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**SDG&E Comments on Updates to the Power Source Disclosure
Regulations to Comply with AB 1110**

Additional submitted attachment is included below.



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

RE: Docket No. 16-OIR-05, SDG&E Comments on Updates to the Power Source Disclosure Regulations to Comply with AB 1110

San Diego Gas & Electric Company (SDG&E) appreciates the opportunity to provide written comments on the draft Pre-Rulemaking Amendments to the Power Source Disclosure Program (Amendments) issued on February 20, 2019, as well as the associated March 6, 2019 workshop. SDG&E submits these written comments in response to both the Amendments and pre-rulemaking workshop in an effort to ensure the adopted Power Content Label (PCL) format provides customers with the correct information regarding the power they consume. SDG&E's comments focus on ensuring the clarity of the PCL and avoiding customer confusion, specifically through: (i) a more granular and accurate calculation of the energy sources relied upon by each load-serving entity (LSE); (ii) consistency between California Public Utilities Commission (CPUC) and California Energy Commission (CEC) rules; (iii) utilization of the most up-to-date emissions data; and (iv) the correction of an identified error in the template.

The Clean Net Short (CNS) Methodology Should be Implemented for the PCL

SDG&E supports the comments submitted jointly by Southern California Edison Company (SCE) and Pacific Gas and Electric Company (PG&E), which explain the benefits of using the CNS methodology, as opposed to the proposed annual netting process, to determine the energy sources used to serve customers.¹ The CNS evaluates both load and energy sources on an hourly basis by choosing the greenhouse gas (GHG)-free resources used by the LSE in each specific hour, and then assigning an emissions intensity based on the resources dispatched by the California Independent System Operator (CAISO) to serve remaining load in each specific hour. The CNS is designed to capture the resources actually used to serve a particular LSE's

¹ Joint Comments of SCE and PG&E, submitted March 5, 2019, pp. 2-3.

customers, and its use would be consistent with the direction provided by Assembly Bill (AB) 1110, which requires that the PCL be accurate, reliable, and simple-to-understand. Additionally, the data needed to implement the CNS methodology is already reported by the Scheduling Coordinators for each facility, and therefore available to be used.²

Utilizing CNS would mitigate the concerns raised by the SCE and PG&E in their comments regarding the proposed annual netting process. Specifically, the proposed annual netting process is contrary to the public interest for the following reasons: (i) allowing an LSE that relies on system power to claim 100 percent renewable energy and zero emissions conveys inaccurate/misleading information; (ii) undercounting GHG emissions results in a disconnect between PCL and California Air Resources Board (CARB) emissions accounting; and (iii) there is potential for a mismatch between the reporting of GHG-free resources and emissions under a high load departure scenario.

This latter concern has become increasingly relevant as the interest in retail choice has continued to grow. As the PCL is currently designed, should an LSE experience a large volume of load departure, the renewable energy and emissions volumes on the PCL could become skewed. For example, an IOU that has procured renewable resources to meet 50 percent of its load would correctly show 50 percent renewable without load departure. However, should this IOU experience a high volume of load departure, the new PCL could eventually show a renewable percentage in excess of 100 percent and a GHG emissions intensity near zero, thereby providing an inaccurate and confusing picture to customers. This problematic outcome can be avoided through adoption of the CNS methodology, which correctly records the energy used to serve each LSE's customers in every hour.

PCLs Should Reflect Emissions Associated with an LSE's Designated Cost Allocation Mechanism (CAM) Facilities

The CPUC has statutory authority under California Public Utilities Code (PU Code) Section 365.1(c)(2) to authorize investor-owned utilities (IOUs) to procure generation resources on behalf of all LSEs to meet reliability needs:

(A) Ensure that, in the event that the commission authorizes, in the situation of a contract with a third party, or orders, in the situation of utility-owned generation, an electrical corporation to obtain generation resources that the commission determines are needed to meet system or local area reliability needs for the benefit of all customers in the electrical corporation's distribution service territory, the net capacity costs of those generation resources are allocated on a fully nonbypassable basis consistent with departing load provisions . . .

(C) The resource adequacy benefits acquired by an electrical corporation pursuant to subparagraph (A) shall be allocated to all customers who pay their net capacity costs. Net capacity costs shall be determined by subtracting the energy and ancillary services value of the resource from the total costs paid by the electrical corporation pursuant to a contract with a third party or the annual revenue requirement for the resource if the electrical corporation directly owns the resource. . . .

² Comments of SCE and PG&E, submitted March 5, 2019, p. 3.

The CPUC's CAM methodology was originally adopted in Decision (D.) 06-07-029 and later modified in D.07-09-044, D.11-05-005, and D.14-02-040. Under the CAM methodology, in a circumstance where the CPUC directs the IOU to procure a resource needed for system or local reliability for the benefit of all customers in the service territory (i.e., not solely for the benefit of bundled service customers), the CAM provides the mechanism to allocate both costs and benefits associated with the CAM resources to all benefiting customers in the IOU's service territory. Since, by definition, CAM resources are procured on behalf of all LSEs in an IOU's service territory, an LSE's PSD/PCL should properly reflect the CAM resources that were procured on behalf of such LSE's customers by the IOU.

In order to facilitate reporting of the actual generation output and GHG emissions attributable to other LSEs, SDG&E proposes the following steps:

1. IOUs submit the actual generation output for each CAM resource to the CEC by March 31.
2. The CEC shall calculate each LSE's share of the generation output based on the LSE's peak load ratio share using the Local load forecast submitted to the CEC as part of the load forecast process. The CEC's final forecast for each LSE should be used rather than the forecasts submitted by each LSE.
3. By May 1, the CEC shall provide the proportionate CAM output information to all LSEs, including the IOUs, in order to have LSEs incorporate the data into their respective PSD/PCL submissions to the CEC on June 1. Each LSE's incorporation of their share of the CAM output into their PSD will necessarily calculate the appropriate GHG share associated with their portion of the CAM. Depending on the format, IOUs would net out the amount that is allocated directly to other LSEs in aggregate or replace the actual generation data in total and only use the CEC provided data related to CAM.

SDG&E envisions this process to be resource-specific rather than a singular value in order to accurately account for different resource types that qualify for CAM treatment. SDG&E proposes March to include the T+55 settlement data from the CAISO.³ As an alternative, T+12 settlement data could be provided but may vary from T+55 settlement data. Using T+12 settlement data could allow IOUs to provide this information by February. If so, then the other dates may be shifted to allow for more processing time.

Some stakeholders at the workshop argued that CAM allocation would be burdensome to the audit requirements of LSEs since the LSEs do not have supporting data for their CAM allocation. An obvious solution to this concern exists, however. The CEC can define audit requirements; it could utilize the audited IOU CAM generation along with the CPUC allocation factor as inputs to the LSE PSD and their audits.

The Definition of Delivered Electricity Should Include Grandfathered Generation

Consistent with the PU Code, the CPUC utilizes four Product Content Categories (PCCs) to categorize renewable generation and to enforce Renewables Portfolio Standard (RPS) program regulations. For RPS program purposes, PCC0 products, or generation from "grandfathered"

³ "T" refers to the transaction date, and the following number indicates the days following the transaction date. See CAISO Practice Manual for Settlements & Billing, Version 21.

contracts (those executed prior to June 1, 2010), count in full towards all requirements as required by law.⁴ This is in recognition of the fact that these resources were procured prior to the current RPS regime, and the rules established today could not reasonably have been known at the time of contract execution. The PCL regulations by contrast only utilize three of the four PCCs,⁵ omitting PCC0 products. In practice, for PCL purposes, all grandfathered contracts will need to be parceled out into one of the three categories (delivered, firm-and-shaped, or renewable energy credits (RECs)), which could result in a disconnect between RPS compliance data, and the data displayed on the PCL.

This discrepancy is problematic in that what counts in full towards RPS requirements may not count as renewable within the PCL, yet, these contracts were procured in good faith at a time when the current regulations were unknown. To remedy this disconnect and ensure that these resources do in fact count in full as required, SDG&E recommends that the CEC rely on the full description of the Product Content Categories within the PU Code, not just three of the four applicable categories. SDG&E therefore proposes that the CEC revise the definition of “delivered electricity,”⁶ which mirrors PU Code Section 399.16(b)(1), to also include the entirety of 399.16(d), which describes the grandfathering rules for those contracts executed prior to June 1, 2010. This will enable all grandfathered products to count in full by including the volume within the “Renewable Procurements” rows, and utilizing the relevant renewable energy source (wind, solar, etc...) to determine the emissions factor.

The Renewable Percentage within the PCL will Differ Once an LSE Begins to Utilize Its Renewable Energy Credit (REC) Bank

As mentioned above, per AB 1110, the CEC is tasked with creating a PCL that is accurate, reliable, and simple-to-understand. Given the fact that the RPS program allows for REC banking while the PCL does not, the renewable percentage reported on the PCL and the volume reported by each LSE for RPS program compliance purposes will at some point diverge. This must be addressed to avoid customer confusion. As a simplified example, assuming the RPS requirement for a particular year is 30 percent and an LSE has procured 40 percent renewable energy – the LSE’s PCL will show 40 percent renewable, and the LSE will show RPS compliance at 30 percent, while banking the remaining 10 percent for use in a future year. Building on this example, assuming the RPS requirement in a subsequent year is 40 percent and the same LSE has procured 30 percent renewable energy – the LSE’s PCL will show 30 percent renewable, and the LSE will show RPS compliance at 40 percent, having used the 10 percent it banked in a prior year. This delta may be confusing to customers; therefore, SDG&E recommends revising the PCL to provide additional information that will clarify the reasons for any difference between the PCL renewable percentage, and the RPS compliance percentage.

⁴ PU Code Section 399.16(d).

⁵ PCC1 (delivered), Pre-Rulemaking Draft, p. 2.
PCC2 (firm-and-shaped), Pre-Rulemaking Draft, p. 4.
PCC3 (REC), Pre-Rulemaking Draft, p. 6.

⁶ Pre-Rulemaking Draft, p. 2.

To Increase Accuracy, the PCL Should be Published After CARB Releases its Emissions Data

The current timing of the PCL is misaligned with CARB's publication of annual emissions data under CARB's Mandatory Reporting Regulation (MRR) which is made public every November. The CEC should consider modifying the timing of the PCL to the end of December in order to utilize emissions factors from the appropriate record year. Otherwise, if the timing misalignment is maintained, the CEC should clearly indicate that the GHG emissions reported in the PCL is *estimated* based on the prior year's emission intensities.

The Error Has Been Identified in the Proposed Annual Report Template and Should be Corrected

An error was found in Schedule 3 of the "Proposed Annual Report Template." The formula in cell C25 inadvertently contains "Unspecified Electricity" which should be replaced with "Unspecified Power" in order to match the drop-down selection for Unspecified sources in Schedule 1.

Thank you for the opportunity to provide these comments.

Sincerely,

/s/ Tim Carmichael
Tim Carmichael
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