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PG&E Comments on Proposed Updates to the Power Source Disclosure Regulations

Additional submitted attachment is included below.

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California Energy Commission
Docket Number 21-OIR-01
715 P Street
Sacramento, CA 95814

RE: CEC Pre-Rulemaking Workshop on Updates to the Power Source Disclosure Regulations

I. Introduction

Pacific Gas and Electric Company (PG&E) appreciates the important work undertaken by the California Energy Commission (CEC) and other key stakeholders in support of implementing the statutory directives of Senate Bill (SB) 1158. PG&E believes that SB 1158 is an important step in statewide policy to provide customer transparency, accurate reporting for retail suppliers, and environmental integrity of the electric sector's contribution to California's clean energy goals through hourly generation and emissions reporting.

Importantly, SB 1158 is also intended to provide a mechanism for the California Public Utilities Commission (CPUC) to assess retail suppliers' (e.g., load serving entities') progress towards achieving greenhouse gas (GHG) emissions targets pursuant to Section 454.52 of the Public Utilities Code.

PG&E looks forward to continuing discussions with the CEC and other key stakeholders during the Rulemaking process to ensure California meets its clean energy goals. Sections II.A-B of PG&E's comments highlight the importance of leveraging the existing over-procurement methodology (e.g., the waterfall approach) and aligning with the CPUC's Clean System Power (CSP) methodology, while Sections II.C-D focus on additional recommendations to support the accuracy of hourly generation and emissions reporting.

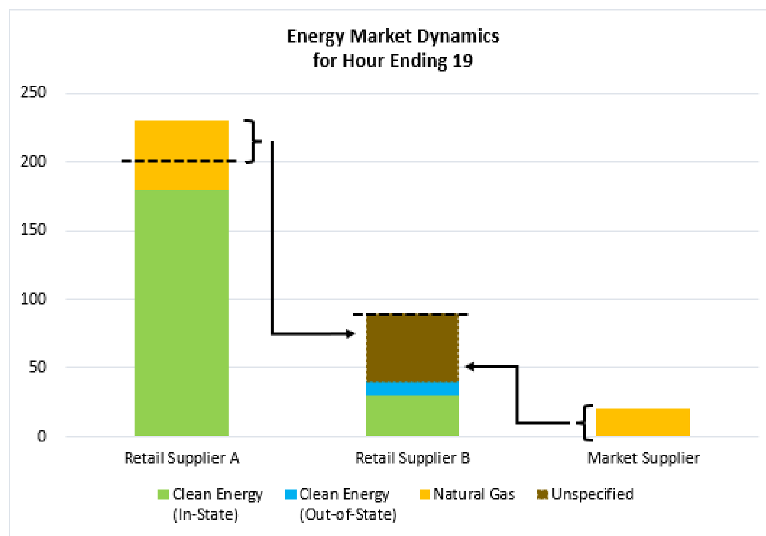
II. PG&E's Comments

A. The Staff Paper's proposed accounting methodology for under- and over-supply of generation and GHG emissions intensity appears to be inconsistent with legislation and unfairly provides an advantage to retail suppliers that rely upon CAISO market purchases (e.g., unspecified power) to meet their load.[1]

[1] SB 1158 requires the reporting of a retail supplier's electricity sources and the associated GHG emissions of those electricity sources used to serve its loss-adjusted load during the previous calendar year. In adding Section 398.6 to the Public Utilities Code, the Legislature requires additional precision concerning the hourly reporting of generation and GHG emissions applicable to a retail supplier's loss-adjusted load.

PG&E interprets the legislation to require GHG emissions intensity accounting wherein a retail supplier that has an over-supply of generation to serve its load, for any given hour, should not be held accountable for any associated GHG emissions from that over-supply of generation that was effectively used to serve another retail supplier's load. PG&E's interpretation is consistent with the changes in GHG emissions intensity accounting as directed by SB 1158. Importantly, the legislative analysis of SB 1158 states that proponents of SB 1158 had significant concerns with an "annual methodology's failure to capture reliance on unspecified power by retail suppliers during many hours of the year (much of which is primarily produced by fossil fuel generation)."[2]

PG&E believes that the CEC's current Power Source Disclosure (PSD) regulations are positioned to recognize and account for circumstances of hourly under- and over-supply of generation. There is no need to make a fundamental change to current PSD regulations that would effectively provide an unfair advantage to retail suppliers that rely upon CAISO market purchases to meet their load.[3] To further demonstrate, assume Retail Supplier A, Retail Supplier B, and a Market Supplier (e.g., generation owner) participate in the CAISO's energy market. Retail Supplier A has contracts with both clean energy generation and natural gas generation in excess of its hourly load, while Retail Supplier B has contracts with both clean energy generation and out-of-state generation less than its hourly load. Because Retail Supplier B is undersupplied, in this given hour, Retail Supplier B relies upon its contracts and purchases of "unspecified power" in the CAISO's energy market. Under the Staff Paper's proposed accounting methodology, Retail Supplier A would be held responsible for the GHG emissions intensity of natural gas generation that was not necessary to meet Retail Supplier A's load that was effectively used to meet the load of Retail Supplier B. PG&E believes this is an inequitable approach and appears to be inconsistent with legislation. Any assertion that the GHG emissions intensity needs to be attributable to the original procuring party is flawed and would penalize certain retail suppliers when, in fact, that generation was being used to serve another retail supplier's load.



[2] *See* the Office of Senate Floor Analyses on SB 1158, p. 7, available at https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202120220SB1158#.

[3] *See* the CEC's Final Statement of Reasons, p. 10, stating that over-procured resources may be resold back to the grid as unspecified power, available at https://efiling.energy.ca.gov/GetDocument.aspx?tn=232946-2&DocumentContentId=65394.

By requiring Retail Supplier A to take on the GHG emissions intensity used to serve Retail Supplier B's load, Retail Supplier B's GHG emissions intensity would be inaccurate and lack customer transparency. To the extent that a retail supplier cannot meet its load through specified sources, retail suppliers that lean upon the CAISO market to serve their customers should be accountable for those GHG emissions intensity.

B. PG&E recommends aligning the CEC's hourly accounting methodology with the CPUC's CSP emissions methodology to meet the directives under SB 1158.

Under the CPUC's CSP emissions methodology, a retail supplier's emissions intensity is calculated on a net hourly basis, based on the calculator's "net system power" measure. This calculation compares a retail supplier's customer demand and its clean energy supply across a given hour. If a retail supplier's clean energy supply exceeds demand, this value is negative to reflect supplying excess clean power to the system. If a retail supplier is relying on system power, a positive value is shown. The net system power in each hour is then multiplied by the system emissions intensity, assigning the emissions intensity to retail suppliers relying on system power.

Because SB 1158 directs the CPUC to use the annual PSD reports to review the total emissions intensity of each retail supplier and assess whether each retail supplier's procurement plans are demonstrating adequate progress towards achieving the state's clean energy goals, it is critical that the hourly accounting methodology across both agencies is aligned.[4] However, as currently proposed, the Staff Paper's hourly accounting methodology would result in significant inconsistencies.

While the Staff Paper's proposal indicates that the need for the change is intended to capture any leakage of GHG emissions intensity, PG&E does not believe that such a change is necessary. Specifically, the CPUC's CSP methodology allows the CPUC to account for all system emissions, while correctly allocating emissions intensity to retail suppliers *that are relying on system power to meet their load requirements*. This methodology avoids double counting of emissions on both the sale and purchase side and would be consistent with the hourly approach required in the PSD regulations. PG&E recommends that the CEC and CPUC coordinate on the methodology to ensure alignment and consistency to meet the directives of SB 1158.

C. The CEC should consider the accuracy of using the default GHG emissions factor for unspecified power when switching to hourly accounting and the implications should CARB update this emissions factor.

As the CEC moves to hourly generation and emissions accounting, the CEC should consider if CARB's default GHG emissions factor for unspecified power (e.g., 0.428) may be too low to properly reflect emissions intensity to serve load in the hours when unspecified power is being used. In other proceedings, stakeholders have been requesting that CARB update this emissions factor, with presumptions that an update would lower the unspecified power rate. While CARB has not yet indicated it will update this emissions factor, should CARB move to do so in its current Cap-and-Trade rulemaking or a future process, the CEC should also consider the implications of such an update on the PSD regulations and reports.

[4] Public Utilities Code 398.6(g)(1).

D. PG&E recommends that the CEC incorporate additional workshops and stakeholder commenting periods into its Rulemaking schedule to address key issues.

PG&E understands that the CEC will be initiating a Rulemaking in the coming months to update the PSD regulations to implement SB 1158. SB 1158 requires the adoption of these regulations by June 1, 2024, for the reporting of hourly generation and emissions data to the CEC beginning in 2028.[5] To adequately address several key issues, PG&E recommends that the CEC incorporate additional workshops and stakeholder commenting periods into its schedule prior to finalizing its PSD regulations.

As highlighted above, it is important that this Rulemaking process provide sufficient time for stakeholders to develop methodologies that are both consistent with the statutory directives of SB 1158 and provide a mechanism for the CPUC to assess progress towards achieving California's clean energy goals. Further, PG&E agrees with the Staff Paper that there is a need to develop rules for allocating generation either sold to multiple buyers or allocated through the CPUC's Voluntary Allocation and Market Offer (VAMO) framework.[6] It is critical that any methodology or rule for VAMO-related contracts recognize the market-sensitive nature of the generation data, especially at the hourly level, and does not place PG&E or other retail suppliers at a competitive disadvantage.

III. Conclusion

PG&E appreciates the opportunity to comment on the workshop held on September 26, 2023, and the CEC's Staff Paper and looks forward to continuing to collaborate with the CEC and other key stakeholders. Please reach out to me if you have any questions.

Sincerely,

Josh Harmon
State Agency Relations

[5] Public Utilities Code 398.6(c).
[6] Staff Paper, p. 6.