

DOCKETED

Docket Number:	17-IEPR-07
Project Title:	Integrated Resource Planning
TN #:	216320
Document Title:	SCPPA-NCPA "Energy Principals" Letter
Description:	N/A
Filer:	System
Organization:	Southern California Public Power Authority (SCPPA) and Northern California Power Agency (NCPA)
Submitter Role:	Public Agency
Submission Date:	3/2/2017 10:11:22 AM
Docketed Date:	3/2/2017

Comment Received From: Tanya DeRivi

Submitted On: 3/2/2017

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SCPPA-NCPA "Energy Principals" Letter

Attached is the August 2016 SCPPA/NCPA "Energy Principals" letter referenced by Chair Weisenmiller during the February 23 morning workshop on GHG target setting, and requested to be docketed.

Additional submitted attachment is included below.



August 17, 2016

Mary Nichols, Chair, California Air Resources Board
Robert B. Weisenmiller, Chair, California Energy Commission
Stephen Berberich, President and Chief Executive Officer, California Independent System Operator

Dear California Energy Principals:

The Southern California Public Power Authority (SCPPA) and the Northern California Power Agency (NCPA) and their Members have been working diligently to make investments that drive us toward meeting 2020 and 2030 climate goals. We have been navigating California's complex energy and climate regulatory structure via participation in each of your agencies' public regulatory processes and meetings with agency staff. However, we think it would be beneficial to all stakeholders and the agencies themselves to further evaluate how each state energy agency can work towards ensuring that California's ambitious climate change policies are being implemented in a complementary, collaborative, and cohesive manner. While it is widely recognized that significant challenges lie ahead for California to combat the effects of climate change, it should also be recognized that we will not be able to achieve transformative long-term progress if the energy agencies (and their staffs) do not work in parallel to implement these policies.

SCPPA and NCPA appreciate the past opportunities to actively engage in public processes and meetings with staff at each of your agencies. We will continue to offer feedback as the implementation of SB 350 and AB 32 directives moves forward. As your partners in achieving these climate goals, we propose the creation of a transparent, cross-agency working group to help facilitate discussions between agency staff and stakeholders on these critical policy matters.

While we appreciate that each state agency's jurisdiction covers separate policies and programs that overlap in many ways, we write to alert agency leaders that implementation of programmatic preferences within a single agency are resulting in contradictory outcomes that jeopardize the ability of these programs to realize the maximum potential benefits of the state's energy policies. Any one policy can adversely impact interlinked efforts, underscoring the need for agencies and stakeholders to actively work in alignment. It is imperative that we collaboratively develop practical and interactive solutions that ultimately work toward achieving the end goal of reducing greenhouse gas emissions in an economically feasible manner. For example, the Cap-and-Trade Program should work to *complement* the Renewables Portfolio Standard – the latter of which has achieved the bulk of the GHG emissions reductions efforts sought to date. (Indeed, AB 32 directs the Air Resources Board to collaborate with its sister agencies to “minimize duplicative or **inconsistent** regulatory requirements.”)

With the significant programmatic changes brought about by recently-enacted legislation comes the sizeable task of re-assessing existing programs' design and making adjustments to ensure that programs are crafted to continually support their original intent while operating within a new policy landscape. However, energy stakeholders, including SCPPA and NCPA, have identified several contradictory implementation practices within the energy agencies that are resulting in conflicting policies across the myriad of programs. Unfortunately, efforts to reconcile differences with agency staff over the last several months have not been completely successful. In order to facilitate the efficacy of these efforts, we now seek Energy Principal-level leadership attention to address these programmatic concerns –

that will reduce policy effectiveness or are inconsistent with achieving even greater emissions reductions – by developing a framework for addressing these issues across regulatory agency silos and in concert with industry partners. The following are key high-profile examples of issues that would benefit from such a coordinated effort, and that require your immediate attention:

- **RPS Adjustment.** Consistent implementation of the RPS Adjustment provisions under the Cap-and-Trade Program is a critical component of ensuring continued successful and cost-effective RPS implementation by not prejudicing in-state versus out-of-state renewables. We urge the CEC and CAISO to engage ARB to better understand and remedy the industry-wide ramifications that eliminating the RPS Adjustment would have on current and future RPS goals, renewable investments, and electricity markets.
- **CAISO EIM & Regionalization GHG Accounting.** We understand that ARB staff identified a concern, based upon a limited set of preliminary draft data, that the CAISO Energy Imbalance Market GHG emissions accounting does not consider the climate impacts of “secondary dispatch” resources that are being used to indirectly serve California load. The implications of remedying this concern are significant. We believe that further and more robust inter-agency evaluation (based on a more comprehensive data set) and *meaningful* stakeholder engagement are necessary to fully understand the issue and the magnitude of the impact, as well as the realm of possible solutions and resulting impacts. It is also critical that each agency have an equal voice in matters that directly impact their primary mission. Without a fix, any potential EIM benefits will be eviscerated by ARB carbon cost compliance obligation accounting. Further magnifying the need for inter-agency coordination is the fact that we (as a state) have yet to thoroughly explore how these GHG emission accounting efforts may translate to a broader, regionally-integrated market. This issue has indeed proven to be an extremely contentious one amongst neighboring states in regionalization discussions.
- **Transportation Electrification.** We urge agency staff to promote and properly credit the utility industry's efforts in this regard – artificial programmatic constraints send the wrong signal on the importance of this effort and contradict SB 350 requirements. Waiting until after 2020 to address transportation electrification allowances for utilities conflicts with simultaneous efforts to implement ARB's own Mobile Source Strategy and Governor Brown's Zero Emission Vehicle Action Plan.
- **Energy Efficiency.** We urge state regulators to dedicate sufficient resources to undertake significant customer education initiatives throughout the state to ensure that deployment of energy efficiency measures can meet the doubling of savings goal mandated by SB 350. Otherwise, we fear that energy efficiency goals will not be met if they must compete against well-funded and prolific renewables advertising campaigns (specifically rooftop solar). Reducing our overall energy consumption is a prime example of a cost-effective method for mitigating the impacts of GHG emissions throughout the state.

The historic utility business model has been undergoing changes of an unprecedented magnitude, from energy efficiency and flattening load growth to extraordinary levels of renewables integration to smart meters and transportation electrification. As the State's policy partners, we continue to work with the state agencies toward achieving a more sustainable future for California -- but the myriad of policies must work together, as must both leaders and staff at the various agencies implementing those policies. We seek the commensurate degree of understanding from agency staff and urge your leadership in working alongside stakeholders towards reconciling contradictory policy and program implementation concerns that collectively are hampering efforts to get us to where we, as a State, are going with climate and energy policies.

Thank you very much for your consideration.



BILL D. CARNAHAN
SCPPA Executive Director



RANDY S. HOWARD
NCPA General Manager