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Joint Utility Comments on the February 1, 2018 Staff Pre-Rulemaking Workshop on Updates to the Power Source Disclosure Regulations

Additional submitted attachment is included below.

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RE: Docket No. 16-OIR-05, Joint Utility Comments on the February 1, 2018 Staff Pre-Rulemaking Workshop on Updates to the Power Source Disclosure Regulations

Pacific Gas and Electric Company ("PG&E"), Southern California Edison Company ("SCE"), and San Diego Gas & Electric Company ("SDG&E"), together the Joint Investor Owned Utilities ("IOUs"), are pleased to provide written comments on the California Energy Commission's ("CEC") revised Draft Staff Paper ("Staff Paper") that describes proposed updates to the Power Source Disclosure Report ("PSD") to conform with Assembly Bill ("AB") 1110 (2016). AB 1110 requires that the CEC develop a methodology for the calculation of greenhouse gas ("GHG") emissions intensity for each purchase of electricity by a load-serving entity ("LSE") to serve its retail customers, as well as the GHG emissions intensity associated with statewide retail electricity sales based on the GHG emissions for total California system electricity. This information is new to the PSD and will be included when 2019 data is reported in 2020.

The Staff Paper provides an overview of the treatment (in some cases revised) of the existing components of the PSD (specified and unspecified energy), and puts forth a proposal detailing the calculation of the GHG data as required by AB 1110. The emissions intensity calculation is complex, and it also overlaps with work that the California Public Utilities Commission ("CPUC") is undertaking for the Integrated Resource Planning ("IRP") proceeding as well as intersects with numerous California Air Resources Board ("CARB") programs.[1] It is important that the ultimate calculation be accurate and reliable for customers and promote the furtherance of California's GHG-reduction goals, and for these reasons the Joint IOUs recommend that the CEC identify a method for calculating emissions on an hourly basis, as discussed further below.

[1] CPUC Rulemaking 16-02-007.

These comments address the following three issues: (i) the Joint IOUs support an hourly GHG accounting method that can more accurately identify the emissions attributable to a particular LSE; (ii) the Joint IOUs support stakeholder engagement to address party input and concerns in the most time and resource-efficient manner; and (iii) the Joint IOUs support the Staff Proposal with regard to treatment of unbundled renewable energy credits ("RECs").

The GHG Calculation Should be Based on an LSE's Actual Resource Usage

Previously in this docket PG&E proposed the Clean Net Short ("CNS") methodology to estimate the emissions from each LSE's portfolio.[2] This calculation essentially identifies the resources used by the LSE to serve its load (both contracted-for, and market purchases) on an hourly basis, and assigns the LSE an emissions intensity based on this mix.

The Joint IOUs agree that an LSE's emissions intensity should be based on its actual resource usage, not simply its contracted-for resources. Generation from an LSE's contracts will fall short of, or exceed its load throughout the year, causing it to either buy or sell system power. For example, an LSE could theoretically contract for solar power on an annual basis at a volume that equates to its load. However, 100% of its load would not be served by solar power, in reality the LSE would be: (i) relying on system power when there is low or no solar production (e.g., when there is cloud cover, or during the night); and (ii) selling solar generation to the market at times when production exceeds its load.

Under the current system of annual netting which is retained in the Staff Paper, the LSE in the example above could claim that it is serving load with 100% solar power, resulting in an emissions intensity of zero. This would be inaccurate as the timing and volume of the LSE's system purchases would be ignored. The emissions attributable to each LSE depend on when it made system purchases and in what amounts, and this information can only be determined on a more granular, hourly basis. An hourly calculation matches actual generation to actual load, allowing the volume purchased from or sold into the market by each LSE to be identified based on market conditions at the time. Using an hourly method, the emissions intensity calculation for the example above would yield a value greater than zero, which is correct as the LSE's load would have been served by some combination of solar and system power.

An hourly calculation will be more complex than the proposed annual calculation, but it is feasible with currently-available data, and the Joint IOUs support this approach as it is transparent, fair, and consistent with the requirements and intent of AB 1110.

The Joint IOUs Support Further Stakeholder Engagement

At the February 1, 2018 Staff Workshop, multiple parties requested workshops to develop the emissions intensity methodology for the PSD. The Joint IOUs fully support workshops as this forum provides the opportunity for agencies and impacted parties to discuss GHG accounting in greater detail, and to arrive at an accurate GHG emissions accounting methodology to be used in AB 1110.

The task at hand in this rulemaking is complex, the ultimate methodology will reflect the challenge of reporting emissions associated with meeting LSE load, and many components must be carefully

[2] Pacific Gas and Electric Comments on Proposed AB 1110 Implementation, July 28, 2017. http://docketpublic.energy.ca.gov/PublicDocuments/16-OIR-05/TN220451_20170728T150207_Pacific_Gas_and_Electric_Comments_Pacific_Gas_and_Electric_Comm.pdf

considered prior to adoption. The Joint IOUs recommend that the workshop agenda(s) include, but not be limited to: (i) moving away from annual netting to a more accurate hourly accounting methodology; (ii) the treatment of Portfolio Content Category ("PCC") 0 (grandfathered) and PCC2 products; (iii) the inclusion of storage; (iv) calculation of system emissions for non-CAISO balancing authorities in California; and (v) alignment with CARB's Mandatory Reporting Requirements ("MRR"), particularly with respect to biogenic sources and cogeneration facilities.

The Joint IOUs Support Staff's Proposed Treatment of Unbundled RECs

The Joint IOUs support the Staff Paper's continued treatment of unbundled renewable energy credits. Unbundled RECs do not represent actual delivered energy and the proposal to exclude them from the power mix and GHG emissions calculations is appropriate. Additionally, the IOUs agree with the proposal to only report retired unbundled RECs in a footnote within the PSD, which will ensure that they are only disclosed if they are eligible for RPS compliance (retirement is a prerequisite for compliance).

Thank you for the opportunity to provide these comments.

Sincerely,

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