

**BEFORE THE ENERGY RESOURCES CONSERVATION COMMISSION 11-RPS-01
OF THE STATE OF CALIFORNIA**

DOCKET

02-REN-1038

DATE SEP 19 2011

RECD. SEP 19 2011

In the matter of:

Developing Regulations and Guidelines
for the 33 Percent Renewables Portfolio
Standard

and

Implementation of Renewables Investment Plan
Legislation

Docket No. 11-RPS-01

Docket No. 02-REN-1038

**COMMENTS OF BP ENERGY COMPANY ON STAFF WORKSHOP ON THE
USE OF BIOMETHANE DELIVERED VIA THE NATURAL GAS PIPELINE
SYSTEM FOR CALIFORNIA'S RENEWABLE PORTFOLIO STANDARD**

BP Energy Company (BP) submits these comments in response to the Notice of Staff Workshop issued on August 16, 2011. BP is an energy marketing company that buys, sells, and transports substantial quantities of natural gas in the state of California. BP also transports out-of-state directed biomethane into California for the generation of green energy to meet California's Renewable Portfolio Standard.

Encouraging the use of pipeline biomethane – whether produced in state or out-of-state -- advances California's RPS policy goals. By making biomethane-consuming¹ resources RPS eligible, California will drive and accelerate the capture of GHG from landfills and other methane gas-producing

¹ When using the term "consumed" in these comments, BP acknowledges that out-of-state directed biogas molecules become part of a blended pipeline stream between the production source and point of delivery.

sites. The result will be a reduction in GHG emissions – a global, not local, concern.

While biomethane will help the state meet its RPS goals, it can also ease RPS integration unlike other RPS resources. Because wind and solar resources are intermittent and variable, the state will need additional gas-fired generation to facilitate their integration; the CAISO most recently estimated a need for up to 4600 MW of additional gas-fired facilities. If part of that integration requirement is met through biomethane generation, California will partially mitigate the overall GHG impact of effectively integrating renewables. In light of this potential benefit, biomethane-fueled RPS resources should be viewed on par with any other RPS resource.

Tracking biomethane and its benefits is not as complicated as some stakeholders may suggest. Looking at the question simply, the state's goal with respect to tracking biomethane is to ensure that the fuel is "consumed" in the resource claiming RPS credit. The CEC's RPS eligibility guidebook establishes appropriate and adequate guidelines to track and verify the use of biomethane.

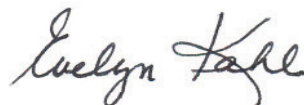
For these and other reasons, BP offers two general observations that are explained in greater detail in its responses to the Commission's questions, attached as Attachment A:

- ✓ Generating facilities fueled by biomethane – whether in-state or out-of-state – provide important RPS benefits and should continue to be included in the RPS portfolio on par with other resources.
- ✓ While tracking of biomethane can be complicated by mismatches between a supplier's daily deliveries and the resource's actual consumption, these mechanics should not in any way affect the eligibility of biomethane resources for RPS credit.

The Commission's existing guidelines, with minor refinements, should continue to enable tracking of biomethane transactions to ensure that the fuel is ultimately consumed for the benefit of the state's RPS program.

BP respectfully requests that the Commission consider the responses attached hereto as Attachment A.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Evelyn Kahl". The signature is fluid and cursive, with the first name "Evelyn" and the last name "Kahl" clearly distinguishable.

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September 19, 2011

Attachment A:

BP Responses to Pipeline Biomethane Discussion Points

The Renewables Committee is interested in stakeholder input on the following questions and topics. Comments and information provided at the workshop may be used to inform the RPS Guidebook revision process relating to pipeline biomethane.

1. *The fourth edition of the RPS guidebook requires biomethane to be delivered to California or the electricity generation facility if it is located outside of California before it can be used in the generation facility. Given the two separate pipeline systems in California is it appropriate to require:*
 - a. *Delivery of biomethane to the gas system in California from which the facility accepts delivery of gas, or directly to the electricity generation facility if it is located outside of California, or*
 - b. *Delivery of biomethane directly to the electricity generating facility*

BP's Response: The Commission's objectives, when simplified, should be to ensure that (1) the biomethane is "consumed" in California (either by consumption of the fuel in California or indirectly through electricity deliveries to the RPS portfolio) and (2) to ensure that the RPS credit for the consumption is taken only once. The Fourth Edition criteria will continue to enable the CEC to achieve these objectives. An out-of-state generating facility seeking renewable energy credits (RECs) should continue to be required to demonstrate that the biomethane has been "consumed" by the facility supplying RPS electricity to California. Also, in-state generating facilities should be required to demonstrate that the gas has been delivered into California. Presumably, if out-of-state fuel is delivered to California, it will be consumed within California. BP does not object, however, to requiring that the biomethane be tracked not only into California, but into the pipeline system (e.g., PG&E, Mojave or SoCalGas) from which an in-state electric generating facility receives deliveries.

2. *Should the Energy Commission consider adding any location requirements to sources allowed to provide biomethane to facilities participating in California's RPS in addition to any restrictions implied by the required delivery agreements?*

BP Response: BP assumes this question refers to out-of-state biomethane. In-state biomethane produces a clear, in-state benefit for GHG reduction and other environmental benefits, and limiting such benefits would serve no purpose. To the extent the question contemplates out-of-state biomethane

production, again no additional locational limitations are required, nor would such limitations be in the state's interest.

Keeping biomethane as RPS eligible – wherever the fuel is produced or consumed in the WECC – increases biomethane production and, thereby, reduces GHG emissions. The GHG emissions reduction benefits California because GHG has a global, not local, effect. This benefit is similar to any other out-of-state RPS resource, whose effect on GHG results from activity outside the state.

Certain stakeholders have argued that biomethane should be limited within the RPS in the same way that generation by out-of-state electricity generation resources is limited. Deliveries from generation resources that are not proximate to California are relegated to a smaller percentage of the RPS portfolio compliance. Taking this approach, however, would ignore important benefits carried by biomethane that are not available from most other RPS resources. Because wind and solar resources are intermittent and variable, the state will need additional gas-fired resources to facilitate their integration; the CAISO most recently estimated a need for up to 4600 MW of additional gas-fired facilities.

¹ Biomethane is the only renewable resource with the required flexibility to reduce integration needs, carrying the potential to ease emissions impacts of RPS integration. In light of this potential benefit, biomethane-fueled RPS resources should not be limited as a category eligible for RPS compliance.

3. *The Energy Commission currently allows backhaul and forward haul transportation agreements that are either firm or interruptible to be considered eligible delivery methods, should the Energy Commission:*
 - a. *Retain the current requirements?*
 - b. *Restrict delivery to only forward haul transportation?*
 - c. *Restrict delivery to only firm transportation agreements?*

BP Response: Once again, it is important to take a step back from the complexity of gas transportation to see the simplicity of the RPS objectives. The CEC's concern should be to ensure that the purchase and delivery of biomethane is actually driven by a California RPS transaction and the credit is claimed only once. If a supplier can demonstrate a clear contract path for the fuel – whether the movement of the molecules is through forward or back haul, firm or interruptible transportation – the Commission's objective will have been met. As long as the biomethane delivering entity can demonstrate that the biomethane has been delivered, it should continue to have the discretion to choose between different transportation options. Mandating the

¹ California Independent System Operator, Briefing on Renewable Integration Memorandum, page 2 (August 18, 2011).

use of a premium service where one is not needed will only increase California consumer costs.

4. *Should any delay be allowed in the consumption of biomethane at the electric generating facility once it has been delivered to California or the electricity generating facility? If so, please specify what reasons for delays should be allowed or what, if any, limits should be imposed on the delay.*

BP Response: Delays should be allowed in the consumption of biomethane at the electric generating facility for biomethane previously delivered to the State. The objective should be to ensure that the fuel is “consumed” in the state and that credit is taken only once. The question of *when* the biomethane is actually consumed should not be important as long as it is consumed in the period during which the RPS credit is claimed.

On a practical basis, it is nearly impossible to balance biomethane production and electric generation demand on a real time basis. A supplier tracks delays on a day-to-day basis for purposes of accounting and pipeline imbalances; delays are also examined on a monthly basis as a part of the overall imbalance exposure for the end-user.

For this reason, the use of “Delayed Designation” or “Deferred Designation” in a contract is necessary to balance out the differences between supply production and market load shaping. As long as the biomethane supplier can document the delay and the interim status of the biomethane supplies – whether through storage, parking, or other contract arrangements -- such delays should not raise any verification concerns. The CEC should simply require a supplier to maintain these records for audit by CEC at the agency’s request.

5. *How should the Energy Commission treat biomethane imbalances resulting from differences between scheduling and the use of the biomethane?*
 - a. *Specify why such imbalances could occur, and if they should be allowed*
 - b. *What limits are placed on imbalances by pipelines, and should the Energy Commission enforce stricter limits on imbalances?*
 - c. *What is the magnitude of imbalances in the natural gas deliveries, and how do imbalances in biomethane deliveries differ?*

BP Response: See response to Question 4.

6. *What records should an applicant for an electric generating facility using pipeline biomethane be required to maintain and provide to the Energy Commission in the event of an audit process. How will these records ensure that the biomethane has not been claimed for use by more than one entity and all delivery and eligibility requirements have been met?*

BP Response: Electric generating facilities using biomethane should be required to provide the following baseline documentation:

- Invoices and statements for the procurement of the biomethane at the first point of title transfer;
- All pipeline “Shipper Allocation and Balancing Reports” detailing the flow from the fuel producer to the electric generating facility;
- Invoices to the electric generating facility;
- Summary sheet detailing the flow of biomethane from fuel producer to electric generating facility; and
- Invoices related to the use of storage.

Other documentation, including a spreadsheet tracking delivery delays and imbalances, can be provided to the Energy Commission upon request and as needed.