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3Degrees Comments on Revised Assembly Bill 1110 Implementation Proposal for Power Source Disclosure

Additional submitted attachment is included below.

407 Sansome St., 4th floor
San Francisco, CA 94111

February 23, 2018

Jordan Scavo
Renewable Energy Office
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

RE: DOCKET NO. 16-OIR-05 – REVISED ASSEMBLY BILL 1110 IMPLEMENTATION PROPOSAL FOR POWER SOURCE DISCLOSURE SUBMITTED JANUARY 17, 2018

Dear Mr. Jordan Scavo,

3Degrees Inc. ("3Degrees") appreciates this opportunity to provide comments to the California Energy Commission ("Commission") in response to the *Revised Assembly Bill 1110 Implementation Proposal for Power Source Disclosure* ("PSD Proposal"). 3Degrees is a leading provider of comprehensive clean energy and carbon services that enable organizations and individuals to transition towards a low-carbon economy. 3Degrees works with organizations across California, including a number of California utilities, to help build and implement renewable energy strategies, products, and programs.

3Degrees' comments on the Power Source Disclosure ("PSD") program are based on a customer-oriented perspective informed by over a decade of experience working directly with customers—commercial, institutional, and residential—providing support and guidance in purchasing renewable energy and meeting carbon reduction goals. Further, 3Degrees' comments are based on the view that there are both physical and economic realities that contribute to the operation of the grid. While related, we believe they must be acknowledged as distinct in order to fully understand the forces behind how the grid operates and to successfully steer its future. Paying attention to the physical realities includes, for example, grid infrastructure and overall generation portfolio. California's work reporting on and monitoring success towards emissions reductions under AB32 are related to an accurate view of the physical reality of the grid. On the other hand, the economic dynamics of the grid have to do with, among other things, contractual ownership of energy on the grid. Within this context, specific end-users can make choices about the fuel types they wish to support and consume.

3Degrees believes that PSD is meant primarily to support and understand the economic reality of the grid. In this context, PSD is used by customers to understand the resource mix and emissions that have been delivered to them as customers, rather than the generation portfolio of the load-serving entity (LSE). Further, 3Degrees believes that providing information to individuals on the power they as customers consume is also the intention of the PSD program in California, and of the changes required pursuant to Assembly Bill ("AB") 1110.

Given this perspective, 3Degrees strongly opposes the PSD Proposal. The PSD Proposal introduces a structure for identifying delivered power and associated emissions that goes against fundamental principles of how specific energy resources are contractually delivered to customers. 3Degrees' view is that AB1110 implementation is being swept up into a larger conversation related to the physical realities of the grid and accurately accounting for generation-based GHG emissions across grid users. 3Degrees respects the desire of stakeholders in California to re-evaluate the allocation of responsibility for GHG emissions generated on the grid--these physical realities are critically important to understand our progress in achieving emissions reductions--but PSD is not the appropriate vehicle.

To bridge this gap, 3Degrees proposes revising the PSD Proposal in a way that acknowledges both the fuel types and emissions that are associated with contractual purchases of energy (consumption-based GHG accounting) and the physical reality of fuel types and emissions on the grid (source-based GHG accounting). The revised PSD Proposal should require, first and foremost, a breakdown of the resources, and the associated emissions intensity, that reflects the power contracted by the power provider for the relevant user(s) ("delivered power"). To address and report out on physical grid realities, the PSD should also include a state-wide emissions factor which is based on power generated on the grid, which is aligned with the Mandatory Reporting Requirement (MRR) and clearly labeled as representing generation.

The reporting of fuel type and emissions in association with delivered power should be aligned with other policies and guidelines related to supporting contractual delivery of electricity and retail claims to renewable energy use, such as California's RPS and WRI's GHG Protocol Corporate Accounting & Reporting Standard. As such, it should incorporate the following principles:

1. PSD reporting on delivered power should incorporate the definition of eligible renewable energy under the California Renewable Portfolio Standard ("RPS").

California’s RPS requires that a certain amount of renewable energy, all supported by retired RECs, be purchased and delivered to LSE customers. RECs that are purchased unbundled (Portfolio Content Category 3, or PCC-3) are equally recognized in California statute as renewable energy resources that meet the requirement of delivering renewable energy to customers. As a program meant to disclose energy procured on behalf of customers, PSD should include all purchases made on behalf of customers under the RPS, including unbundled RECs.

2. GHG emissions reporting about delivered power on PSD should respect RECs as the contractual instrument that conveys the full environmental benefits of renewable energy, as is defined in California law and the standards governing the regional market.

Since PSD is meant to represent the sources of energy associated with the electricity a LSE has delivered to its customers, the GHG emissions intensity factor reported to customers should also represent the power delivered to customers. The emissions benefit of renewable energy should be claimed by the entity that owns the RECs, and not by the entity that has the contract for the underlying electricity from a renewable energy facility (“null power”). Importantly, this aligns with the definition of renewable energy in California, which provides that all renewable and environmental attributes are contained in the REC, even when unbundled.

The PSD Proposal also should be aligned with the operating rules governing the Western Renewable Energy Generation Information System (“WREGIS”), which California uses in conjunction with other states in the region to ensure no double-counting of renewable energy. WREGIS defines a REC (or WREGIS Certificate) as conveying all of the renewable and environmental attributes of renewable energy generated. Assigning the zero-emissions profile of renewable energy generation to the underlying power after the RECs have been sold separately goes against WREGIS operating rules and threatens the regional renewable energy market.

3Degrees fears that the current PSD proposal will lead to double-counting and provide customers with confusing disclosure labels in which the GHG emissions intensity reported to them will have no relationship to the product they have purchased or the resource mix being reported to them. For example, a customer might sign up for a legitimate renewable energy offering where a portion of the renewable energy is procured as RPS-eligible PCC-2 or PCC-3 renewables. They will then receive a disclosure that indicates there are emissions associated with this renewable energy use. Rather than creating informed and engaged customers, we fear this is likely to create confused and frustrated ones.

3. PSD reporting on delivered power should support private investments in renewable energy in the region by aligning with the market-based reporting outlined in the GHG Protocol Scope 2 Guidance ("Scope 2 Guidance").

In order to support the increasingly important role that market-based purchasing has on driving renewable energy development above and beyond what is required by law, 3Degrees encourages PSD alignment with the principles of Scope 2 Guidance--the protocol used by most entities engaging in market-based purchasing of renewable energy. These principles include the concept that PSD should represent only the resources delivered to the customers receiving the specific PSD, and that renewable energy and its associated emissions should only be claimed if and when RECs are retired on behalf of the customer. When RECs have been sold off separately, the null power should be assigned the GHG emissions of the residual mix.

In terms of private contracts, LSEs should either be required to: (a) provide a distinct PSD for each product offering; or (b) only provide a PSD for their default offering, which would not include resources sold to customers of distinct product offerings, such as green power programs or green tariffs. Allowing LSEs to include the resources associated with private contracts on the default PSD will lead to double counting, de-value private contracts for renewable energy, and could lead to legal issues with those entities who legally own the RECs associated with the generation.

3Degrees is very concerned that if PSD in California does not respect the integrity of RECs, many purchasing options that customers are currently choosing to support and use renewable energy will no longer be viable. These include many green power programs, financial PPAs with facilities in CA, and self-supplied green power where the REC is retained by the system owner but the power is consumed by a California LSE, among others.

In order to preserve the renewable energy market in California and broader region, 3Degrees strongly encourages the Commission to re-evaluate the treatment of RECs in PSD and, in line with existing law and GHG accounting standards, recognize the distinction between the economic and physical realities of the grid. PSD is an important tool for California energy consumers, from residents to large corporate customers, who engage in market-based purchasing of energy. By not recognizing the value of this activity, PSD risks undercutting the established and growing market which has played, and should continue to play, an important role in renewable energy development. We look forward to continuing to engage with the Commission and other stakeholders on the implementation of AB1110.

Sincerely,

Maya Kelty

Maya Kelty
Senior Manager, Regulatory Affairs