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UPDATED The Climate Registry Comments on Assembly Bill 1110 Implementation Rulemaking

Please note that The Climate Registry's previously submitted comments (4:15 PM on 10/28) included the incorrect attachment (our previous comments submitted in 2017 on draft rulemaking.) Please ignore and refer to this submission with the correct file instead.

Additional submitted attachment is included below.

The Climate Registry

October 28, 2019

Jordan Scavo
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512
Via e-Comment

Re: Docket No. 16-OIR-05: Comments of TCR on AB 1110 Implementation Rulemaking

Dear Mr. Scavo:

The Climate Registry (TCR) appreciates this opportunity to comment in response to the California Energy Commission's (CEC) Implementation Proposal for Power Source Disclosure (PSD Proposal). TCR is a non-profit organization that designs and operates voluntary and compliance greenhouse gas (GHG) reporting programs, and assists organizations in measuring, reporting and verifying the carbon in their operations. Established in 2007, TCR was formed to continue the work of the California Climate Action Registry (CCAR), which was created in 2001 though CA SB 1771 to promote and protect businesses' early actions to manage and reduce their GHG emissions. TCR's voluntary GHG reporting program includes participation from 113 entities in the State of California that report emissions from purchased electricity. These entities report emissions associated with nearly 1,400 facilities across the State. Furthermore, all State of California Agencies and associated State-owned facilities report emissions from purchased electricity to TCR in order to track progress toward the emissions reduction goals outlined in the Governor's Executive Order B-18-12. TCR's objective in providing feedback on the PSD Proposal is to reflect the perspectives and needs of these organizations, who would benefit from GHG emissions data that accurately and transparently reflects the power sold to them by their providers.

Our comments focus on four key issues:

1. Reporting Renewable Energy Based on Renewable Energy Certificate (REC) Retirement
2. Proposed Revisions to Statement of Reasons
3. Power Content Label Footnote
4. Disclosure of Supplemental Information in Marketing or Retail Claims

Reporting Renewable Energy Based on REC Retirement

Renewable energy incorporated into the PSD should include retirement of the associated RECs. This is consistent will all GHG accounting guidance on the incorporation of RECs into a GHG emissions inventory or voluntary green power product. Ownership of all RECs can only be established through permanent retirement. Ownership claims of emission attributes for renewable generation absent a permanently retired REC, which is effectively what the GHG intensity disclosures on the PSD will be conveying under the current proposal, infringe on the REC retiree's legally-defensible property and ultimately will result in the double counting of GHG emissions attributes associated with renewable energy. Under the current proposal, renewable energy could be generated and incorporated into the PSD, and the associated RECs could be subsequently sold in a future year. While the unbundled RECs sold after generation could not be reported in the purchaser's own PSD, they could still be used in the RPS or the voluntary market by a different supplier, which is a double counting issue.

These issues can be avoided by requiring that RECs be incorporated into the PSD GHG emissions intensity factors based on the year of REC retirement (not the year of REC generation).

Resolution of inconsistencies between reporting time frames for PSD and Renewable Portfolio Standards (RPS)

Although there are differences in the reporting time frames for the RPS (3-year compliance periods) and PSD (annual reporting), these differences would not prevent eligible renewable energy resource reporting for the PSD from aligning with reporting of REC retirements for the RPS. Reporting entities have the option to make annual retirements of RECs for RPS in order to report deliveries of renewable energy for the PSD. In the case of banking or holding RECs for RPS compliance, where this is necessary, the PSD Proposal could give retail suppliers the option to true up older labels based on retirements of RECs held from previous years, provided that they disclose on the PCL that the specified renewable energy number could change and that this is only permitted for the RPS component of the Power Content Label (not all renewable energy).

Resolution of inconsistencies between reporting time frames for renewable and nonrenewable generation

While RECs exist for renewable resources, certificates do not currently exist for other non-renewable resources. RECs are nonetheless the most accurate accounting tool for generation attributes and without requiring REC retirement for renewable energy disclosure, there may be double counting. Any inconsistency between reporting for renewable generation in the year of REC retirement and nonrenewable generation in the year of generation would be de minimis, especially relative to not requiring REC retirement for renewable energy. All-generation tracking though WREGIS may be a solution to facilitate the most precise accounting of delivered power based on certificate retirements and cancellations for all resources.

The Express Terms has removed text from Section 1393(a)(2) from the February, 2019 pre-rulemaking draft which stated, "If a retail supplier subsequently resells the RECs associated with eligible renewable electricity that was reported under this regulation in a quantity that exceeds one percent of the annual retail sales of the electricity portfolio, the retail supplier shall submit an amended annual report pursuant to Section 1394 that reclassifies the electricity associated with the resold RECs as unspecified power."

At a minimum, this text should be added back to the PSD Proposal, potentially after Section 1393(b)(1). A simpler option would be to revise 1393(b)(1) and 1393(c)(1)(B) to specify that RECs must be retired to claim the fuel type and GHG emissions intensity, respectively, of an eligible renewable resource.

<u>Proposed Revisions to Statement of Reasons: Section 1393(a)(1)</u>

The explanation for why CEC chose to exclude unbundled RECs from the GHG emissions intensity methodology provided in the Initial Statement of Reasons (Section 1393(a)(1)) includes several inaccuracies about the reliability and accuracy of these legal instruments that could be damaging to the regulatory and voluntary markets throughout the United States that rely on these instruments. In particular, the text starting from the last paragraph on page 11 through the end of the first paragraph on page 12 represents views shared by a minority of stakeholders. Other NGOs with decades of expertise in GHG accounting, including The Climate Registry and the Center for Resource Solutions, provided comments supporting the validity of the use of unbundled RECs in GHG accounting in response to earlier iterations of this draft PSD Proposal.

Several widely accepted international standards on GHG accounting recognize a GHG accounting framework that incorporates market-based instruments such as unbundled RECs into methodologies for calculating emissions from imported or purchased electricity.

(a) The International Organization for Standardization's 14064-1 standard on quantification of GHG emissions and removals for organizations, updated in 2018, recognizes that market-based instruments, including unbundled RECs, may be used to calculate emissions from purchased or acquired electricity. ISO 14064-1: 2018 requires that emissions from imported electricity consumed by the organization be quantified through the application of the emission factor that best characterizes the pertinent grid, i.e. dedicated transmission line, local, regional or national grid-average emission factor. Emissions calculated with market-based instruments, including unbundled RECs, may be reported as additional information, provided that the instruments meet several quality criteria (e.g., assurance of a unique claim, retirement, conveys the characteristics of the generator).

(b) The World Resource Institute's Scope 2 Guidance, a component of the Greenhouse Gas Protocol Corporate Standard, establishes an accounting framework with two separate methods for quantifying emissions from imported electricity. The market-based method includes accounting for renewable energy instruments such as unbundled RECs and establishes quality criteria that all contractual instruments must meet in order to be a reliable data source for this market-based method. The Greenhouse Gas Protocol Corporate Standard is the most widely used GHG accounting framework.

(c) The Climate Registry's General Reporting Protocol and Electric Power Sector Protocol both incorporate the market-based framework for accounting for purchased electricity and are widely used by electricity suppliers in California.

These standards were developed through extensive consensus-based processes (including the consideration of the minority view) and reflect international GHG accounting best practices. Unbundled RECs are currently used to make valid retail claims in voluntary and regulatory markets and are driving demand for renewable energy across the country. TCR is not proposing the standards above as alternative methodologies for GHG emissions intensity factors under this PSD program, but includes them in our comments to demonstrate that assertions made in the Initial Statement of Reasons about these instruments (e.g. unbundled RECs) not being valid for accurate retail accounting are inaccurate and disputed by respected organizations and standards developed through consensus processes.

If the CEC ultimately decides to limit the boundary of reporting to exclude unbundled RECs for Power Source Disclosure, the explanation for the decision should be limited to objective and factual information, such as maintaining consistency with CARB's GHG emissions accounting policy under MRR, rather than making inaccurate statements about the validity of RECs and their impact that could discredit other markets.

Power Content Label Footnote

Footnote 1 in the Power Content Label (Section 1394.1(l)(1)), specifically the following sentence – "Unbundled renewable energy credits (RECs) represent renewable investments that do not deliver electricity to the retail supplier's customers" - inaccurately describes unbundled renewable energy credits and will increase confusion for customers. This contradicts the purpose of the program as defined by AB 1100 – "to provide retail electricity consumers accurate, reliable, and simple to understand information on the sources of energy that are used to provide electric services." RECs are not investments, but commodities that are tracked and transferred, bought and sold. Unbundled RECs are renewable energy credits that are sold, delivered or purchased separately from the underlying electricity.

TCR proposes that first two sentences of Footnote 1 be replaced with the following: "A renewable energy credit (REC) is a tracking instrument and certificate of proof that electricity was generated and delivered by an eligible renewable energy resource, and it includes all renewable and environmental attributes of that generation. 'Unbundled' RECs are procured by electricity suppliers separately from the electricity associated with those credits."

This language is taken directly from the existing REC definition at CAL. PUB. UTIL. CODE § 399.12(h)(1) and (2). CPUC Decision 08-08-028 adds that RECs represent proof that electricity "was delivered for consumption by California end-use retail customers" (Sec. 4.2 pg. 35).

<u>Disclosure of Supplemental Information in Marketing or Retail Claims</u>

GHG intensity information of electricity portfolios provided to retail customers has multiple uses depending on the customer's specific goals. For example, customers reporting an organizational GHG inventory account for the emissions from their electricity purchases. The accounting methodologies used for organizational GHG accounting have been established through international consensus-based processes and may have additional requirements beyond those relevant to California's Power Source Disclosure Label.

For example, international best practice for GHG accounting, including the GHG Protocol and the International Organization for Standardization's 14064-1 Standard, require the accounting of GHG emissions and their disclosure by individual GHG. When emission intensity rates are provided only in CO_2e it limits a customer's ability to accurately calculate and report emissions by gas. While TCR recognizes that reporting these emissions rates by gas (specifically in CO_2, CH_4 and N_2O) may overwhelm the visual simplicity of the PSD table, we hope that there is still an opportunity to additionally disclose this information to customers in conjunction with this disclosure in a way that makes it simple for customers to use gas-specific emissions rates in their own inventories.

TCR therefore encourages the CEC to refrain from prohibiting additional disclosure.

Section 1394(a)(2) states, "Any marketing or retail product claim by a retail supplier related to the GHG emissions intensity of an electricity portfolio shall be consistent with the GHG emissions intensity disclosed on the relevant power content label." While this section is verbatim text from Public Utilities Code section 398.4(k)(3), TCR disagrees with the explanation provided in the Statement of Reasons that this provision does not require clarification. TCR encourages the CEC to clarify that Section 1394(a)(2) does not limit suppliers' voluntary disclosure in marketing or retail materials of *additional information* related to GHG emissions intensity beyond the required disclosure on the power content label.

Thank you again for the opportunity to participate in the development of this potentially highly useful resource. Should you have any questions about these comments or corporate GHG inventory accounting practices generally, please do not hesitate to contact me at mzilinskas@theclimateregisty.org or (213) 542-0283.

Sincerely,

Michelle Zilinskas

Michelle Zilinskas
Senior Manager of Registry Services