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Post 3/7 workshop comments

Additional submitted attachment is included below.

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

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

Pacific Gas and Electric Company (PG&E) and Southern California Edison Company (SCE) respectfully submit the following post-workshop 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

PG&E and SCE appreciate the opportunity to offer these comment on the draft regulations issued on February 20, 2019 and the workshop that took place on March 6, 2019. PG&E and SCE would prefer the CEC adopt a more durable solution for greenhouse gas (GHG) accounting that provides "accurate, reliable, and simple-to-understand information on the sources of energy that are used to provide electric services" as required by Assembly Bill (AB) 1110.[1]

While PG&E and SCE are disappointed that the CEC has not yet taken action towards implementing the Clean Net Short (CNS) proposal, the investor-owned utilities (IOUs) appreciate that the CEC is recognizing and attempting to correct some of the inequities of the current methodology. PG&E and SCE include the following recommendations in its comments:

- Cost Allocation Mechanism (CAM) and CAM-like resource attributes should be allocated to all benefiting load serving entities (LSEs)
- If the CEC does not adopt CNS now, it should commit to opening a second phase of AB 1110 implementation to facilitate its implementation
- Emissions associated with transmission and distribution losses should be accurately accounted for
- Unbundled Renewable Energy Credits (RECs) should return to a footnote on the Power Content Label (PCL) to avoid customer confusion
- Grandfathering of firmed and shaped resources should not last indefinitely

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

- Compliance with the new methodology should be required for the 2019 PCL as planned and required by law, not 2020
- Audit requirements should be non-discriminatory across LSEs and product offerings.

I. CAM and CAM-like Resources Should be Allocated to All Benefiting LSEs

As raised by the CEC and California Public Utilities Commission (CPUC) at the March 6th workshop, the IOUs procure generation to maintain system reliability and compliance with state and federal law. All distribution customers of the IOUs, regardless of LSE, pay for and are allocated benefits from CAM and CAM-like resources. However, for the purposes of the PCL, all the generation and emissions from these resources are allocated to bundled IOU customers. As bundled customers become a minority of retail sales, this inequity will become untenable. Unbundled customers will falsely be told they are not making use of such resources, while bundled customers will be told their energy supply is less clean than it is.

To rectify this problem, the long-term solution is to implement an hourly accounting methodology that would accurately capture the extent to which an LSE depends on system power. However, given that the CEC has indicated it does not intend to implement CNS this cycle, another fix within the annual netting construct must be implemented. Given these constraints, there are two issues to decide: how should the PCL attributes of CAM resources be allocated to LSEs and how should the attributes of CAM resources be displayed on the PCL of each LSE?

On the first issue, the easiest solution is for the CEC to allocate using the percentage each LSE makes up of the total sales for its distribution utility. To generate the allocation factors, all the CEC would have to do is aggregate the retail sales figures provided by each LSE on its PCL submission. This would result in LSEs having GHG emissions and natural gas energy allocated to them in proportion to how much they pay for CAM resources (as CAM costs are collected via a volumetric non-bypassable charge). Alternatively, the CEC could use the allocation factors developed by the CPUC to allocate the RA benefits of CAM resources. This will require the CEC to coordinate to some degree with the CPUC. This would result in LSEs having GHG emissions/natural gas energy allocated to them in proportion to how much they benefit from the CAM resources. PG&E encourages the CEC to work with the CPUC to align on which methodology should be preferred.

On the second issue, the CEC should allocate both the GHGs and natural gas supply of CAM resources to all LSEs. When submitting their PCL data, the IOUs can identify which tolling resources are CAM eligible. The format of the "Annual Report Template" spreadsheet can facilitate this by adding a "CAM eligible" indicator column to "Schedule 1." This can be verified by comparing the information provided by the IOUs to the "Year Ahead Final CAM List" for the applicable year, or by direct interaction with the CPUC. [2]The CEC can then allocate the energy and GHG attributes to each benefiting LSE in proportion to their sales. Per the draft regulations, LSEs with unspecified purchases greater or equal to their allocation of CAM resources, unspecified purchases will be offset by natural gas. LSEs with CAM allocations greater than their unspecified purchases will have all non-renewable sources (including natural gas from CAM) proportionately reduced such that their power content percentages sum to 100%. By PG&E's understanding, LSEs with wholly renewables portfolios will have their CAM natural gas allocation netted to zero, as all T&D losses are allocated to non-renewables. This highlights a key flaw of the present annual netting methodology – a portfolio that includes and relies upon fossil resources can still claim to be 100% renewable.

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[2] CAM Resource Lists are published on the CPUC's Resource Adequacy program webpage: http://www.cpuc.ca.gov/General.aspx?id=6311

While it is likely that some LSEs will object to having natural gas on their PCL, it is reflective of the reality that all customers use and benefit from CAM resources (and natural gas resources generally). All LSEs in California procure capacity from natural gas plants for resource adequacy and lean on largely natural gas system power to supply energy to their customer when their specified resources are insufficient. While many LSEs would like to be able to claim they have already ended their customers' reliance on fossil resources, those claims are not credible. Assertions from those LSEs that they have the right to claim as such to their customers are at odds with the reality of what resources are relied upon in California and should be disregarded.

II. If the CEC Does Not Adopt Clean Net Short Now, It Should Commit to Opening a Second Phase of AB1110 Implementation

PG&E and SCE's continued preference is that the CEC adopt an hourly accounting methodology now as they have advocated throughout the two years of the AB 1110 implementation proceeding. While it appears that the CEC has decided not to address this issue now, the reasons to adopt CNS will only become more poignant as time goes on. If the CEC confirms its decision to not implement Clean Net Short within the PCL at this time, it must commit to considering it in a new phase of this rulemaking. Otherwise, the information provided to customers will be increasingly out of sync with the CPUC's electric sector decarbonization planning process and the reality of the electric grid.

III. Transmission and Distribution Losses Accounting Should be Accurate

The "Proposed Annual Report Template v2.xlsx" file posted on the AB1110 Implementation docket appears to systematically underreport GHG emissions. When calculating the total GHG emissions associated with a given facility (see Schedule 1, column Q), it multiplies the emissions factor for the facility by the "Adjusted Net MWh Procured" from the resource, not "Net MWh Procured." The former is adjusted downward from the latter to account for transmission and distribution losses. It is inappropriate to use this adjusted number to calculate total GHG emissions, as the GHG emissions factors are measured at the point of generation. Using the (smaller) adjusted number will therefore systematically undercount GHG emissions across all LSEs. At minimum, the CEC must correct the template to calculate total GHG emissions by using the "Net MWh Procured" column.

It is unclear if this is a simple spreadsheet error or a result of a misunderstanding. At the March 6th workshop, CEC staff said "the greenhouse gases are only meant to reflect electricity that serves retail sales…so if there's line losses, then those emissions aren't captured."[3] This is incorrect; transmission and distribution losses are a necessary consequence of serving retail load.[4] Customers pay for these losses (along with the associated cap-and-trade permit costs) in their retail rates. Further, electricity, not emissions, is delivered to customers. The question the PCL must answer to customers is how much many GHGs were emitted to produce each unit of electricity delivered to them. Delivery losses should affect the final retail sales denominator for the emissions intensity on the PCL but cannot reduce the total emissions associated with a portfolio of electricity delivered to customers.

This apparent calculation error raises a critical long-term issue; to increase alignment with the renewable portfolio standard, the PCL has not applied T&D losses to renewable resources. This exemption from losses clearly has no physical basis but may have made sense when the RPS was thought to be the primary driver of renewables uptake. The PCL gave customers a way to see how close their LSE was to achieving those targets. Looking forward, future procurement will be targeting achieving the GHG reduction goals set the

[3] Transcript of March 6th 2019 Staff PreRulemaking Workshop, p. 69

[4] Taken further, the logic that emissions associated with T&D losses should be ignored would also lead one to ignore emissions associated with the inherent inefficiencies of converting heat from combustion into electricity.

by CPUC IRP process. Given that the CEC and CARB have otherwise deviated from RPS logic with PCC2 and PCC3 RECs in this process, the CEC should reconsider the exemption of renewables from T&D losses. Doing so would simplify the reporting process and the calculations performed by the CEC to create the PCLs. More importantly, this would accurately reflect the physical reality of what power is delivered to customers. The IOUs recognize that this is a significant change to the logic of the PCL, but that "it's always been done this way" is no reason to perpetuate this distortion in the PCL going forward.

IV. Unbundled RECs Should Return to a Footnote on the Power Content Label to Avoid Customer Confusion

PG&E and SCE strongly disagree with the movement of unbundled REC procurement from a footnote to a prominent position in the PCL table. 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.

V. Grandfathering of Firmed and Shaped Resources Should Not Last Indefinitely

While PG&E and SCE oppose the grandfathering of firmed and shaped resource contracts predating February 1 2018, the previous approach was at least a compromise that ensured that the Power Content Label's accuracy would improve over time. Removal of the sunset date provision invites LSEs with firmed and shaped contracts to alter their contracts to ensure such grandfathered arrangements never expire. At minimum, the CEC must include safeguards in the final regulations against indefinite contract extension and expansion, as suggested by both PG&E and TURN at the workshop.

VI. Compliance with the New Methodology Should be Required for the 2019 PCL as Planned

At the workshop, one party proposed that the implementation schedule should be revised such that the first PCL compliant with the new regulations would not be published until 2021. This should be rejected as AB 1110 requires, "retail suppliers, beginning June 1, 2020, to report data on greenhouse gas emissions intensity associated with retail sales occurring after December 31, 2018." A single LSE claiming that "it may be a little bit complicated" should not delay the provision of more accurate power content information to the entire state.

VII. Audit Requirements Should Be Non-Discriminatory Across LSEs and Product Offerings

Some parties expressed concerns at the workshop regarding the audit requirements in the draft regulations and requested exemptions. AB1110 requires that the information on the PCL be "accurate [and] reliable;" waiving audit requirements for some LSEs would compromise this legislative mandate. All customers deserve certitude that the information provided in the PCL is accurate and reliable, regardless of which LSE provides their service.

VIII. Conclusion

AB1110 requires that the Power Content Label provide "accurate, reliable, and simple-to-understand information on the sources of energy that are used to provide electric services" to California consumers.[5] Allocation of CAM resources to all benefiting LSEs is a reasonable step towards ensuring the PCL meets this standard, but much more work is needed to fully achieve these goals. PG&E and SCE 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,

/s/ Valerie Winn
Valerie Winn
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/s/ Catherine Hackney
Catherine Hackney
Southern California Edison Company

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