

DOCKETED

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AReM Comments on Power Source Disclosure RFI

Additional submitted attachment is included below.



April 14, 2023

California Energy Commission
Docket Unit, MS-4
Re: Docket No. 21-OIR-01
715 P Street
Sacramento, CA 95814-5512

RE: 21-OIR-01: RFI Power Source Disclosure

The Alliance for Retail Energy Markets¹ (“AReM”) provides these responses to the questions in the California Energy Commission’s (“CEC’s”) Request for Information issued March 22, 2023 in Docket 21-OIR-01 (“RFI”). As load serving entities (“LSEs”) for Direct Access customers, AReM members provide responses to the Questions for Retail Electricity Suppliers and General Questions listed in the RFI.

Questions for Retail Electricity Suppliers

- 1. Discuss the feasibility and financial impact of obtaining hourly delivery data for each specified procurement for each hour of the year, organizing that hourly data into an Excel template provided by the CEC, and reporting that data to the CEC annually.*

Response: The feasibility and financial impact of obtaining hourly delivery data will depend on the terms of the contract between the LSE and the provider. With this in mind, AReM provides the following response:

- **Single Project Contracts/Single Offtaker:** AReM anticipates gathering hourly data for these contracts is feasible and not a financial burden. Generators should have hourly production data and AReM does not foresee issues obtaining it, but generation owner respondents must confirm this.
- **Single Project Contracts/Multiple Offtakers:** AReM believes this scenario may pose significant feasibility and financial impact challenges with respect to how to fairly

¹ AReM is a California non-profit mutual benefit corporation formed by electric service providers that are active in the California’s direct access market. AReM’s three members are Constellation NewEnergy, Inc, NRG Energy, and Calpine Energy Solutions, LLC.

attribute hourly resource production between individual offtakers. For instance, how would a generator apportion generation between offtakers each hour of the year if those offtakers purchased energy and renewable energy credit (“REC”) volumes in annual quantities? The CEC must provide adequate guidance through this proceeding as to how the apportionment would be done in such a scenario before data can be obtained.

- **Multiple Project “Seller’s Choice” Contracts:** AReM anticipates it may not be feasible to obtain hourly data for these contracts in their current form. Seller’s Choice contracts supply RECs from a bundle of projects of different technology types and specify a fixed volume of REC deliveries that can come at any time over the contract period. Contracts do not specify the specific resource or the hourly timing of REC delivery. For example, an LSE that signs a contract for delivery of 50,000 Portfolio Content Category 1 RECs in a calendar year from a Seller’s Choice contract has no guarantee what resources will supply the RECs nor what months or hours the LSE will receive credit for. Today, this is not an issue with annual and multi-year obligations, but under an hourly construct, every Seller’s Choice contract could no longer exist in its current form, and so renegotiation of existing contracts would likely be necessary and terms and conditions for new Seller’s Choice contracts would have to be established. Sellers/buyers would have to be explicit on what resources are being purchased and when, adding considerable complexity and likely reducing liquidity of tradable RPS products.

2. *Discuss the feasibility and financial impact of obtaining and reporting hourly settlement data from your retailer’s balancing authority.*

Response: AReM anticipates that reporting hourly load settlement data is feasible and not a financial burden as LSEs already report hourly settlement data for other purposes. As part of an hourly reporting construct, LSEs should be instructed to subtract all source-specified resource contracts from this hourly load settlement to calculate the amount of system power used. Of high importance to AReM is that CEC must develop a rigorous approach to calculating the greenhouse gas (“GHG”) emissions content of system power for every hour of the day instead of simply assuming a GHG content equivalent to natural gas as is currently done in the California Public Utilities Commission (“CPUC”) Clean System Power calculator used for Integrated Resource Planning (“IRP”) purposes.

General Questions

- 1. Under an hourly load matching framework, what should be the load order for determining which resources are matched to load first? In other words, which resource types should be deemed to overprocured/overdelivered during hours in which a retailer's specified procurements exceed its hourly loss-adjusted load?*

Response: GHG-free attributes for which an LSE has a contract should be credited to that LSE first. For example, if an LSE has source-specified energy contracts with a gas plant and a solar plant with RECs, that LSE should get as much credit for the solar project for their procurement first before any excess is credited to the grid for accounting purposes. The accounting for overprocurement/overdeliveries will be important to calculating the GHG content of system power. If LSEs are not given any GHG-free credits beyond their load in hours where their GHG-free specific resources exceed their load, these attributes must be credited to system power.

Hourly emissions accounting for stand-alone energy storage creates a host of issues and will require very careful consideration. It would be logical for LSEs to be able to pair excess GHG-free generation with any storage capacity under contract, but it is not clear how that pairing would work in practice.

First, there are issues around how LSEs determine which battery contracts may be counted for GHG reduction purposes. In IRP filings before the CPUC, LSEs were able to claim GHG reduction credit for batteries under resource adequacy ("RA") contracts based on an assumption that no other LSE could claim the emissions credits. This assumption should be fully vetted and analyzed while assessing the GHG content of system power so that the implementation of hourly reporting requirements results in specific and clearly understood standards regarding what contracts an LSE may count toward its GHG reduction obligations.

Likewise in the IRP proceeding, LSEs were also able to claim GHG reduction credits for battery projects subject to the cost allocation mechanism ("CAM"). The CEC should clarify that LSEs will receive their allocated share of CAM batteries under a new hourly GHG emissions accounting standard or else determine a way to properly credit them to the system power mix.

Second, it is not clear how battery credits may be fairly allocated to LSEs given the realities of how they are dispatched. An LSE may show excess GHG-free energy that could have been available to charge a battery in its portfolio, but have that battery not dispatch because it

was not needed for the system. This is a complicated issue that requires careful consideration in this proceeding.

2. *How will hourly load matching affect grid reliability in the state, particularly during emergency events?*

Response: Resource counting for grid reliability contribution is being dealt with via the new CPUC RA slice of day approach and should not be in the scope of items evaluated by the CEC.

3. *How should in-state and out-of-state line losses be calculated for determining loss-adjusted load?*

Response: The California Independent System Operator (“CAISO”) already has a method to gross up LSE load due to line losses. The status quo should be used to compare grossed-up CAISO load to generation production data, which is metered at the generator before line losses.

Respectfully submitted,



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