SCE and PG&E Opening Comments on the CEC Notice of Staff Pre-Rulmaking Conference on Updates to the PSD Regulations

Additional submitted attachment is included below.

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March 5, 2018

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

Re: Docket 16-OIR-05: Joint Opening Comments on the California Energy Commission's Notice of
        Staff Pre-Rulemaking Workshop on Updates to the Power Source Disclosure Regulations

Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E), respectfully submit the following opening comments in accordance with the California Energy Commission's (CEC) Notice of a Staff Pre-Rulemaking Workshop on Updates to the Power Source Disclosure Regulations.

Introduction

On February 20, 2019, the CEC issued a notice for a workshop on the Pre-Rulemaking Amendments to the Power Source Disclosure (PSD) Program that is scheduled for March 6, 2019. The PSD Program requires electricity retail suppliers to disclose to consumers the electricity sources in their products compared with the mix of electricity sources providing power for California. The PSD Program was established to provide "accurate, reliable, and simple-to-understand information on the sources of energy that are used to provide electric services" to California consumers.[1] AB 1110 tasked the CEC with implementing changes to the PSD program to improve transparency, and better align the PSD program with California's ongoing climate change activities.

The current proposal from the CEC does not accurately reflect the GHG emissions attributable to each Load Serving Entity (LSE). Throughout the rulemaking process, the IOUs have advocated for the Clean Net Short (CNS) Hourly Methodology for greenhouse gas (GHG) accounting to be incorporated in the PSD Program. Unlike the annual methodology proposed by the CEC, the CNS Hourly proposal transparently and accurately accounts for GHG emissions actually incurred to serve customer load. Additionally, the SCE and PG&E are concerned with the most recent update to the Power Content Label (PCL), which makes unbundled RECs much more prominent than previous iterations and could confuse and/or mislead customers. The inclusion of the CNS hourly methodology as well as reducing the emphasis of unbundled RECs on the PCL will accomplish the legislative intent of AB 1110 and the stated goals of the PSD Program to provide, "accurate, reliable, and simple-to-understand information on the sources of energy that are used to provide electric services."

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[1] *Public Utilities Code Section 398.1(b)*

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I. The Clean Net Short/Hourly Methodology is a More Accurate Representation of the Energy Mix and Associated GHG Emissions Used to Provide Electrical Service to End Use Customers

The proposed Clean Net Short ("CNS") methodology identifies the GHG-free resources used by the LSE to serve its load on an hourly basis, and assigns the LSE an hourly emissions intensity for the remaining load unserved by GHG-free resources in that hour. This emissions factor is derived from the sum of all fossil units dispatched to meet that hourly total CAISO load, and thus is an accurate representation of GHG emissions an LSE incurs by relying CAISO system fossil resource to serve part of its own load. Unlike the annual-netting, methodology proposed by the CEC, the CNS hourly proposal transparently and accurately accounts for GHG emissions to serve customer load. The emissions attributable to each LSE depend on when the LSE made system purchases and in what amounts; this information is more accurately represented on an hourly basis.

The CEC's annual-netting-based GHG accounting has the unintended consequence of incentivizing LSEs to procure unbalanced renewables portfolios that do not result in incremental GHG reductions. The annual-netting method enables an LSE to inaccurately claim that it is serving its customers with 100% renewable energy, with an emissions intensity of zero, when in fact the LSE would often rely on system power when there is little or no renewable energy being produced (e.g., during the night or shoulder hours when a renewable resource like solar is not producing).

Additionally, the annual-netting approach inappropriately provides an unlimited credit for GHG-free generation across hours when the system is in oversupply by implicitly giving exported GHG-free generation not used to serve CAISO load a GHG emissions credit. This will severely undercount CAISO GHG emissions and will lead to a future where summing all LSEs' GHG burdens under the PSD will lead to a significant mismatch between this accounting of GHG emissions and CARB's accounting for emissions. This will present an even larger problem for the CEC to solve in future years.

Furthermore, the CNS methodology rightly decouples an LSE's ownership of a fossil-fuel asset and its associated GHG emissions from use of that asset to serve that LSE's load. Fossil-fuel assets are dispatched by CAISO to meet system load, not an LSE's individual load. This will become increasingly important in a future with significant load departure from service territories of LSEs who own fossil assets. Under the current methodology, in short order, an LSE could find itself reporting greater than 100% GHG-free on the PSD, but still showing a substantial GHG emissions intensity because it owns fossil-fuel assets that are used to meet other LSEs' loads for energy and reliability purposes. This will present an inaccurate and confusing picture to customers.

II. The PCL Must Align With the Other Statewide GHG Reporting Methodologies

On May 25, 2018, the California Public Utilities Commission (CPUC) adopted a modified CNS methodology to approximate GHG emissions in the Integrated Resource Plan (IRP). While acknowledging the different purposes and obligations associated with the RPS and GHG emissions goals, the ALJ Ruling states, "the CNS approach is consistent with other GHG reporting methodologies that have a comparable purpose, which are the CARB's MRR and the CEC's proposed GHG intensity reporting requirements."[2] AB 1110 directs the CEC to consult with the California Air Resources Board (CARB) for purposes of developing a methodology for the calculation of GHG emissions intensity for each purchase of electricity by a retail supplier to serve its retail customers. The use of the CARB Mandatory Reporting Regulation (MRR) does not accurately reflect an LSE's actual generation used to serve its end-use customers.

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[2] *See Administrative Law Judge's Ruling Finalizing Greenhouse Gas Emissions Accounting Methods, Load forecasts, and Greenhouse Gas Benchmarks for Individual Integrated Resource Plan Filings*, R.16-02-007, May 25, 2018, at p 15-16.

Under the annual-netting-based GHG accounting at the CEC, a situation may arise in which an LSE that relies on GHG emitting resources to serve its customers per the CPUC IRP process would be allowed to claim to its customers through the Power Content Label that the LSE is delivering 100% GHG-free resources. This results in a suboptimal and confusing information for customers and does not meet the mandate of AB 1110 for "accurate, reliable, and simple-to-understand information on the sources of energy that are used to provide electric services."

SCE and PG&E agree with the CPUC's conclusion that, "[w]hile 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."[3] It should be the intent of the PSD methodology to appropriately assess GHG emissions attributable to LSE load as closely as possible, and a method, which relies upon annual netting, cannot achieve this goal.

III. The CNS Hourly Methodology Can Easily Be Implemented

The CEC staff stated, "[a]n hourly accounting method would require intensive data reporting, which may prove exceptionally burdensome for smaller reporting entities. Further, the Energy Commission lacks a specific funding source for the staff resources and data infrastructure necessary for such a fundamental overhaul of the PSD program."[4] The CNS methodology does not add an additional burden to California Independent System Operator (CAISO) participants, including smaller reporting entities, as they already report to and settle with the CAISO using hourly or sub-hourly data for their resources. This hourly usage data is already reported by the Scheduling Coordinators for each facility, thereby mitigating the CEC's concern for burden on smaller LSEs. If providing this data would be burdensome to some LSEs, then more focus should be placed on revising the reporting requirements, as opposed to creating inaccurate accounting rules to avoid dealing with these complications.

IV. The CEC Should Change the Emphasis of Unbundled RECs on the Power Content Label

SCE and PG&E strongly disagree with the movement of unbundled REC procurement from a footnote to a prominent position in the Power Content Label (PCL) table and the CEC should restore the format shown in the 2018 proposal. AB1110 requires that the PCL "disclose accurate, reliable, and simple to understand information on the sources of energy, and the associated emissions of greenhouse gases, that are used to provide electric services." Unbundled RECs are not a source of energy that is used to provide electric services, and previous versions of the PCL appropriately relegated unbundled RECs to a footnote.

Against the spirit of the bill, the new layout inappropriately affords greater space and prominence to the use of unbundled RECs than any actual energy source. At best, giving such prominence to a product that a footnote in the PCL declares does not actually affect GHG emissions will confuse customers. At worst, customers could be misled into thinking that unbundled RECs can act as offsets to GHG emitting procurement in an LSE's portfolio.

Conclusion

The CNS methodology should provide customers with the most accurate representation of the energy being delivered and used to serve their load, and providing an accurate measurement of emissions on an hourly

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[3] *See Administrative Law Judge's Ruling Finalizing Greenhouse Gas Emissions Accounting Methods, Load forecasts, and Greenhouse Gas Benchmarks for Individual Integrated Resource Plan Filings*, R.16-02-007, May 25, 2018, at p 13.

[4] AB 1110 Implementation Proposal, Third Version, at p. 21

basis helps California achieve its GHG emissions reduction objectives. SCE and PG&E continue to support the goals of AB 1110 and appreciate the opportunity to work with the CEC and all interested stakeholders as this process continues.

Sincerely,

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