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Additional submitted attachment is included below.

STATE OF CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

Rulemaking to Amend Regulations Governing the Power Source Disclosure Program	Docket No. 21-OIR-01

COMMENTS OF THE UTILITY REFORM NETWORK ON UPDATES TO THE POWER SOURCE DISCLOSURE REGULATIONS

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COMMENTS OF THE UTILITY REFORM NETWORK ON UPDATES TO THE POWER SOURCE DISCLOSURE REGULATIONS

In response to the September 14, 2023 notice of Staff Pre-Rulemaking Workshop on Updates to the Power Source Disclosure Regulations, The Utility Reform Network (TURN) submits these comments on the staff report and the pre-rulemaking amendments to the Power Source Disclosure Program (PSDP). TURN generally supports the Amendments and urges the Commission to adopt them with a few specific changes.

The proposed Amendments regulations strike the proper balance between competing objectives, result in more accurate disclosures to customers, and create greater alignment between the Greenhouse Gas (GHG) accounting methodologies used by the Energy Commission, Public Utilities Commission (CPUC), and California Air Resources Board (CARB). TURN supports basic elements of the draft regulations relating to both annual accounting and the new hourly accounting methodology pursuant to SB 1158. The proposed methods of determining loss-adjusted load, oversupply and undersupply, and avoided emissions (used only to reduce the default emissions factor) are generally reasonable.

I. CLARIFICATIONS RELATING TO GENERIC RESALES

The treatment of "generic resales" requires clarification in several respects. First, the Staff Report and amended regulations would allow "generic resales" to be deducted from <u>both</u> "total gross procurements" and "total net procurements".[1] It is not clear why generic resales should be deducted from "net procurements". To avoid double counting the same resales, the Commission should only allow

[1] §1392(c)(4)(B), §1392(c)(6).

resales to be deducted from "gross procurements" and not also from "net procurements."

Second, TURN is concerned that the definition of "generic resale" would effectively apply to every single MWh of production from a generating resource participating in a wholesale market. The amendments define "generic resale" as "the sale of unspecified energy from a retail supplier into an energy market."[2] For each generating resource owned or contracted by a retail supplier and located within the CAISO, all energy production is sold into an energy market with the retail supplier retaining any associated environmental and compliance attributes. A literal application of this definition would leave each retail supplier with zero net procurement and 100% reliance on unspecified power to serve loss-adjusted retail loads. This outcome is obviously nonsensical.

TURN recommends that the Commission delete references to "generic resales" or modify the definition to reference only dedicated sales transactions between the retail supplier and another dedicated buyer (other than the wholesale energy market). Under no circumstances should retail suppliers be exempted from emissions attribution for procured resources that exceed retail loads by claiming that excess production is automatically a "generic resale" due solely to the fact that the energy is dispatched into wholesale markets. The Commission must prevent this deduction from becoming a loophole that renders the entire accounting framework meaningless.

II. ACTUAL HOURLY IMPORT DATA SHOULD BE USED FOR OUT-OF-STATE SPECIFIED RESOURCES TO THE MAXIMUM EXTENT POSSIBLE

The Staff report notes objections by some retail suppliers to the provision of actual hourly data for specified imports from resources located outside the state

[2] §1391.

and finds that the Commission should "develop proxies for estimating certain hourly imports".[3] TURN urges the Commission to require retail suppliers to provide hourly import data for specified resources located outside California to the maximum extent feasible. The use of proxy generation profiles for resources selling discrete quantities of annual or seasonal energy to California retail suppliers may prove inaccurate. Unlike in-state generating units that typically sell all, or a fraction, of their overall capacity (MW) under contracts to retail suppliers, many transactions with out-of-state resources (particularly hydroelectric facilities) are denominated in energy (MWh) to be delivered over a period of a month, season, or year. Power purchase contracts with out-of-state hydroelectric resources that are not used for compliance with the Renewables Portfolio Standard (RPS) do not typically require the delivery of energy to match the average hourly generation profile of the underlying resource, making it possible that deliveries are concentrated into certain hours, days or months over the entire contract period.

It would be inappropriate to use a proxy delivery profile for out-of-state resources where the retail supplier does not obtain the contractual right to receive deliveries tied to a defined fraction of the hourly production of the underlying resource. Contracts that only specify procurement of a fixed number of MWh over the course of several months or an entire year may result in an hourly delivery profile that differs significantly from the unit's actual (or modeled) dispatch. Absent a demonstration that the retail supplier is entitled to a specified share of hourly output from such a unit, the Commission should decline to assign a proxy generation profile for purposes of calculating hourly procurement quantities. The use of a proxy profile under such circumstances could result in massive misalignment between the accounting methodology and

[3] Staff Report, page 6.

reality for a significant amount of zero carbon generation reported under the Power Source Disclosure Program.

The Commission should therefore require retail suppliers to submit actual contracts and attestations to demonstrate that any contracts with out-of-state specified resources require hourly deliveries tied to the actual generation profile of the underlying resource. If a retail supplier cannot make this demonstration, they should be required to report actual hourly deliveries based on e-Tags or other auditable data.

III. THE COMMISSION SHOULD COMMIT TO UPDATE THE DEFAULT UNSPECIFIED EMISSIONS FACTOR FOR PURPOSES OF HOURLY ACCOUNTING

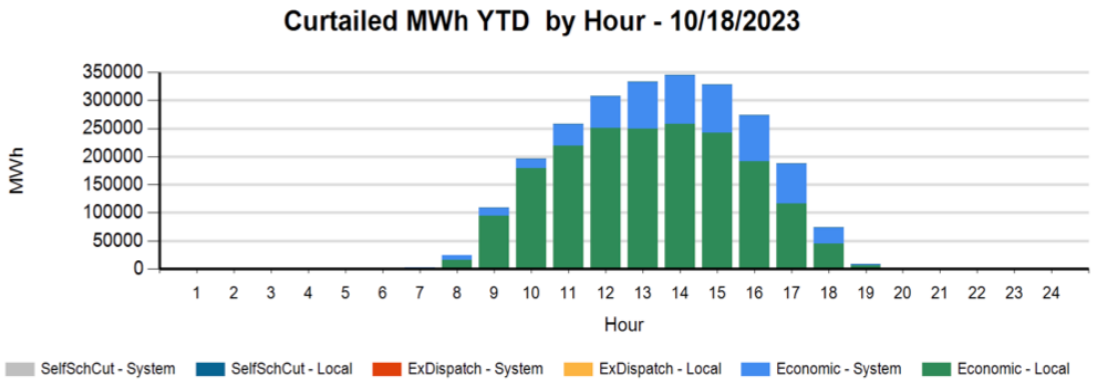
The Staff Report and Amended regulations would use an emissions rate of 0.428 MT CO2e/MWh for determining hourly GHG emissions intensity for any hourly purchases of unspecified power.[4] This value would then be adjusted downward based on the emissions factor of hourly oversupply reported by retail suppliers. While this approach represents an initial step to address the flawed default emissions factor in all hours, TURN is concerned as to whether this approach will properly capture the real-world differences in hourly emissions for unspecified electricity procured within California.

The 0.428 MW CO2e/MWh emissions factor was adopted by the California Air Resources Board (CARB) for imports of unspecified power from other western states into California. CARB does not calculate a default GHG emissions factor for unspecified electricity purchased within California because these transactions are neither reported under MRR nor subject to Cap-and-Trade compliance obligations. The default emissions factor was originally calculated in 2010 using data from 2008 for the entire western region and has not been updated since that

[4] Staff Report, pages 11-12.

time. The default emissions factor does not account for any variation by season or hour despite the fact that the mix of generating resources supplying "unspecified" electricity changes based on timing. There is no question that the use of a single number to reflect GHG emissions for unspecified grid electricity in every single hour of the year is inaccurate.

Using a single emissions factor for the California grid ignores the wide variation in resources that contribute to the unspecified mix and the fact that increasing amounts of wind and solar curtailment are occurring in the middle of the day. The following chart shows the hourly profile of curtailment for solar and wind resources in 2023 (through October 18):[5]



If curtailed zero carbon resources represent the marginal generation unit during some daytime hours, the application of the default emissions factor would fail to capture this effect. Retail suppliers increasing their loads during these hours without adding generation would be assigned the default emissions factor even if the net impact on grid operations is additional solar or wind production (through reduced curtailment). Over time, the CAISO system is likely to experience higher amounts of curtailment as the penetration of solar generation

[5] http://www.caiso.com/Documents/Wind_SolarReal-TimeDispatchCurtailmentReportOct18_2023.pdf

increases. The failure of the default emissions factor to incorporate any assumptions regarding zero carbon resource curtailment represents a flaw that should be remedied.

TURN urges the Commission to continue its work to develop dynamic hourly emission factors for unspecified resource procurement. While the adjustments proposed in the staff report represent a first step, much more needs to be done to move towards a more realistic model of hourly grid emissions.

IV. ASSIGNMENT OF RESOURCES PROCURED UNDER THE COST ALLOCATION MECHANISM

Existing PSDP regulations do not accurately attribute emissions associated with resources that Investor-Owned Utilities (IOUs) are required to procure for retail suppliers within their entire service territory pursuant to Public Utilities Code §365.1(c)(2)(A). These resources are procured by the IOUs at the direction of the CPUC to satisfy reliability needs on behalf of all customers including those served by Electric Service Providers (ESPs) and Community Choice Aggregators (CCAs).

The existing regulations require IOUs to report "the portion of procurement attributable to the investor-owned utility".[6] The remaining generation from these resources is not attributed to any retail supplier. This treatment is unreasonable and should be remedied in the current revision of the regulations. The net costs of the resources are collected from all IOU customers (including those served by ESPs and CCAs) through a nonbypassable rate component. ESPs and CCAs contributing toward the cost of these resources receive a proportional share of the Resource Adequacy (RA) value. The CAM resources should therefore be understood to serve all customers located within an IOU service territory.

[6] §1393(a)(5).

The portion of resources subject to this type of cost allocation may grow in the coming years due to backstop procurement relating to both Resource Adequacy (RA) and Integrated Resource Planning (IRP). In the event that IOUs are explicitly procuring new resources on behalf of other retail suppliers, there is no reason to avoid attributing the output to the relevant retail supplier as part of the Power Source Disclosure Program. Consistent with this understanding, TURN urges the Energy Commission to assign the output and emissions of CAM resources to all retail suppliers based on their load share within the IOU service territory. Each retail supplier would be obligated to show this information on their PCL as a separate line-item and the assigned GHG emissions would be included in the GHG emissions intensity calculation.

TURN appreciates the opportunity submit these comments.

Respectfully submitted,

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