DOCKETED

Docket Number:	16-OIR-05
Project Title:	AB 1110 Implementation Rulemaking
TN #:	217747
Document Title:	Pacific Gas and Electric Comments PG&E Supplemental Comments Regarding GHG Methodology
Description:	N/A
Filer:	System
Organization:	Pacific Gas and Electric
Submitter Role:	Public
Submission Date:	5/26/2017 11:08:18 AM
Docketed Date:	5/26/2017

Comment Received From: Pacific Gas and Electric
Submitted On: 5/26/2017
Docket Number: 16-OIR-05

PG&E Supplemental Comments Regarding GHG Methodology

Additional submitted attachment is included below.

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May 26, 2017

POSTED ELECTRONICALLY TO DOCKET 16-OIR-05

California Energy Commission
Dockets Office, MS-4
Docket No. 16-OIR-05
1516 Ninth Street
Sacramento, CA 95814-5512

Re: Docket 16-OIR-05: Pacific Gas and Electric - Supplemental Comments to Add to the Record Regarding Issues Discussed with California Energy Commission Staff

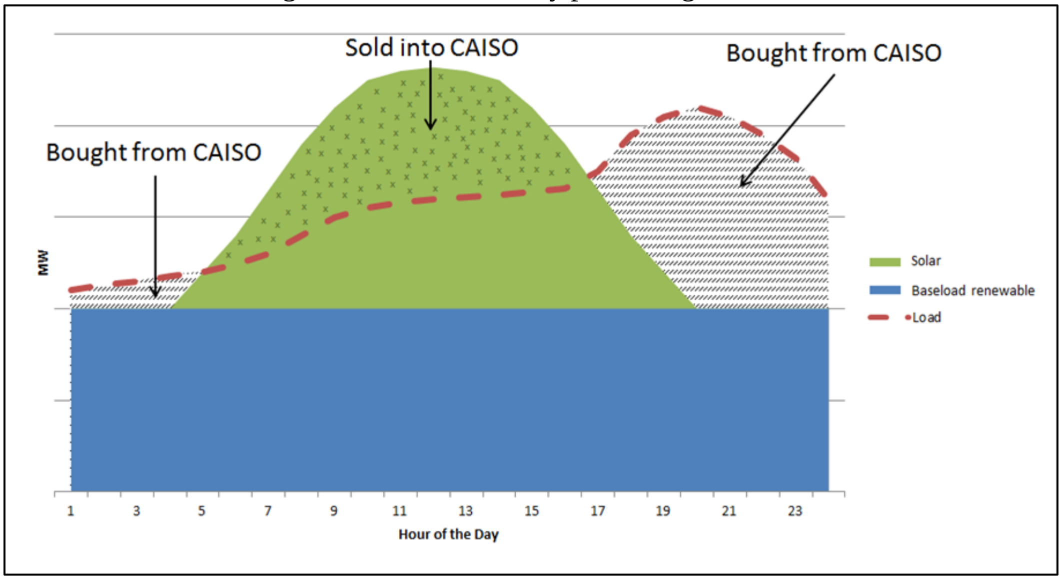
Pacific Gas and Electric Company (PG&E) met with the California Energy Commission's (CEC) Deputy Director for Renewables, Courtney Smith, and the Assembly Bill (AB) 1110 implementation lead, Jordan Scavo, on May 9, 2017. The primary purpose was to share with the CEC some of the complexity that exists in reporting the greenhouse gas (GHG) intensity of resources used to serve load.

PG&E discussed the current methodology used by load serving entities (LSE) to identify generation sources in LSEs' Power Source Disclosure (PSD) reports to the CEC. Today's methodology is appropriate when there are limited parties buying and selling energy to meet load and LSEs' portfolios are generally matched to the profile of their load. However, as today's electricity market is evolving, with more and more buyers and sellers of energy and portfolios that generate electricity not to meet load but to ensure receipt of tax incentives or other contractual commitments, the methodology is inadequate for today's markets and must be modified.

PG&E illustrated how the current methodology, if used to translate the energy deliveries from those resources into a GHG emissions intensity calculation, per AB 1110, could result in a mismatch when resources generate energy, not to meet load, but to sell into the marketplace. Until now, GHG emissions have only been reported to the California Air Resources Board (ARB) on a generation resource basis in California. However, AB 1110 will require each LSE to report the GHG emissions associated with its load in California, which will require careful consideration to ensure that the GHG intensity of each LSE's resource mix is accurately reported.

Resources are currently reported to the CEC on a "net annual basis" in the PSD Report, which does not reflect the actual electricity delivered to customers. This "net annual basis" calculation allows an LSE to generate more electricity than it needs to serve its load in some hours, and then credit that over production against market purchases in other hours. As shown in Figure 1 below, if that generation in excess of load that is sold into the system mid-day is GHG-free, but GHG emitting resources are needed to serve the LSE's load in the evening, the "net annual basis" methodology could result in the LSE reporting zero GHG emissions for its portfolio, even though GHG-emitting resources were used to meet its load. Such a result would be counter to the GHG intensity reporting requirements of AB 1110 and would be misleading to stakeholders as to which load is responsible for the GHG emissions.

Figure 1. Illustrative daily portfolio generation



Furthermore, when market purchases and sales are reported on a net annual basis, the daily or hourly variation in how an LSE's portfolio actually meets its load versus how much they rely on the market to balance load is lost. This has implications for GHG accounting because the emissions associated with an LSE's generation portfolio are not the same as the emissions associated with meeting that LSE's load.

Instead of reporting portfolio generation and market purchases on a net annual basis in the PSD report, a more granular approach should be developed. For example, an hourly comparison of each LSE's portfolio generation compared to that LSE's load in the same hour could be used as the basis for GHG accounting in the Power Content Label.

AB 1110 defined "purchases of electricity from specified sources" as "electricity transactions that are traceable to specific generation sources by any auditable contract trail or equivalent, such as a tradable commodity system, that provides commercial verification that the electricity source claimed has been sold once and only once to a retail consumer. Retail suppliers may rely on annual data to determine whether a transaction meets this definition, rather than hour-by-hour matching of loads and resources."[1] While this definition provides guidance on how an LSE might determine whether a given electricity purchase is from a specified source, it does not address how the retail seller should calculate the GHG emissions intensity associated with the electricity purchase. That is a separate inquiry. Consequently, PG&E does not believe this language prevents the CEC from requiring GHG emissions to be calculated on an hourly basis.

Sincerely,

/s/

Wm. Spencer Olinek

[1] Public Utilities Code 398.2(d)