DOCKETED	
Docket Number:	16-OIR-05
Project Title:	Power Source Disclosure - AB 1110 Implementation Rulemaking
TN #:	225079
Document Title:	Pacific Gas and Electric Co_AB1110 Comments
Description:	N/A
Filer:	System
Organization:	Valerie Winn
Submitter Role:	Public
Submission Date:	10/25/2018 9:45:46 AM
Docketed Date:	10/25/2018

Comment Received From: Valerie Winn
Submitted On: 10/25/2018
Docket Number: 16-OIR-05

Pacific Gas and Electric Co_AB1110 Comments

Additional submitted attachment is included below.

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October 25, 2018

POSTED ELECTRONICALLY TO DOCKET 16-OIR-05

California Energy Commission
Dockets Office, MS-4
Docket No. 16-OIR-05
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket 16-OIR-05: Pacific Gas and Electric Company Comments on the October 9, 2018 Staff Implementation Proposal on Updates to the Power Source Disclosure Regulations

Pacific Gas and Electric Company (PG&E) appreciates the opportunity to provide comments to the California Energy Commission (CEC) on the draft Staff Implementation Proposal (Proposal). PG&E provides comments including the following key points in response to the draft:

- PG&E supports the Proposal's continued treatment of unbundled renewable energy credits (RECs), which limits parties' ability to report these compliance instruments for the Renewables Portfolio Standard (RPS) as actual energy deliveries.
- PG&E urges the CEC to adopt the Clean Net Short accounting mechanism to align with the methodology adopted by the California Public Utilities Commission (CPUC). Methodologies have already been developed to streamline the process of using the Clean Net Short methodology to calculate load-serving entities- (LSE) level greenhouse gas (GHG) emissions.
- The CEC should convene a joint workshop with the CPUC, and possibly other state agencies, such as the California Air Resources Board (CARB), to ensure proper and aligned GHG emissions accounting across state agencies and processes. This should ensure that entities using system resources that emit greenhouse gas emissions properly account for those emissions; continuing in an uncoordinated manner will result in policies that may not appropriately be targeted towards mitigating those causing emissions.

I. PG&E supports the Proposal's treatment of Unbundled RECs

As discussed in workshops and written comments over the past year, PG&E continues to support the Proposal's treatment of unbundled RECs in the Power Source Disclosure Report accounting, given that unbundled RECs do not represent the actual delivery of GHG-free 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.

II. PG&E urges the CEC to reconsider adoption of the Clean Net Short accounting mechanism

a. The CEC's stakeholder process failed to adequately consider Clean Net Short

While the CEC has adequately considered many of the key issues at hand in this proceeding (e.g., how to deal with unbundled RECs and PCC2 resources) in workshops, the mechanics of the Clean Net Short calculation were not adequately discussed or vetted by stakeholders. Additionally, since PG&E's comments on the Clean Net Short calculations were last submitted in April 2018, much work has been done to streamline the Clean Net Short process at the CPUC. This has resulted in a methodology that Investor Owned Utilities (IOUs), Community Choice Aggregators (CCAs), and Energy Service Providers (ESPs) have already used in the Integrated Resource Plan (IRP) process at the CPUC. Had the CEC conducted any workshops on the topic of Clean Net Short, it would have found its concerns about the complexity of the calculations to be unwarranted. Below, PG&E outlines solutions to address the challenges the CEC identified in its October 9, 2018 proposal on Updates to the Power Source Disclosure Regulations. PG&E encourages the CEC to convene a workshop including the CPUC and possibly the CARB dedicated to the issue of GHG accounting methodologies.

b. Continued use of an "annual netting" methodology in the Power Source Disclosure will result in inconsistent views of GHG intensity between state agencies and will create customer confusion about the emissions associated with their energy usage

The CPUC has already adopted the clean net short methodology for determining the compliance of CPUC-regulated retail sellers (i.e., IOUs, CCAs, and ESPs) in attaining each retail seller's share of California's carbon emission reduction goals.[1] The CPUC's adopted method utilizes an hourly, load-based CNS methodology and excludes both PCC 3 unbundled RECs as well as PCC 2 firmed-and-shaped RECs from counting as GHG-free. The CEC's continued use of annual-netting-based GHG accounting will work against the state's achievement of its GHG goals by continuing to incentivize LSEs (i.e., POUs, IOUs, CCAs, and ESPs) to procure unbalanced renewables portfolios that do not result in incremental GHG reductions. Annual netting miscalculates an LSE's GHG emissions by improperly providing an unlimited credit for GHG-free generation across hours when the system is in oversupply, i.e., when GHG-free energy is being exported or curtailed. Moreover, as the CPUC ALJ Ruling states, "… calculating the GHG emissions on an annualized (or net annual) basis is likely to result in systematic undercounting of GHG emissions across the entire electric system".[2]

An LSE that still delivers significant quantities of GHG-emitting resources to its customers per the CPUC IRP process would be allowed by the CEC to then claim to their customers in the Power Content Label that it is delivering 100% GHG-free resources. Some of the 2018 LSE IRPs submitted to the CPUC on August 1, 2018 already highlight this confusion. For example, CleanPowerSF's 2018 IRP states, "The Clean Net Short GHG emissions projection does not align with CleanPowerSF's own analysis that indicates that its preferred portfolio will be 100% GHG-free in 2030."[3] As the CPUC ALJ Ruling states, "While LSEs may be fully compliant with the RPS program and purchasing enough GHG-free energy to serve its load on an average annual basis, unless an LSE is purchasing GHG-free energy to perfectly match its own load profile, it is almost certain that the physical reality of grid operations is that such an LSE is actually causing some GHG emissions. The purpose of the CNS method is to fairly and

[1] See CPUC Final Decision 18-02-018, issued February 13, 2018, which approved the Clean Net Short GHG accounting methodology in the IRP, and the CPUC's April 3, 2018 Ruling in Rulemaking 16-02-007, which provided further guidance on the methodology.

[2] See CPUC ALJ Ruling Finalizing Greenhouse Gas Emissions Accounting Methods, Load Forecasts, and Greenhouse Gas Benchmarks for Individual Integrated Resource Plan Filings, issued May 25, 2018 in Rulemaking 16-02-007 (p. 10).

[3] See page 3 of CleanPowerSF's 2018 IRP, available here: https://sfwater.org/Modules/ShowDocument.aspx?documentid=12815

equitably account for those effects for all LSEs and not advantage the GHG attribute claims of some LSEs to the detriment of others."[4] This incongruity will not be sustainable, as actual achievement of California's climate targets will require going beyond the simplistic procurement strategies enabled by annual netting. It is essential that the state agencies work together to use a consistent methodology for GHG emissions calculations to ensure a level playing field for all LSEs in their planning processes and to provide consistent direction to LSEs regarding actions that California considers GHG-reducing for purposes of achieving important statewide GHG-reduction goals.

The annual netting approach also disincentivizes certain types of procurement that may be needed for reliability. For example, under the annual netting approach an LSE that procures resource adequacy (RA) capacity under tolling agreements would appear to be much less clean than a LSE that procures RA only capacity. This effectively penalizes LSEs that contribute more to system reliability.

c. Implementation of Clean Net Short is not unduly burdensome for LSEs

The staff proposal's primary stated reason for rejection of the Clean Net Short methodology is that it would "require intensive data reporting, which may prove exceptionally burdensome for smaller reporting entities." The CPUC's IRP process has shown this concern to be unfounded. Of the 39 entities that filed IRP plans with the CPUC in 2018, 35 of them produced Clean Net Short results using the streamlined calculator developed by the CPUC. Fourteen of seventeen small retail sellers (< 700 GWh annual load) filed Clean Net Short results, including all small CCAs.[5] The fact that nearly all retail sellers were able to produce Clean Net Short results within the highly condensed IRP timeline (the updated Clean Net Short calculator tool was issued on June 21, 2018 and parties were required to file their 2018 IPRs on August 1, 2018) indicates that it would not be "exceptionally burdensome" to require it in an annual reporting requirement.

At a minimum, PG&E recommends that the CEC convene a joint workshop with the CPUC, and other state agencies such as CARB, towards developing inter-agency alignment on GHG accounting methodologies. Leading up to this workshop, the CEC should meet with CPUC to understand the simplifying methods utilized in the CPUC's CNS Calculator to determine whether these simplifications can address the CEC's concerns that a CNS approach is inherently too burdensome for small LSEs to implement.

Sincerely,

/s/

Valerie Winn

[4] See CPUC ALJ Ruling Finalizing Greenhouse Gas Emissions Accounting Methods, Load Forecasts, and Greenhouse Gas Benchmarks for Individual Integrated Resource Plan Filings, issued May 25, 2018 in Rulemaking 16-02-007 (p. 13).

[5] Load serving entities with less than 700 GWh of annual load could file an "Alternative Plan," which did not explicitly require the use of clean net short.