

DOCKETED

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Sonoma Clean Power Authority Comments on Draft AB 1110 Staff Paper and July 14th Workshop

Additional submitted attachment is included below.



Sonoma Clean Power Authority

August 11, 2017

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

Filed Electronically

RE: *Sonoma Clean Power Authority Comments on Draft AB 1110 Staff Paper and July 14th Workshop*

Dear Ms. Smith,

Sonoma Clean Power Authority (“SCP”) provides the following comments on the Air Resources Board (“ARB”) staff’s concept paper for implementing AB 1110. The Power Source Disclosure (“PSD”) program will play a critical role in how we engage and inform our customers about the investments we have made on their behalf. It is important that the information provided through this program is accurate and easy to understand. SCP agrees that the emissions associated with unspecified source energy should be reported using the default emissions factor from ARB’s MRR. However, as evidenced by the chorus of concerns with the AB 1110 Implementation Proposal (the “Proposal”) at the July 14th workshop, it is clear that more work is needed to achieve the overarching PSD program objectives. In particular, the CEC staff should reevaluate the proposed treatment of Renewable Energy Credits (“RECs”) in the PSD program.

The PSD regulations should recognize that Procurement Content Category 2 (“PCC-2”) is bundled and that California ratepayers receiving PCC-2 have paid for the RECs and the energy output of PCC-2 resources. Conveying the emissions attributes to an unaffiliated purchaser of null power (as proposed in the Staff concept paper) will fundamentally mislead ratepayers and devalue their investments. The Proposal’s concept for conveying separate REC and emissions information will not be understood and will mislead customers as to the GHG emissions attributes of their power supply. To avoid these issues, the CEC should allow PCC-2 resources to be reported based on the emissions attributes of the contracted resource. Below, SCP details these and other comments on the staff proposal.

DISCUSSION

I. The PSD Program Should Recognize that PCC-2 Procurement Is Bundled By Assigning The Emissions Attributes to The Entity Holding The RECs.

The RPS rules require that a firmed and shaped contract must be for bundled procurement (i.e., the purchasing utility has procured both the RECs and the renewable power from the out of state resource). This contract structure enables utilities to procure cost effective carbon free resources under relatively short term contracts. Firming and shaping contracts also provide the buyer with the temporal flexibility to buy power at market when it is needed and sell power from the resource when the power is not needed. The Proposal would assign emissions attributes of firmed and shaped imports without any adjustment to account for the power purchased by the utility from the resource. By not recognizing the emissions attributes of the purchased power, the staff proposal will create at least three major problems for entities with PCC-2 investments.

First, the staff proposal will devalue PCC-2 investments. We understand that staff describes this program as “non-regulatory” insofar as it does not impose a direct regulatory cost the same way as other programs, such as the cap-and-trade. SCP disagrees with this assertion. Accurate communication with our customers about what they have and have not paid for is crucial to a utility’s business model. Telling customers that they received something (e.g., unspecified power) other than what they actually paid for (a bundled product) is a cost to the entities subject to this regulation.

Second, by not recognizing the emissions attributes of firmed and shaped resources, the staff proposal would fundamentally devalue the bundle of property rights that are conveyed to a buyer when they purchase from or invest in a firmed and shaped resource. The emissions attributes would be assigned to the market participants that purchased the null power from out of state resources. This directly conflicts with the attributes of a REC identified in the WREGIS operating rules, which provide that RECs convey all “credits, benefits, emissions reductions, offsets, and allowances—howsoever titled—attributable to the generation from the Generating Unit, and its avoided emission of pollutants.” Assigning the emissions attributes to wholesale market participants transacting null power is an unfair transfer of property at the expense of California ratepayers.

Third, the Proposal’s treatment of firmed and shaped resources would be confusing to customers. Most ratepayers do not appreciate the nuances between different types of wholesale electricity transactions and how utilities transact and schedule resources to serve load. Green-minded customers want to know that their utility has made investments in clean resources. The temporal flexibility and opportunity to make efficient use of transmission that firmed and shaped resources provide to utilities does not change the fact that the customer has invested in both the RECs and the actual output from an out of state facility. Conveying emissions data on the firming and shaping power delivered without an adjustment to account for the clean power procured by the utility will mislead customers to think that they have not invested in a clean resource.

For these reasons, the PSD regulations should take a simple approach of valuing firm and shaped resources based on the emissions attributes of the bundled procurement.

II. Recognizing the Contracted Emissions Attributes of Firm and Shaped Resources Is Consistent with AB 1110.

Nothing in AB 1110 requires the CEC to mirror the treatment of specified imports in the ARB's Mandatory Reporting Regulation ("MRR"). There is an important distinction in the term for specified import in AB 1110 and the MRR. Section 398.2(d) of AB 1110 defines a "purchase of electricity from specified sources" to mean "transactions that are traceable to specific generation." The term specified import in Section 95102(a) and 95111 of the MRR refers to electricity imports where there is both a contract and delivery into California (as proved through an e-tag). The Legislature could have incorporated the terms of the MRR into AB 1110, but they did not. Instead, the legislature used a term that does not incorporate the concept of delivery, but instead requires that the purchase to be "traceable." Bundled procurement is traceable to the source through the RECs and the written contract. Thus, there is a clear statutory basis for recognizing the emissions attributes of contracted, firm and shaped resources.

III. By Assigning GHG Emissions to Firm and Shaped Resources, the Proposal Will Drive Utilities Towards More Expensive Procurement.

The Proposal clearly favors PCC-1 procurement by only recognizing GHG emissions attributes when resources are generated in California, directly delivered to California or dynamically transferred. As discussed above, the PCC-2 contract structure provides flexibility for utility planners to cost effectively optimize their renewable resources with customer load and transmission availability. PCC-2 resources in the WECC can be reclassified as PCC-1 by purchasing transmission rights when power is actually generated or by dynamically scheduling them into the CAISO. However, doing so would add heavy costs to ratepayers (perhaps as much as 10%) without any climate benefit because the same amount of renewable generation would occur irrespective of whether renewables are characterized as PCC-1 or 2. SCP urges the CEC to avoid devaluing PCC-2 procurement and encouraging utilities to incur unnecessary and valueless ratepayer costs.

IV. The CEC Should Clarify the Reporting Requirements for Annual Sales and Provide Optional Reporting of Municipal Load.

The Definition of "Annual Sales" should be clarified on Page 6 of the Proposal. The Proposal states that "Staff proposes that annual sales should be defined as sales of electricity by a retail supplier to end-use customers...", but in the next paragraph, the Proposal states that "Staff proposes that annual sales should include transmission and distribution line losses..." These are two different things as annual sales typically include generation and imports needed to meet load, but not the retail load itself. The proposal should be clarified with respect to how annual sales should be calculated.

In addition, the Proposal states that Annual Sales must exclude municipal load from the annual sales calculation. This requirement adds significant complexity, particularly for small municipal utilities and CCAs. It is not clear what value this adjustment will provide, and to

avoid an unnecessary administrative burden, the CEC should allow utilities the flexibility to decide whether to adjust for municipal load.

V. Fugitive Geothermal Emissions Should Not Be Subject to PSD Reporting.

It is not clear why the Proposal would exclude biomass emissions, but not fugitive emissions from geothermal. In some cases the fugitive emissions from geothermal would occur naturally (i.e., the same rationale for excluding biomass emissions). In order to maintain consistency in the treatment of these two technologies, both geothermal and biomass should be treated as zero GHG emissions resources.

VI. Asset Controlling Supplier Purchases Should Be Distinguished From Unspecified Imports.

Asset Controlling Supplier (“ACS”) transactions are specified imports under the ARB’s MRR so long as the purchasing entity has a contract with the ACS (e.g., BPA) or with an entity that has contracted with the ACS. ACS transactions are assigned an emissions factor consistent with the supplier’s portfolio, which is updated annually. Most ACS entities have a significant amount of hydro in their portfolios and the ACS rate is lower than the unspecified emissions rate. Ratepayers receiving ACS power pay a premium for the lower GHG attributes of ACS power and the ARB has developed an effective regulatory process to ensure that ACS imports are assigned an appropriate emissions factor that accurately reflects the resources within ACS’s portfolio. The PSD regulations should be structured to ensure that customers receive accurate emissions information on the ACS imports. To do this, the CEC should ensure that ACS imports are characterized as specified resources, and that these imports are assigned an emissions rate that reflects the ACS’ portfolios. The CEC should rely on the ACS emissions rates calculated by the ARB.

CONCLUSION

SCP was deeply engaged in the development of AB 1110 and is concerned that the ARB staff has taken an approach that we did not envision when this bill was passed by the legislature. The proposed treatment of PCC-2 resources undermines the investment California ratepayers made in these bundled resources and transfers that value to wholesale market participants importing null power to California. The Proposal would fundamentally contravene the primary tenets of the PSD program: providing accurate and easily understandable information. SCP encourages the staff to recast the proposal to recognize the value of the contracted resource in a firm and shaped resource, as traced through the RECs. Doing so will ensure that California ratepayers receive accurate and easily understandable information on the emissions attributes of their investments.

Respectfully submitted,

/s/

Geof Syphers
Sonoma Clean Power Authority