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Additional submitted attachment is included below.



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California Energy Commission
Docket Office
1516 Ninth Street
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RE: Docket No. 16-OIR-05, Update to the Power Content Label to Comply with AB 1110

Dear Commissioners:

Introduction

San Diego Gas & Electric Company (“SDG&E”) is pleased to provide written comments, and makes recommendations to address the proposed update to the Power Content Label (“PCL”) format to comply with AB 1110, enhance transparency, provide consistent information across Retail Suppliers (“RSs”) regarding their purchases on behalf of their customers, and provide correct incentives for reducing greenhouse gas (“GHG”) emissions. The provisions of AB 1110 require that the California Energy Commission (“CEC”) develop a methodology for the calculation of GHG emissions intensity for each purchase of electricity by a RS to serve its retail customers as well as the GHG emissions intensity associated with statewide retail electricity sales based on the GHG emissions for total California system electricity.

As part of its comments, SDG&E believes it is important for the CEC to account for the following considerations. First, the PCL is a reporting mechanism intended to provide information about the energy resources purchased to serve load, and is different than other programs and reports such as the California Public Utility Commission’s (“CPUC”) Renewable Portfolio Standard (“RPS”) program and the California Air Resources Board (“CARB” or “ARB”) Mandatory Greenhouse Gas Emissions report (“MRR”). Because these programs/reports are measuring different activities by definition, SDG&E recommends that the CEC and CARB be mindful of this and use reports for their intended purpose. Further, SDG&E recommends that the CEC coordinate closely with ARB to minimize differences in methodologies to the extent possible and arrive at a PCL that is useful for customers.

Secondly, while SDG&E’s recommendations attempt to improve transparency in the PCL, these recommendations may not capture all of the ramifications that should be addressed. For example, because the PCL is based upon electricity purchases, SDG&E notes concerns regarding the robustness of comparisons of GHG emissions intensity between RSs based upon the PCL. SDG&E (as the regulated utility for its service area) is required to make resource acquisitions, such as new, local gas-fired peakers, on behalf of all customers in its service area (including those of other RSs), for reliability purposes. These gas-fired peakers likely have higher emissions rates than unspecified sources of power, which if only assigned to SDG&E’s bundled customers, would make its GHG emissions intensity

larger than that of other RSs who do not have to make such reliability resource acquisitions (yet such RSs benefit from the reliability created by these acquisitions and pay for their pro-rata share of costs for these). In addition, the plants are dispatched by the California Independent System Operator (“CAISO”) to meet grid wide needs, not that of a specific RS. Accordingly, the CEC needs to give additional thought as to how GHG emissions will be assigned to various RSs. Failure to address these issues will result in a PCL that fails to meet a major objective, that is to provide information to consumers so that they can make informed decisions.

Annual Sales

The law recognizes that: (i) RSs procure a total power portfolio and then may use this power portfolio to provide various electricity offerings to their bundled retail customers (398.4(k)(1)); (ii) information on both a consolidated and electricity offering by electricity offering basis is valuable (398.5(a)); and (iii) transparency is required to enable informed consumer decisions (398.4(b-d)). Under the current PCL format, the portfolio composition of each RS’s electricity offering is clear; however, what is not clear is the volume of customers participating in each electricity offering. In order to improve and provide transparency, information should be provided on an overall portfolio basis, as well as an individual electricity offering basis so that customers can understand an RS’s overall electricity portfolio composition. The CEC itself will receive information from RSs on a consolidated and electricity offering by electricity offering basis (398.5(a)), there is no reason to not also provide the same information on an aggregated basis to consumers. It is within this context that the following questions are answered.

- 1. What should be the programmatic definition of “annual sales”?**
- 2. What should be the programmatic definition of “electricity portfolio”?**
- 3. What should be the programmatic definition of “electricity offering”?**

The law requires RSs to provide data annually to both customers and the CEC regarding the electricity portfolios offered to their retail customers. The terms in question 1-3 are interrelated, and based upon the language within AB 1110, SDG&E proposes the following definitions (rationales and supporting portions of statute are listed below the proposed definitions):

- Proposed definition of “Annual Sales” (398.4(g)(1)): total annual retail sales of RS
 - Rationale: 398.4(g)(1) uses the words “retail supplier’s... annual sales” – RSs sell to their retail customers, therefore their annual sales should be defined as “total annual retail sales”¹
- Proposed definition of “Electricity Portfolio” (398.4(k)(1)): the total of specified and unspecified electricity purchases of a RS provided to its retail customers under each of the RS’s electricity offerings (examples: IOU bundled portfolio, IOU Green Tariff Shared Renewables Program, etc.)
 - Rationale:
 - 398.4(d) specifies that all disclosures required by 398.4 be made for each portfolio offered to retail customers, recognizing that RS’s may take their total portfolio and create one or more electricity offerings
 -

¹ When calculating the percentage of each electricity product offered through a particular portfolio, the proportion of total annual retail sales attributed to that portfolio should be used, and when making the calculation for the RS’s overall portfolio, the entire volume of total annual retail sales should be used.

- 398.4(g)(1)(A-B) requires that disclosures include both specified and unspecified sources
- 398.4(k)(1) uses the words “any electricity portfolio offered to retail customers,” which based upon the above recognizes that RSs utilize their total portfolio of specified and/or unspecified sources to create one or more electricity portfolio offerings for their customers
- Proposed definition of “Electricity Offering” (398.5(a)): electricity portfolio
 - Rationale: 398.5(a) requires the provision of information to the CEC for “each electricity offering” as well as the disclosures made under 398.4 – there is no rationale for referencing 398.4 unless “each electricity offering” is intended to have the same meaning as “any electricity portfolio offered to retail customers” under 398.4(k)(1)

Renewable Energy Credits (“REC”)

As described above and on the CEC’s website, the PCL is intended to provide information to consumers so that they can make informed decisions – it displays the sources of actual annual electricity procurement as a result of each RS’s portfolio of contracts so that consumers can understand their RS’s power source purchases as compared to other RSs and the state as a whole. It includes generation from: (i) facilities that use a technology eligible for California’s RPS program (for example, solar and wind); (ii) conventional sources (such as natural gas and coal); (iii) unspecified sources (for example, market transactions that cannot be traced to a specific facility); and (iv) resources not falling into the previous three categories.² Structuring the renewables section of the PCL so that it is both understandable and useful is particularly important as the RPS program provides for various products, not all of which result in the delivery of renewable electricity. As described below in more detail, SDG&E recommends that the PCL only include data from power purchase contracts for which an RS has purchased both the REC together with the underlying power.

1. Should retail suppliers be required to report the purchase of eligible renewable energy resources based on the year that the renewable electricity was generated or based on the year that the REC is retired, if the two years differ?

The PCL is intended to provide a summary of annual sales, as such, RSs should be required to report the purchase of eligible renewable energy resources based on the year that the renewable electricity was generated.

2. How should firm and shaped electricity products be categorized for the power-mix percentage calculations? Specifically, should these products be categorized based on the fuel-type of their REC or the fuel-type of their substitute electricity?

See response to questions 4-5.

3. How should greenhouse gas emissions intensities be calculated for firm and shaped electricity products? Specifically, should the greenhouse gas emissions intensity for these products be calculated based on the emissions profile associated with the generation source of their REC or based on the emissions profile of their substitute electricity?

² http://www.energy.ca.gov/pcl/power_content_label.html

For a qualifying firm and shaped transaction, CPUC Decision 11-12-052 requires both the simultaneous purchase of energy and RECS from an RPS eligible facility (without selling the energy back to the generator), and a substitute energy purchase.³ Therefore, the GHG emissions intensity calculation should occur for both the generation source of the REC and the substitute electricity purchase. PCL assumptions (i.e. the PCL quantifies purchases) may not necessarily conform to the assumptions within the ARB Cap-and-Trade and MRR (i.e. ARB Cap-and-Trade and MRR track actual emissions due to dispatches, not purchases). Different assumptions used for content disclosure and emissions intensity calculations would create inconsistencies, thus increasing confusion, contrary to the transparency goal of the PCL. The CEC should be consistent with the PCL methodology, and should work with the ARB and parties in developing these calculations. Therefore, to be consistent with the PCL methodology, the GHG intensity should be based on the electricity purchased under contract without regard to dispatch issues.

- 4. Should unbundled RECs (PCC 3) be reflected in the power mix or disclosed separately on the Power Content Label? What factors should be considered in making this determination?**
- 5. How should null power be categorized for the power-mix percentage calculations? How should the greenhouse gas intensity of null power be calculated?**

Questions 2, 4, and 5 ask how to treat three electricity products (firmed-and-shaped, tradable RECs, and null power) related to the RPS program. The treatment of these products should be looked at through the lens of the PCL's objective – to provide an apples-to-apples, simple breakdown of the actual portfolio of electricity purchased by RS's each year. Customers may not be familiar with the California Public Utilities Commission's ("CPUC's") RPS Program and associated renewable electricity product content categorization parameters, and while it is important to be mindful of the criteria set forth in the RPS program, conforming the PCL to the RPS program may not serve the PCL's objective. Instead, the PCL should be structured in a such a way as to: (i) include annual electricity purchases only; (ii) discern between in-state and out-of-state resources; and (iii) avoid double-counting. This will ensure that customers are equipped to understand the power mix that has been provided to them by the RS, including where the renewable electricity within that power mix originated. To accomplish this, SDG&E recommends the following:

- **Format:** Add 2 rows under the "Eligible Renewable" section of the PCL to denote In-State and Out-of-State products.
 - Immediately following the "Eligible Renewable" heading, add an "In-State" sub-heading under which the renewable technologies are listed.
 - Following the last renewable technology listed ("Wind"), add an "Out-of-State" sub-heading.
- **Content:** Only bundled renewable electricity products (those where the contract includes both the REC and underlying power) should be classified as renewable and included within the PCL, and they should be categorized based on the RS's contract with the facility supplying the bundled product.
 - In-State
 - Bundled renewable electricity products purchased from within the state of California would continue to be classified by technology under the "In-State" sub-heading.

³ D.11-12-052 p. 47.

- Out-of-State
 - Bundled renewable electricity purchases made outside of the state of California would be included in the new “Out-of-State” row, and for simplicity would not be classified by technology.
 - Note that an out-of-state transaction may be later firmed-and-shaped, and if so, the CPUC requires a sequence of transactions to create this product. The underlying bundled electricity contract (the initial transaction) is renewable and should be included in the “Out-of-State” row. The treatment of any subsequent transactions necessary to achieve the firmed-and-shaped designation should not be included in the “Out-of-State” row and are addressed below under “Other Products.”
- Other Products
 - Tradable or Category 3 RECs: This product is not a bundled renewable electricity purchase and should not be included in the PCL as is current practice.
 - Null Power: This product is renewable power that has been stripped of its renewable component (the REC). This product is not a bundled renewable electricity purchase, however it is electricity, and as such should be classified as unspecified. This is consistent with the general treatment of null power, though inconsistent with ARB Staff’s interpretation of its regulations.⁴
 - Substitute Electricity Contract: This is the electricity purchased to provide the firming and shaping component of a firmed-and-shaped product. It is not a bundled renewable electricity purchase and should be classified based on the underlying technology of the substitute electricity contract (i.e., natural gas, coal, etc.).

Without the changes above, double-counting and/or misinformation could occur:

- Double-Counting: An RS buys an out-of-state renewable electricity product and includes this purchase within its PCL. This same RS sells the associated null power to another RS, which then reports this electricity as renewable on its PCL.
- Misinformation: An RS purchases large volumes of tradable RECs and then reports them on its PCL as renewable electricity, although these purchases resulted in no purchased electricity.

GHG Intensity Factor

- 1. AB 1110 defines “greenhouse gas emissions intensity” as the “sum of all annual emissions of greenhouse gases associated with a generation source divided by the annual production of**

⁴ From the Federal Trade Commission, “In addressing these issues in the Green Guides, the Commission did not provide specific guidance on the content of REC-related claims made by power producers who generate renewable energy as a substantial portion of their business. However, it did warn that power providers that sell null electricity to their customers, but sell RECs based on that electricity to another party, should keep in mind that their customers may mistakenly believe the electricity they purchase is renewable, when legally it is not. Accordingly, it advised such generators to exercise caution and qualify claims about their generation by disclosing that their electricity is not renewable.”

electricity from the generation source.” Are there any reasons to consider calculating GHG emissions intensities using greenhouse gases other than those accounted for in both MRR and the EPA’s Greenhouse Gas Reporting Program?

If the PCL will use annual generator specific emission factors (in metric tons per megawatt hour (“MT/MWh”)) as calculated and/or verified and published by ARB and the Environmental Protection Agency, then yes this factor is appropriate to use. If on the other hand, the intention is to use ARB published emission volumes (in MT), then this may not be appropriate if the output of a plant is only partially assigned to the RS. In this case, only a portion of the published emissions should be assigned to the utility’s PCL. Examples include jointly-owned power plants and combined heat and power facilities. There needs to be a mechanism for pro-rating the emission volumes published by ARB or for calculating the emissions and emission factor based on the MWh volume.

2. What are the concerns, limitations, and benefits of relying on GHG emissions reported to the MRR program for the development of GHG emissions intensities for in-state and out-of-state facilities?

See response to Question 1.

3. Should GHG emissions classified as non-covered or exempt under the Cap and Trade Program be included in PCL greenhouse gas intensity calculations?

Yes. Zero emission or low emission facilities contribute to the overall utility emission factor regardless of their categorization in Cap-and-Trade.

4. Should the Power Disclosure Program adopt ARB’s default factor as the greenhouse gas intensity for unspecified power?

Yes. The default emission factor’s use would increase consistency in the reporting of emissions data, is immediately available, and is like having natural gas on the margin 100 percent of the time. It is likely the case that natural gas is on the margin where annual data is used for renewables and all renewable electricity is claimed by RSs. It is noted that the annual data on renewable electricity masks the GHG intensity that varies by hour, where renewables may more and more be on the margin. Therefore, the GHG intensity of the PCL is not appropriate for use in other areas such as with Integrated Resource Planning.

5. Energy procured through the Energy Imbalance Market (EIM) is reported under the MRR program as specified electricity. What greenhouse gas intensity factor should be assigned to electricity procured through the Energy Imbalance Market (EIM)?

The ARB and the California Independent System Operator are working to finalize how EIM energy will be tracked and accounted for. To the extent that emission factors for EIM are published by these agencies, then the PCL should use those published factors. In the absence of EIM specific emission factors, the default emission factor should be used. “Outstanding emissions” or “secondary dispatch emissions” should not be considered for reasons of transparency and simplicity.

POU GHG Intensity Adjustment

- 1. What quantities of electricity have been generated in previous years that stakeholders believe would qualify for this adjustment?**

SDG&E has no comment.

Please feel free to contact me for more information.

Yours sincerely,

/s/ Tim Carmichael

Tim Carmichael

Agency Relations Manager

Gas Sustainability