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Order Instituting Rulemaking to  
Implement the Commission's  
Procurement Incentive Framework and to  
Examine the Integration of Greenhouse  
Gas Emissions Standards into  
Procurement Policies.

Rulemaking 06-04-009  
(Filed April 13, 2006)

**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES  
ON THE PROPOSED INTERIM OPINION ON REPORTING  
AND TRACKING OF GREENHOUSE GAS EMISSIONS  
IN THE ELECTRICITY SECTOR**

**I. INTRODUCTION**

Pursuant to Rules 14.3 and 14.6 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates (DRA) submits these comments on the Proposed Decision "Interim Opinion on Reporting and Tracking of Greenhouse Gas Emissions in the Electricity Sector" (PD).

The PD assumes that the Commission and the California Energy Commission will ultimately recommend to the California Air Resources Board (ARB) either a first-seller approach or a load-based approach for regulating emissions from California's electric sector. However, DRA agrees that the Commission and the CEC should carefully consider whether either of those approaches is in the best interests of California.<sup>1</sup> Further analysis may lead to the conclusion that the legal and regulatory complexities of attempting to regulate emissions from imported power are so daunting that California would be better served by a continued focus on energy efficiency and renewable energy, while at the same time working to establish a regional system of cap and trade.

<sup>1</sup> See August 21, 2007 presentation of CPUC Division of Strategic Planning Director Julie Fitch, at <http://www.cpuc.ca.gov/static/energy/electric/climate+change/fitch+-+lb-fs+en+banc.ppt>

## II. DISCUSSION

### A. **DRA supports the PD's recommendations on emissions calculations to ensure that emission reductions are "real," but recommends clarifying the recommendations.**

DRA supports the PD's recommendations that the ARB adjust the reported emissions for each Load Serving Entity (LSE) to minimize contract shuffling and to ensure that emission reductions are "real." The PD describes scenarios under which such adjustments would apply, with conditions for exemption that need to be met on a case-by-case basis. For example, for new power purchase agreements with existing specified sources, ARB will assign the regional default emission factor based on the location of the specified source,<sup>2</sup> unless (i) the Power Purchase Agreement (PPA) was in effect prior to January 1, 2008 and either is still in effect or has been renewed without interruption, or (ii) the purchase is made through a PPA from a power plant that became operational on or after January, 2008.

DRA recommends that the Commission add the following sentence at the end of Section V.B.2(a) at page 21 of the PD: "If these conditions are not met, then the ARB should use the default regional emission factor be used for new power contracts with existing specified sources." In addition, the Commission should clarify the unit of measure for the input fields "Losses" and "Trans Losses" in the Sample Reporting Form at pages A-11 through A-13 as either MWh or percentage. This recommended clarification would ensure input consistency across submitting parties.

### B. **Firming Power for Renewable Resources should not be attributed the same emission characteristics as the contracted renewable power plant.**

The PD would attribute to firming power for renewable resources the same emissions factor as the underlying renewable resource.<sup>3</sup> The purported rationale is that assigning the emissions factor of the renewable resource to the firming power associated with that resource would be consistent with the Commission's treatment of renewable

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<sup>2</sup> PD, p. 18.

<sup>3</sup> PD, p. 22.

power and firming resources in D.07-01-039, which established the Emissions Performance Standard (EPS) for new, long term financial commitments for energy resources. The purpose of the EPS was to encourage development of less carbon intensive resources and protect ratepayers from impacts associated with expected future regulatory framework, while at the same time not undermining reliability.

For reporting purposes under AB 32, accuracy is critical, and ignoring the actual emissions factor, and hence emissions, of firming power would undermine this accuracy. Ignoring this distinction in the purposes of the two statutes amounts to a factual error that the Commission should correct in the final decision by requiring firming resources to be assigned their actual emissions value. If the Commission nevertheless decides to attribute to firming resources the emissions value of the associated renewables, then at a minimum it should ensure in R.06-02-012 that any Renewable Energy Credits (RECs) are not unbundled and sold separately for some other purpose. Allowing parties to sell the renewable attributes of such resources would be a form of double-counting.

**C. The DD should reconsider the Southwest regional default emission factor, which is currently set too low.**

The PD incorrectly states that “no party disputes the Joint Staff’s conclusion that the weighted average emissions factor in the Southwest is 1,075 lbs CO<sub>2</sub>e /MWH”, and therefore inappropriately adopts this value as the default emission factor for sales from unspecified sources in the Southwest without providing a rationale for doing so. Joint Staff has adopted a marginal dispatch methodology to determine the resource mix of unspecified imports from the Southwest. The marginal dispatch model shows that 96% of the Southwest imports were natural gas and 4% coal and accordingly calculates the emission factor to be 1,075 lbs CO<sub>2</sub>e /MWh. In its July 2, 2007 comments, the Green Power Institute objected to the use of the marginal dispatch methodology by Joint Staff, from both technical and policy considerations.<sup>4</sup> Calpine also commented on the fact that

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<sup>4</sup> Comments of the Green Power Institute on the Proposed Joint GHG Reporting Protocol, July 2, 2007 (GPI Comments), p. 7.

the proposed default emission factors are too low.<sup>5</sup> In fact, this proposed default emissions factor is lower than the 1,100 lbs CO<sub>2</sub>e /MWh EPS factor, which is intended to reflect a baseload, combined cycle natural gas turbine (CCGT). In reply comments dated July 10, 2007, both DRA and NRDC supported GPI and Calpine in their assertion that the proposed default emissions factor for the Southwest is too low.<sup>6</sup>

The proposed Southwest default emissions factor of 1,075 lbs CO<sub>2</sub>e/MWh is based on a resource mix of 96% of natural gas and 4% coal. The EPS factor of 1,100 lbs CO<sub>2</sub>e /MWh is based on a 100% natural gas-powered CCGT baseload power plant. The marginal dispatch methodology assumes that the low-cost baseload power plants owned by out-of-state utilities is primarily dispatched to serve their local customers, so that natural gas-fired generation is the primary marginal resource serving peak period demands from California. It seems contradictory that the average emissions from such natural gas-based peaking units are lower than that of a natural-gas powered baseload unit that serves as the proxy under the EPS. Assuming that the marginal dispatch methodology is the appropriate model, the derived emissions factor based on marginal dispatch should be higher than 1,100 lbs/CO<sub>2</sub>e.

GPI recommended a proportional allocation in determining the default emissions factor in its July 2, 2007 comments.<sup>7</sup> DRA agreed that an averaging methodology is more appropriate until a region-wide source-to-sink tracking system is established. Such an averaging methodology would subtract the generation from owned resources or resources under specified contracts from the total generation mix and calculate the average emissions for the remaining unspecified sources. DRA recommends that the Commission adopt this default emission calculation methodology in its final decision.

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<sup>5</sup> Comments of Calpine Corporation on Joint CPUC and CEC Staff Proposal for an Electricity Retail Provider GHG Reporting Protocol, July 2, 2007, p. 3.

<sup>6</sup> Reply Comments of the Division of Ratepayer Advocates on the Joint California Public Utilities Commission and California Energy Commission Staff Proposal for an Electricity Retail Provider GHG Reporting Protocol, July 10, 2007, pp. 2-4. Reply Comments of the Natural Resources Defense Council (NRDC) and Union of Concerned Scientists (UCS) on Joint Staff GHG Reporting Proposal, July 10, 2007, p. 7.

<sup>7</sup> GPI Comments, p. 8.

Joint Staff should provide the calculated value to ARB prior to ARB's adoption of the GHG reporting protocol.

## **II. CONCLUSION**

For the foregoing reasons, DRA recommends that the Commission clarify the PD consistent with these comments.

Respectfully submitted,

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August 24, 2007

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of "**COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES ON THE PROPOSED INTERIM OPINION ON REPORTING AND TRACKING OF GREENHOUSE GAS EMISSIONS IN THE ELECTRICITY SECTOR**" in R.06-04-009.

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Executed on August 24, 2007 in San Francisco, California.

/s/ ANGELITA MARINDA

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