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Supplemental Comments Following Technical Meeting

Additional submitted attachment is included below.

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Re: Docket 16-OIR-05: Pacific Gas and Electric - Supplemental Comments Following Technical Meeting

Pacific Gas and Electric Company (PG&E) appreciates the continued efforts of California Energy Commission Staff and Commissioner Hochschild's office to engage stakeholders in the implementation of Assembly Bill (AB) 1110 (Ting, 2016). The March 29, 2018 AB 1110 Technical Meeting (Meeting) was a commendable effort to share information with parties on the CEC's perspectives as they work to implement the provisions of this complex initiative to report the greenhouse gas emissions (GHG) intensity of the power delivered to California electricity consumers.

At present, PG&E supports the Draft Staff Proposal's (Proposal) treatment for reporting of unbundled Renewable Energy Credits (RECs). However, the Proposal's methodology to calculate the GHG intensity of a reporting entity's portfolio does not go far enough to accurately capture the GHG emissions associated with a particular load serving entity's (LSE) portfolio.

As discussed at the technical meeting, claims that a portfolio is "100% GHG-free" do not accurately convey to customers that energy delivered to them during certain hours may come from resources that produce GHG emissions and, therefore, would not result in "truth in advertising." Furthermore, as policies are being developed to further reduce GHG emissions from the electricity sector, it is imperative that the responsibility for those reductions must be aligned with those causing the emissions.

For that reason, PG&E provides this letter to illustrate that PG&E's proposed Clean Net Short (CNS) is the most appropriate means of reporting the GHG intensity of a load serving entity's energy deliveries to customers and that the methodology is not an overly burdensome means to do so. PG&E also provides information on related topics that were not covered by the afternoon's discussion. Finally, PG&E reiterates its offer to hold an information session for parties on the Clean Net Short methodology.

I. PG&E Supports Certain Elements of the Proposal

As discussed in workshops and written comments over the past year, PG&E continues to support the Proposal's treatment of unbundled RECs, given that unbundled RECs do not represent the actual delivery of energy to customers. Excluding unbundled RECs from the reported power mix and GHG emissions calculations is appropriate, in that these two reports should capture energy consumed, not procured.

However, as noted above, PG&E does not agree with the Proposal's direction to account for GHG emissions intensity on an annual net basis. Adoption of the Proposal's annual netting accounting methodology could ultimately result in all reporting parties claiming zero GHG emissions for energy delivered to customers, when GHG-emitting resources have in fact generated energy that was delivered to customers. Accounting mechanisms should not be adopted that allow parties to "zero out" GHG emissions associated with energy delivered to their customers.

II. The Statute Allows for Hourly GHG Accounting

Staff expressed uncertainty over the CEC's statutory authority in the AB 1110 rulemaking to implement hourly GHG accounting for load serving entities (LSEs). Statutory authority does exist that allows hourly GHG accounting and PG&E encourages the CEC[1] [2] to continue consideration of this fair and transparent methodology.

III. Hourly Accounting Supports Customer Transparency and State Climate Goals

Accounting for LSEs' GHG emissions on an annual net basis, as currently proposed by Staff, does not reflect the actual energy delivered to customers. Annual netting undercounts the GHG emissions associated with the market purchases made to serve a load not matched to the LSE's portfolio. Much of the Workshop's conversation focused on procurement decisions and attributes, overlooking the Power Source Disclosure (PSD) Program's purpose of disclosing "information on the sources of energy, and the associated emissions of greenhouse gases, that are used to provide electric service."[3]. For example, an LSE could contract for enough solar to cover 100% of its retail sales on a net annual basis despite the fact that solar cannot physically be delivered at all hours of the day. Using annual netting, the entity could claim "zero" GHG emissions, instead of accounting for the GHG emissions associated with the market purchases required to balance their load. This is not the intended outcome of the PSD Program, as this does not portray accurate information for customer transparency.

To overcome this shortfall of annual netting, PG&E proposes to use hourly LSE GHG accounting to accurately track and report the emissions associated with serving each LSE's load. The proposed methodology, CNS, would allow the CEC to fulfil their legislative directive while aligning with the efforts of sister agencies to accurately, transparently, and consistently report GHG emissions so that the State can effectively pursue its climate goals.

Specifically, for each hour:

Clean Net Short = Load – GHG-Free Generation – Non-Dispatchable Generation

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[1] AB 1110 specifies in Public Utilities Code 398.2(d) that, "'[p]urchases of electricity from specified sources' or 'purchases from specified sources' means electricity transactions that are traceable to specific generation sources by any auditable contract trail or equivalent, such as a tradable commodity system, that provides commercial verification that the electricity source claimed has been sold once and only once to a retail consumer. Retail suppliers may rely on annual data to determine whether a transaction meets this definition, rather than hour-by-hour matching of loads and resources." PG&E understands this last sentence is intended to inform how an LSE calculates the portion of its portfolio that is derived from specified resources. However, the GHG emissions intensity calculation required by AB 1110 is a distinct requirement to which this last sentence does not apply.

[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

[3] Public Utilities Code 398.1(b)

Clean Net Short gives credit to an LSE's owned or contracted GHG-free generation used to meet that LSE's load. The GHG emissions associated with dispatchable fossil resources on the system are proportionally assigned to an LSE according to their Clean Net Short in each hour. Any owned or contracted GHG-free generation in excess of an LSE's load in a given hour is not credited back to that LSE, but instead lowers the GHG emissions intensity of the system in that hour.

In the Workshop, TURN expressed support for the eventual implementation of such a granular methodology. PG&E appreciates the recognition from TURN that California must move beyond annual netting to accurately represent the emissions associated with retail sales of electricity. PG&E respectfully notes that the outcome of this rulemaking will not take effect until 2020 (reporting 2019 data) and argues that the state cannot afford to wait to begin this process anew, given the policies that are now being implemented to further reduce the GHG emissions from the electricity system must be aligned to require those entities causing the emissions to take corrective action for their impacts.

IV. Third-Party Models Allow for Easy Implementation of Clean Net Shot

Feedback from Staff at the Workshop was that Clean Net Short would be too burdensome to implement. As discussed on a March 9, 2018 joint-investor-owned utility (IOU) call with Staff, a streamlined CNS model was developed by E3 for implementation in the California Public Utilities Commission (CPUC) Integrated Resource Plan proceeding. Not only does this model provide a simple, easy-to-use solution for the PSD Program, PG&E and the joint-IOUs feel that this model simplifies the potential reporting burden for all LSEs. With minimal adjustment, the existing model can be adjusted so that the only data an LSE would need to provide is their prior-year load, and the name plate value of their owned or contracted GHG-free generation;[4] data readily available and already reported by an LSE.

Sincerely,

/s/

Wm. Spencer Olinek

[4] Standard system level hourly profiles for load and GHG free resources are already provided in the E3 model.