

DOCKETED

Docket Number:	16-OIR-05
Project Title:	Power Source Disclosure - AB 1110 Implementation Rulemaking
TN #:	230338
Document Title:	Jay Bartlett Comments - Jay Bartlett and Dallas Burtraw - Resources for the Future - Comments on the Proposed Modification
Description:	N/A
Filer:	System
Organization:	Jay Bartlett/Resources for the Future
Submitter Role:	Public
Submission Date:	10/24/2019 1:06:12 PM
Docketed Date:	10/24/2019

Comment Received From: Jay Bartlett
Submitted On: 10/24/2019
Docket Number: 16-OIR-05

Jay Bartlett and Dallas Burtraw - Comments on the Proposed Modification

Additional submitted attachment is included below.



October 24, 2019

California Energy Commission

Docket Unit, MS-4

Re: Docket No. 16-01R-05

1516 Ninth Street

Sacramento, CA 95814-5512

Attention: AB 1110 Modification of Regulations Governing the Power Source Disclosure Program

As researchers at Resources for the Future (RFF), we are pleased to share the following comments to the California Energy Commission (CEC) on the proposed regulations governing the Power Source Disclosure (PSD) program and the Initial Statement of Reasons (ISOR).

RFF is an independent, nonprofit research institution in Washington, DC. Its mission is to improve environmental, energy, and natural resource decisions through impartial economic research and policy engagement. RFF is committed to being the most widely trusted source of research insights and policy solutions leading to a healthy environment and a thriving economy. While RFF researchers are encouraged to offer their expertise to inform policy decisions, the views expressed here are those of the individual authors and may differ from those of other RFF experts, its officers, or its directors. RFF does not take positions on specific legislative proposals.

The CEC has proposed that retail electricity suppliers may not use unbundled RECs to determine the fuel mix or GHG-intensity in the information they provide to customers under the PSD program. Although we agree that the proposed approach is appropriate for general compliance with California RPS and GHG policies, we believe that it presents problems when applied to disclosure rules to benefit consumer choice.

As the ISOR describes, the potential for double-counting of both renewable power and GHG-free electricity is a concern with unbundled RECs. With respect to renewable power, an unbundled REC may be derived from on-site solar generation, with both the retail supplier (holding the unbundled REC) and the site claiming the same renewable electricity.¹ For GHG-free electricity, an out-of-state generator (e.g., in Arizona) may sell an unbundled REC to the CA retail supplier, but Arizona may still be counting that GHG-free power in its mix.

However, if no other entity is claiming the renewable or GHG-free electricity, then the proposed method would result in the renewable energy (RE) and GHG benefits of an unbundled REC to be attributed to no one. Although underestimation of benefits may be preferred to overestimation in the context of policy compliance, that may not be as true for consumer choice. For example, a customer choosing between two suppliers with similar GHG-intensities (as measured by bundled RECs alone) may reasonably prefer the supplier with a lower GHG-intensity (as measured by bundled and unbundled RECs combined). One reason for this is the customer might infer that a bundled REC would provide geographically proximate associated attributes such as air quality benefits and economic development, but that GHG benefits would be the same regardless of the renewable project's location. The customer would not have this information—at least not in a form that would easily allow for such a comparison—under the CEC's proposal.

Beyond limiting potentially useful consumer information, the proposal may reduce the demand for voluntary RECs. As a practical matter, we cannot be sure how important voluntary RECs will be to the future development of wind and solar projects. Comments to the CEC cited studies, published in 2013 and 2014, which found that voluntary RECs were unlikely to have had much effect on renewable energy installations.^{2, 3} Voluntary REC prices have been low, and markets for voluntary REC contracts have been too short-term to be useful for project financing. However, with 2018 wholesale market values for wind of just \$15-20/MWh in the Great Plains

¹ However, it does seem unusual to fault the holder of the REC, rather than the site making a false claim (having sold the REC), for double-counting.

² Gillenwater, M. (2013). "Probabilistic decision model of wind power investment and influence of green power market." *Energy Policy*, 63: 1111-1125.

³ Gillenwater, M., Lu, X. and Fischleind, M. (2014). "Additionality of wind energy investments in the U.S. voluntary green power market." *Renewable Energy*, 63: 452-457.

(SPP RTO) region, the 2018 value of a voluntary REC in the western US of \$3/MWh may be meaningful, particularly in the face of the expiring production tax credits for wind.^{4, 5} For the continued deployment of wind and solar across the US, it may be important to maintain the sources of value that are available to renewable projects.

We believe a preferable method for the PSD program would be to provide customers with both the fuel mix and GHG-intensity based on bundled RECs alone (the proposed method, with the CEC's endorsement) as well as those calculations based on bundled and unbundled RECs combined (with the disclaimer that there may be double-counting of RE and GHG-benefits). This approach would provide customers with both a verified lower bound as well as an upper bound on the RE and GHG benefits of a retail electricity supplier. In doing so, it would establish rigorous standards for RE and GHG accounting while also preserving a robust incentive for California's retail suppliers to invest in voluntary RECs.

Sincerely,



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⁴ Wiser, R., and Bolinger, M. (2019). "2018 Wind Technologies Market Report." U.S. Department of Energy, Office of Energy Efficiency and Renewable Energy.

⁵ Although the Southwest Power Pool (SPP) is in the Eastern Interconnection, it borders regulated markets in the Western Interconnection with a similar wind resource, and possibly similar market values for wind power.

