID appreciates Staff’s efforts in crafting the Proposal, and supports aspects of the Proposal, such as the recognition of Asset Controlling Supplier (“ACS”) energy. Some aspects of the Proposal, however, are a departure from existing RPS and Cap & Trade structures, and will confuse electric customers and create inconsistencies in state programs regulating the same issue: GHG emissions. The Proposal threatens to undermine the way renewable energy is transacted in California. By re-defining the bundle of property rights conveyed in RECs, the Proposal will undermine and devalue early, voluntary investments utilities have made in renewable resources. These investments were made in reliance on RPS program rules that the Proposal would now effectively change. TID supports the comments made at the February 1st workshop by Center for Resource Solutions, SMUD, NCPA, Modesto Irrigation District, American Wind Energy Association, and NCPA, and encourages the Commission to host a roundtable discussion where all involved can have an open dialogue regarding the Proposal.

TID Background

TID was organized as the first Irrigation District in California on June 6, 1887 and is beginning its 130th year of operation. TID currently serves a retail electric customer base of just over 100,000 customers and provides irrigation water to over 5,800 growers and nearly 150,000 acres of farmland. Of the 11 communities that TID serves, 7 are classified as Disadvantaged

Communities, and a majority of our service territory is in the top 20% of Cal EnviroScreen 3.0 impacted communities.

TID's mission is to provide stable, reliable, and affordable water and power to its customer owners, be good stewards of our resources, and provide a high level of customer satisfaction.

TID is one of eight Balancing Authorities in California, tasked with balancing retail demand, generation, and wholesale purchases and sales while providing adequate reserve capacity to maintain reliability.

TID has a long history of environmental stewardship, beginning when the District was formed, as we acquired some of the oldest water rights on the Tuolumne River. TID has a great track record of caring for natural resources. TID is the majority owner and project manager of the Don Pedro Dam and powerhouse, providing irrigation water and 203 MW or on average approximately 400,000 megawatt-hours of emissions free energy to our customers, while providing flood control and environmental benefits for the region.

TID has acquired the resources to meet the 33% by 2020 Renewable Portfolio Standard (RPS), having built the 136 MW Tuolumne Wind Project in 2009 in advance of the RPS mandate on POU's, as well as recently completing a 20-year power purchase agreement for 54 MW of newly constructed in-state utility scale solar. TID's RPS obligation, due to these early and significant investments, is currently projected to be satisfied through 2024. TID is also making investments to ensure that it does its part to meet the State's longer term GHG targets. TID has a technological and geographically diverse portfolio of RPS eligible resources, including wind, small hydro, geothermal, and solar. TID remains committed to working towards the State's climate and clean energy goals while providing reliable, low cost electricity to our ratepayers.

DISCUSSION

1. The PSD Rules Should Recognize The Emissions Attributes of the Underlying Resource that Is Delivered Through a Firming and Shaping Import Structure, and should not give zero GHG treatment to Null Power.

It was widely recognized in the various iterations of RPS law that due to the intermittent nature of wind and solar, it would be extremely inefficient, and impossible, to deliver all RPS eligible generation to California the moment it is generated. Low capacity factor, intermittent resources such as wind and solar do not justify the transmission buildout necessary to deliver all of the energy that is generated at a moment's notice. To do so would be akin to building a freeway for every truck. As such, the firming and shaping construct was developed to ensure that, regardless of when the RPS generation occurred, all of the energy would be delivered to California and the State would recognize the benefits of the substantial, incremental, renewable and *emissions free* investments. The Proposal does not recognize carbon attributes of underlying renewable energy

resources when those resources are imported to the State through firming and shaping arrangements, and suggests that RECs have no value in carbon accounting. TID does not agree with this assertion. RECs associated with renewable procurement have defined values under the RPS program and are recognized in the Cap-and-Trade program. The Western Renewable Energy Generation Information System (“WREGIS”) Operating Rules define a REC, or a WREGIS Certificate, as representing “all Renewable and Environmental Attributes from [a] MWh of electricity generation from a renewable energy Generating Unit”, including “[a]ny and all credits, benefits, **emissions reductions**, offsets, and allowances—howsoever titled—attributable to the generation from the Generating Unit, and its avoided emission of pollutants.”¹ (Emphasis added). The holder of the REC has a contractual right to claim the emissions attributes over other counterparties that may have purchased the null power from the renewable facility. Those who purchase null power are not paying the premium associated with the environmental attributes associated with that energy, and therefore should not receive any environmental credit.

The RPS program uses RECs to demonstrate that an LSE’s procurement satisfies RPS procurement. Delivery obligations are determined through the WREGIS E-tag tracking mechanism, in which REC’s are matched with E-tags to prove the energy was delivered to the State. This matching process provides an emissions adjustment through the retirement of the REC’s in the MRR and Cap & Trade program. Counting null power as zero emissions exacerbates the possibility of zero emissions and renewable claims being double counted.

The treatment of firmed and shaped power is also inconsistent with the bundling requirements in the RPS laws. The RPS rules for firming and shaping resources require that a firmed and shaped contract or ownership interest must be for bundled procurement (i.e., the purchasing utility has procured both the RECs and the renewable power from the resource). WREGIS ensures that RECs from firmed and shaped resources cannot be counted twice, which is precisely why the environmental attributes flow to the holder of the REC.

To illustrate the potential impact of the Proposal on TID, TID imports the equivalent of roughly 20% of TID’s retail emissions obligations through firming and shaping of the Tuolumne Wind Project power, an early (pre SB 2-1X) investment TID made in reliance on the RPS rules then in effect. By not recognizing the emissions free nature of TWP wind, the Proposal would devalue TID’s early, voluntary investment.

2. The Proposed Treatment of Firming and Shaping Resources Would Be Confusing to TID’s Customers.

TID made a considerable investment in the Tuolumne Wind Project in 2009, before there was any requirement for POUs to comply with the RPS. This investment comported with all of the

¹ WREGIS Operating Rules, Section 2, “Certificate” and “Renewable and Environmental Attributes” definitions.

RPS laws then in effect (i.e., at the time there were no procurement content category limits on the Investor Owned Utilities and utilities could build their portfolios through firm and shaped resources). At the time, most of the best sites for in State wind generation had already been developed, so TID built TWP at one of the best sustained wind areas in the Western United States along the Columbia River Gorge. This investment was significant for a utility of TID's size. TID communicated and justified the investment to our customers and Board by explaining that the investment was needed to fulfill TID's broader goals of furthering the state's environmental goals (principally, AB 32) by decarbonizing our portfolio. The PSD Proposal would now have us tell our customers and Board that their considerable investment was not actually for a "carbon-free" resource. This is very problematic for TID, and extremely confusing for TID customers.

In addition to being unfair, the Proposal would misrepresent information concerning the nature of firm and shaped resources. Consider that, even though PCC-1 and PCC-2 procurement are both bundled, under the Proposal PCC-1 gets a zero GHG attribute while PCC-2 does not. It just does not make sense, and TID customers won't understand.

3. Renewable Generation Displaces Marginal Natural Gas Generation in the WECC, and Should Be Treated as Zero Emissions for the Purposes of AB 1110 Reporting.

At the workshop staff indicated that they believe that the presence of renewables does not reduce existing emissions on the grid. TID disagrees with this statement, and the CEC's own analysis confirms that as renewable generation increases, there is a reduction in marginal natural gas generation.² If renewable generation does not reduce emissions, then why is the RPS Program consistently and historically cited as a key measure in accomplishing the goals of AB 32 and SB 32? For this reason, it is appropriate to credit every megawatt hour of renewable generation as having a zero emissions profile. Doing otherwise, as laid out in the Proposal, is at odds with other State policy programs for reducing GHG emissions.

4. AB 1110 Was Intended To Capture the Emissions Intensity of What Is Purchased by Load Serving Entities (LSEs)

At the workshop, staff correctly stated in a brief recap of the PSD Program that, the Power Source Disclosure was established in 1998 and was designed to provide clear and accurate information about the *sources* (emphasis added) of a consumer's electricity. The burden of the RPS has always been on the purchase. The purchase, be it through ownership or a purchase power agreement, is what gets the renewable facilities built and financed and keeps the State on track to meet its environmental goals. The AB 1110 ultimate objective is to discern the emissions intensities of the electricity being *purchased* and *paid for* by the utility.

² http://www.energy.ca.gov/almanac/electricity_data/total_system_power.html

The final, adopted version of AB 1110 deletes all mention of the Commission prohibition on “making adjustments based on unbundled RECs”, and instead directs the Commission to “adopt a methodology, in consultation with the State Air Resources Board, for the calculation of greenhouse gas emissions intensity for each *purchase* of electricity by a retail supplier...” The ARB Mandatory Reporting Regulation (“MRR”) has been useful for the State to calculate gross emissions. However, there is an important distinction in the term for “specified import” in AB 1110 and the MRR. Section 398.2(d) of AB 1110 defines a “*purchase* of electricity from specified sources” to mean “transactions that are traceable to specific generation.” The term specified import in Section 95102(a) and 95111 of the MRR refers to electricity imports where there is both a contract and delivery into California (as proved through an e-tag). The Legislature could have incorporated the terms of the MRR into AB 1110, but they did not. Instead, the legislature used a term that does not incorporate the concept of delivery, requiring that the purchase be “traceable.” Bundled procurement is traceable to the source through the RECs and the written contract or ownership interest. Thus, there is a clear statutory basis for recognizing the emissions attributes of contracted, out of state firmed and shaped resources as well as in state renewable purchases.

I. Conclusion

TID appreciates this opportunity to provide feedback on how the PSD program update to meet the goals of AB 1110 and ensure that customers receive accurate and easy to understand information concerning their investments in renewable resources, and the associated emissions intensity of the power that TID sources on their behalf. We look forward to working with CEC staff.

Sincerely,

/S/

Dan B. Severson

Turlock Irrigation District