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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

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

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

BEFORE THE CALIFORNIA ENERGY COMMISSION

In The Matter Of,)
)
AB 32 Implementation – Greenhouse Gas)
Emissions.)
_____)

Docket 07-OIIP-01

**COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON
PROPOSED DECISION OF COMMISSIONER PEEVEY ON REPORTING AND
TRACKING OF GREENHOUSE GAS EMISSIONS IN THE ELECTRICITY SECTOR**

MICHAEL D. MONTOKA
CATHY A. KARLSTAD

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-1096
Facsimile: (626) 302-1904
E-mail: Cathy.Karlstad@sce.com

Dated: August 24, 2007

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Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, Southern California Edison Company ("SCE") respectfully submits these comments on the Proposed Decision of Commissioner Peevey on Reporting and Tracking of Greenhouse Gas ("GHG") Emissions in the Electricity Sector ("Proposed Decision").

I.

INTRODUCTION

SCE appreciates the considerable work done by the California Public Utilities Commission ("CPUC") and the California Energy Commission ("CEC") on developing a recommended reporting and tracking protocol for GHG emissions in the electricity sector. In

particular, SCE commends the Proposed Decision's inclusion of reporting requirements that will be required if the State adopts the deliverer/first seller ("First Seller") approach to GHG regulation set forth by the California Market Advisory Committee's *Recommendations for Designing a Greenhouse Gas Cap-and-Trade System for California*. The Proposed Decision includes a "marketer reporting protocol" that would require "marketers" to report all of their electricity imported into California, wheeled through California, and exported out of California. The Proposed Decision states that this "marketer reporting protocol," combined with the California Air Resources Board's ("ARB") "intention to require most generators to report source emissions directly to ARB, would provide much, if not all, of the additional information regarding GHG emissions that would be needed if the deliverer/first-seller approach is adopted."¹ As set forth in SCE's prior comments, SCE believes that one of the advantages of a First Seller approach to GHG emissions regulation over a load-based approach is that the First Seller approach will result in more accurate and simplified reporting of GHG emissions.² SCE supports the Proposed Decision's "marketer reporting protocol," with the modifications requested herein, as well as ARB's proposed source-based reporting requirements, as positive steps towards a simplified and accurate First Seller-based reporting and tracking protocol for GHG emissions resulting from the electricity sector in California.

As discussed below, however, the application of the Proposed Decision's "marketer reporting protocol" should not be limited to "marketers" as defined in the Proposed Decision. The Proposed Decision defines a "marketer" as "an entity that buys and/or sells power but does not serve any end users" and limits the application of its "marketer reporting protocol" to these "marketers."³ As SCE has explained, under the First Seller approach, the First Seller for

¹ Proposed Decision at 40.

² See Comments of Southern California Edison Company (U 338-E) Regarding Joint California Public Utilities Commission and California Energy Commission Staff Proposal for an Electricity Retail Provider GHG Reporting Protocol (filed July 2, 2007); Response of Southern California Edison Company (U 338-E) to Administrative Law Judge's Comments and Legal Briefs on Market Advisory Committee Report (filed Aug. 6, 2007); Reply of Southern California Edison Company (U 338-E) to Comments and Legal Briefs on Market Advisory Committee Report (filed Aug. 15, 2007).

³ Proposed Decision, Attachment A, § 1.1.5.

electricity imported into California is the Purchasing/Selling Entity⁴ that first delivers electricity at a point of delivery within a California Balancing Authority (also commonly referred to as a “control area”).⁵ Therefore, in order for the Proposed Decision’s reporting and tracking protocol to include the information that would be needed if a First Seller GHG regulatory approach is adopted, one of the stated goals of the Proposed Decision, reporting must be required from all Purchasing/Selling Entities that first deliver electricity at a point of delivery within a California Balancing Authority, including investor-owned utilities, publicly-owned utilities, electric service providers and other load-serving entities (“LSEs”), as well as marketers, brokers and other financial institutions that participate in the electricity market, and not just “marketers” as defined in the Proposed Decision. The Proposed Decision should be modified to apply its “marketer reporting protocol” to all of these entities.

Furthermore, the Proposed Decision includes GHG emissions reporting requirements for both a load-based and First Seller-based approach to GHG regulation. Given Assembly Bill (“AB”) 32’s requirement that ARB adopt GHG reporting regulations by January 1, 2008 and the corresponding time limits on the CPUC’s and CEC’s actions, adopting interim reporting requirements to cover both a load-based and First Seller approach may be a reasonable compromise. The Proposed Decision acknowledges that “[m]odifications may be warranted for future years once the type of GHG regulation for the electricity sector is determined” and recommends a comprehensive review of GHG reporting requirements for the electricity sector be undertaken by 2010.⁶ SCE supports a comprehensive review of the interim GHG reporting requirements once the State makes a final determination on the type of regulation for the electricity sector.

⁴ The Purchasing/Selling Entity is the entity responsible for power at a particular point or portion of the physical scheduling path as identified on all North American Electric Reliability Council (“NERC”) E-Tags.

⁵ See Response of Southern California Edison Company (U 338-E) to Administrative Law Judge’s Comments and Legal Briefs on Market Advisory Committee Report at 2-4 (filed Aug. 6, 2007).

⁶ Proposed Decision at 4.

SCE also recommends certain other changes to the Proposed Decision. First, the CPUC and CEC should not recommend the use of default emission factors for any purchases from specified sources. Use of default emission factors for purchases from specified sources is inconsistent with the goals of AB 32,⁷ undermines the accuracy of the Proposed Decision's recommended reporting and tracking protocol,⁸ and will have a detrimental effect on commercial activity in the electricity markets. Second, the CPUC and CEC should reconsider the Proposed Decision's treatment of sales from plants owned by reporting entities. The Proposed Decision's recommended treatment of such sales is unclear and quite burdensome. Third, the Proposed Decision should take into account purchases and sales caused by the California Independent System Operator ("CAISO"), but attributed to reporting entities. Finally, the CPUC and CEC should continue to evaluate the treatment of "null power" from renewable resources as decisions on the GHG regulation that is implemented for the electricity sector in California are made.

II.

THE PROPOSED DECISION'S "MARKETER REPORTING PROTOCOL" SHOULD BE APPLIED TO ALL PURCHASING/SELLING ENTITIES AND NOT JUST TO "MARKETERS"

The Proposed Decision's recommended reporting and tracking protocol includes a "marketer reporting protocol" that "provides for collection of information from marketers that would be needed if a GHG regulatory approach that focuses on entities that deliver power to the California transmission grid (sometimes called a 'deliverer' or 'first-seller' approach) is adopted instead of a load-based approach."⁹ As discussed above, SCE commends the CPUC and CEC for providing for reporting required if a First Seller-based GHG regulatory approach is adopted

⁷ Among other things, AB 32 provides that ARB shall "[m]inimize the administrative burden of implementing and complying with these regulations." Cal. Health & Safety Code § 38562(b)(7).

⁸ Under AB 32, one of ARB's goals is to "[m]inimize leakage." Cal. Health & Safety Code § 38562(b)(8). This goal is undermined by inaccuracies in GHG emissions reporting.

⁹ Proposed Decision at 3.

in their recommended reporting and tracking protocol, including by requiring “marketers” to report the power they import into California under the Proposed Decision’s “marketer reporting protocol.” Reporting of these imported power transactions will be crucial if the State decides to adopt a First Seller-based system. However, the Proposed Decision currently requires only “marketers” to report their imported power transactions under the “marketer reporting protocol.” The Proposed Decision defines a “marketer” as “an entity that buys and/or sells power but does not serve any end users.”¹⁰ The Proposed Decision does not explain the basis for its definition of “marketer” or its exclusion from that definition of entities that serve any end users.

Under the First Seller approach, the First Seller for electricity imported into California is the Purchasing/Selling Entity that first delivers electricity at a point of delivery within a California Balancing Authority. Accordingly, in order for reporting to be comprehensive under the First Seller approach, the Proposed Decision should require all imported power transactions to be reported by each entity identified as the Purchasing/Selling Entity on a NERC E-Tag corresponding to the final transaction on that E-Tag when the imported power is delivered within a California Balancing Authority. Such entities are not limited to “marketers” as defined by the Proposed Decision. They could include investor-owned utilities, publicly-owned utilities, electric service providers, or other LSEs, as well as brokers, marketers and financial institutions who participate in the wholesale electricity market. While some of these entities that are not “marketers” under the Proposed Decision would be covered by the Proposed Decision’s reporting and tracking protocol if they are retail providers in California, many, including out-of-state entities, would not. This would leave a significant hole in GHG emissions reporting if a First Seller-based system is adopted.

In order to provide for the reporting that will be required if a First Seller approach to GHG regulation is adopted, the Proposed Decision should be modified so that its “marketer reporting protocol” applies to all Purchasing/Selling Entities, not just “marketers.”¹¹

¹⁰ *Id.*, Attachment A, § 1.1.5.

¹¹ All of SCE’s suggested modifications to Attachment A to the Proposed Decision are attached as Attachment A.

III.

THE CPUC AND CEC SHOULD REEVALUATE THEIR RECOMMENDED REPORTING AND TRACKING PROTOCOL ONCE THE STATE'S APPROACH TO GHG REGULATION OF THE ELECTRICITY SECTOR IS DETERMINED

The Proposed Decision's recommended reporting and tracking protocol covers both a load-based and a First Seller-based approach to GHG regulation. The Proposed Decision states that it is making a recommendation to ARB for tracking GHG emissions in the electricity sector "if a load-based regulatory approach is adopted for the electricity sector."¹² However, the Proposed Decision also includes reporting requirements needed if the First Seller approach is adopted, including the reporting requirements for "marketers" discussed above. Given the time limits on the CPUC's and CEC's actions imposed by AB 32 and the fact that the State has not yet determined its approach to GHG regulation for the electricity sector, adopting interim reporting requirements that include reporting needed under both a load-based and First Seller approach may be reasonable. The Proposed Decision provides that "[m]odifications may be warranted for future years once the type of GHG regulation for the electricity sector is determined," and specifically states that "additional reporting changes may be necessary if the deliverer/first-seller approach is adopted."¹³ The Proposed Decision also recommends "a comprehensive review of GHG reporting requirements for the electricity sector be undertaken in 2010, so that updated reporting requirements can be in place prior to the commencement of the GHG regulatory scheme in 2012."¹⁴

SCE supports the Proposed Decision's recommended review of the interim GHG reporting requirements once the State determines the type of GHG regulation for the electricity sector and before the commencement of GHG regulation in 2012. Indeed, SCE encourages the CPUC and CEC to reevaluate the interim reporting protocol once the State determines if is going

¹² Proposed Decision at 6.

¹³ *Id.* at 4, 40.

¹⁴ *Id.* at 4.

to pursue a load-based, First Seller-based or another approach to GHG regulation even if that is before 2010. SCE does not see any advantage to applying one approach to the point of regulation (*i.e.*, First Seller approach) while applying both a First Seller and a load-based approach to reporting. One important criterion for evaluating the reporting protocol is simplicity. Using different approaches for regulation and reporting does not meet the criterion of simplicity and will only further complicate the difficult task of compliance with AB 32. The California energy market is a complex web of transactions that are not always transparent. Accounting and tracking emissions will be a difficult task under either a First Seller or a load-based approach, although as SCE has previously discussed, SCE believes the First Seller approach will result in more accurate and straightforward reporting. Requiring market participants and the State agencies to track emissions using both approaches effectively doubles parties' efforts with no apparent benefit.

Accordingly, once the State decides on an approach to GHG regulation, the CPUC and CEC should revisit the interim reporting protocol and streamline and simplify reporting requirements to correspond to the approach that is adopted.

IV.

DEFAULT EMISSION FACTORS SHOULD NOT BE USED FOR ANY PURCHASES FROM SPECIFIED SOURCES

The Proposed Decision recommends that ARB attribute actual GHG emissions for purchases from specified sources only if: “(a) the purchase is made through a PPA that was in effect prior to January 1, 2008 and either is still in effect or has been renewed without interruption, or (b) the purchase is made through a PPA from a power plant that became operational on or after January 1 2008.”¹⁵ For purchases from a specified source that do not meet at least one of these conditions, the Proposed Decision recommends that ARB should

¹⁵ *Id.* at 21.

attribute emissions based on the default emission factor for the region in which the specified source is located.¹⁶ The Proposed Decision's purported justification for applying a default emission factor to purchases from existing specified sources is AB 32's requirement that ARB's regulations ensure that GHG emissions reductions "achieved are real, permanent, quantifiable, verifiable, and enforceable by the state board."¹⁷ The Proposed Decision states that "Staff is concerned that, with the advent of GHG regulation to meet AB 32 requirements, a retail provider may modify its PPAs or purchases from CAISO markets and reports its power acquisitions in a manner that would make it appear that the retail provider has reduced its GHG emissions when, in reality, the same amount of GHG emissions is occurring as before," and notes that Staff refers to this concern as "contract shuffling."¹⁸

Although AB 32 does provide that ARB should ensure that GHG reductions achieved are "real," the way to achieve this goal is not to ignore the "real" GHG emissions of a retail provider's purchases from a specified source and arbitrarily assign such purchases a default emission factor. Alleged GHG emissions reductions achieved under such a system would certainly not be "real," "quantifiable," or "verifiable" by ARB because they would not be based on changes in actual GHG emissions, but rather on default emission factors that may have little connection to the actual emissions of the sources involved. AB 32 also provides that ARB's reporting regulations shall "[e]nsure rigorous and consistent accounting of emissions, and provide reporting tools and formats to ensure collection of necessary data."¹⁹ A reporting protocol that uses default emission factors when actual emissions from specified sources are available does not meet this criteria.

There are more appropriate methods than assigning default emission factors to purchases from existing specified sources to ensure "real" GHG reductions and prevent "contract shuffling." Under a First Seller approach, in-state specified sources and out-of-state specified

¹⁶ *Id.* at 18.

¹⁷ Cal. Health & Safety Code § 38562(d)(1).

¹⁸ Proposed Decision at 11-12.

¹⁹ Cal. Health & Safety Code § 38530(b)(4).

sources that import their power into California would be responsible for their own emissions and would internalize those costs into the prices of their power. Accordingly, there would be no need to be concerned with retail provider “contract shuffling” by replacing existing high GHG-emitting resources with existing low GHG-emitting resources because retail providers would not be responsible for the sources’ emissions. They would be addressed at the source and any GHG reductions associated with these specified sources would be “real.” The First Seller approach addresses many of the Proposed Decision’s concerns with ensuring “real” emissions reductions without resorting to arbitrary default emission factors that will not ensure “real” reductions and will seriously undermine the accuracy of GHG emissions reporting.

Furthermore, the Proposed Decision’s proposed use of default emission factors for specified sources will have a detrimental impact on commercial activity in electricity markets by creating a number of perverse incentives. For example, a retail provider will have no reason to renew an existing contract with a specified source whose actual GHG emissions rate is higher than the default emission factor because the retail provider would be attributed the source’s actual emissions, whereas the retail provider could get the default emission factor by replacing the existing contract with a new contract with another existing specified source with exactly the same emissions. The existing source whose contract is not renewed will then be able to market itself as a source that can be signed up at the default emission factor. Another retail provider would have a perverse incentive to contract with the existing source because it would only be attributed the source’s default emission factor. Thus, the result on paper due to this arbitrary scheme will be a reduction in the GHG emissions attributed to the retail provider who purchases electricity from the existing source; however, in reality, the source will continue to emit at the same rate as before.

Similarly, if an existing source whose actual GHG emissions rate is lower than the default emission factor wants to sell its output to a new counterparty, it will nevertheless carry a higher GHG emissions value than what the resource is actually emitting. For example, retail providers will have a disincentive to execute new contracts with existing renewable sources

because the power would be attributed the higher default emission factor, rather than the actual emissions of the renewable power. This result is completely contrary to the intent of AB 32. Such arbitrary accounting rules and artificial incentives and disincentives regarding future transactions will fundamentally alter how competitive electricity markets function.

These reporting rules will also have a huge impact on how resources are selected and procured via the competitive solicitations performed by SCE and other retail providers. When comparing offers in a competitive solicitation, SCE compares all relevant costs. Once AB32 has been implemented, the cost of complying with GHG regulations should ideally be internalized such that total costs related to the procurement decisions can be compared on an apples-to-apples basis. Attributing all new contracts with existing sources the same default GHG emission factor will not allow a retail provider to truly differentiate a low-GHG intensity resource from a high-GHG intensity resource; and thus, will inevitably result in a poor portfolio mix from a GHG intensity perspective.

SCE suggests that the CPUC and CEC revisit their recommendations regarding purchases and exchanges from specified sources. Regardless of when the facility was built or when a power purchase agreement becomes effective, the CPUC and CEC should recommend to ARB that for each purchase from a specified source, ARB should attribute emissions based on net generation purchased and a source-specific emission factor.

V.

THE CPUC AND CEC SHOULD RECONSIDER THEIR TREATMENT OF SALES FROM PLANTS OWNED BY REPORTING ENTITIES

The Proposed Decision discusses the treatment of sales and exchanges from specified resources, and provides that if power is delivered to a counterparty located within California, the corresponding emissions are removed from the reporting entity's GHG responsibility.²⁰

²⁰ Proposed Decision, Attachment A, §§ 3.8-3.9.

However, the Proposed Decision requires that if sales and exchanges from a power plant owned by a reporting entity amount to more than ten percent of the reporting entity's proportional ownership-based share of the total net generation of the power plant, the reporting entity shall provide documentation establishing why the power was sold.²¹ In addition, in such cases, the reporting entity is required to indicate with supporting documentation whether the output of the plant was sold because it was not deliverable to the reporting entity or because the entity did not need the power in the hours it was sold as it had surplus power and the specified plant was the marginal plant in the hours it was sold.²²

In today's complex electricity markets, this requirement is quite likely impossible to comply with. The CPUC currently requires the investor-owned utilities to practice least-cost dispatch of their portfolios. As a result, SCE makes all of the surplus resources in its portfolio available to the market and sells any power in its portfolio that is considered economic by the market. These sales are typically based on collective output from SCE's entire portfolio, as opposed to being identified with specific power plants. At the end of a calendar year, it may be virtually impossible to allocate the total amount of power sales made from SCE's portfolio to specific power plants. If SCE attempts to do so, it would require some very subjective assumptions which could very well be contested. This problem will be exacerbated when the CAISO's Market Redesign and Technology Upgrade ("MRTU") is implemented, and SCE submits supply and demand bids into the CAISO's integrated forward market. The operation of this market will result in an optimized dispatch of available resources across market participants, without a specific identification of whose demand is served from specific supply resources.

The Proposed Decision's requirement that the reporting entity indicate that the output of a specific plant was sold because it was not deliverable to the reporting entity is unclear as well. Available transmission capacity, congestion and regional supply and demand imbalances frequently result in congestion based locational price signals throughout the Western Electricity

²¹ *Id.*, Attachment A, § 3.8.

²² *Id.*

Coordinating Council (“WECC”). These locational price signals, currently available on a bilateral basis, largely determine the optimum dispatch solution for SCE’s customers, which may involve purchasing power at certain locations and simultaneously selling power at other locations which may be closer to the physical locations of SCE’s owned facilities. Since these sorts of economic transactions happen all the time, to try to track them and report them is an extremely difficult task. Only in limited circumstances (*e.g.*, a transmission outage) does a transaction become truly undeliverable.

It is also not clear what the Proposed Decision means by a resource being the marginal plant during the hours in which it was sold. As explained above, it is virtually impossible for a reporting entity to determine which specific unit or plant is “on margin” at any given point in time. This will be true even after the onset of an integrated forward market.

Finally, the Proposed Decision also recommends that if the reported sales and exchanges from an owned power plant amount to more than ten percent of the reporting entity’s proportional ownership share and if the purchase (which SCE reads as “sale”) does not meet the two conditions mentioned above, then ARB should attribute GHG emissions to that power using the average emission factor of power available for sales from unspecified resources.²³ SCE disagrees with this recommendation. If this provision is adopted, the CPUC will create uncertainty regarding how the investor-owned utilities should practice least-cost dispatch. Least-cost dispatch decisions could very likely be challenged based simply on *ex post* attribution of an arbitrary emission factor. Moreover, the Proposed Decision defines the *average* emission factor of power available for sales from unspecified sources as the ratio of emissions from power available for sales from unspecified sources to the quantity of power available for sales from unspecified sources.²⁴ However, since by definition the emissions from power available for sales from unspecified sources will be based on default emission factors, it is evident that the subject recommendation will end up treating sales from specific plants (if identifiable) the same as sales

²³ *Id.*, Attachment A, § 3.9.

²⁴ *Id.*, Attachment A, § 3.11.

from unspecified resources, with a default emission factor regardless of whether the underlying facility is cleaner or dirtier compared to the default values. For the various reasons articulated above, SCE believes that this is a mistake.

SCE suggests that the Proposed Decision should be modified to address the issues identified above. The Proposed Decision's requirement that a reporting entity provide documentation establishing why the power from a power plant owned by the reporting entity was sold (including indicating whether the power could not be delivered or the reporting entity did not need the power during the hours it was sold) should only apply if long-term unit-contingent forward sales and exchanges with a delivery term of one year or greater from the plant amount to more than ten percent of the reporting entity's proportional ownership-based share of the total net generation of the plant. Short-term or spot market transactions should be excluded from this requirement and should not be counted towards the ten percent threshold. SCE also recommends that, to the extent sales can be linked to specific sources, ARB should attribute emissions based on a source-specific emission factor and not based on an average emission factor of power available for sales from unspecified sources.

VI.

THE PROPOSED DECISION SHOULD TAKE INTO ACCOUNT PURCHASES AND SALES CAUSED BY THE CAISO BUT ATTRIBUTED TO REPORTING ENTITIES

The Proposed Decision needs to recognize that under the current Resource Adequacy ("RA") requirements, all California LSEs have a must offer obligation for all the resources they have relied upon to fulfill their RA obligation. The CAISO may call upon and dispatch these resources for a variety of reasons, even if the LSE has not scheduled these resources to be dispatched. For example, the CAISO may need incremental resources to serve the system or a local area entirely due to one deficient LSE. The resources that the CAISO dispatches to cure this deficiency, however, may belong to another LSE.

Under the Proposed Decision’s recommended reporting and tracking protocol, such output and the associated GHG emissions could be counted against the LSE whose resources were dispatched and not against the LSE who actually caused the dispatch. SCE recommends that the Proposed Decision allow reporting entities to make an affirmative case why certain emissions should not be counted as their responsibility, and instead should be allocated to some other reporting entity or entities who actually caused the resources to be dispatched, or as an alternative, a much broader set of reporting entities in the CAISO control area. Similarly, it is likely that CAISO will conduct backstop procurement of resources on behalf of LSEs if such backstop procurement is warranted. Such backstop procurement would need to be allocated to LSEs for GHG compliance purposes. SCE suggests that the CPUC and CEC develop a methodology to allocate emissions to reporting entities for purchases by their system operator.

VII.

THE TREATMENT OF NULL POWER DEPENDS ON THE GHG REGULATORY APPROACH THAT IS IMPLEMENTED

The Proposed Decision finds that “null power” – power from a renewable resource for which the renewable and environmental attributes have been sold to another party – be assigned the default emission factor for the region in which the null power is generated.²⁵ SCE notes that the treatment of null power depends on whether a First Seller or load-based system is implemented. Under a First Seller approach, the treatment of null power is more straightforward in most cases because the entity producing the renewable energy would typically be the First Seller responsible for the associated emissions. Under a load-based approach, the issues are more complicated. SCE encourages the CPUC and CEC to continue to evaluate the null power issue as decisions on the State’s GHG regulatory scheme are made.

²⁵ *Id.* at 22.

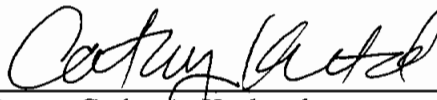
VIII.

CONCLUSION

For the foregoing reasons, SCE respectfully requests that the Commission adopt the Proposed Decision with the modifications described above and in Attachment A.

Respectfully submitted,

MICHAEL D. MONTOYA
CATHY A. KARLSTAD



By: Cathy A. Karlstad

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770
Telephone: (626) 302-1096
Facsimile: (626) 302-1904
E-mail: Cathy.Karlstad@sce.com

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ATTACHMENT A

Proposed Electricity Sector Greenhouse Gas Reporting and Tracking Protocol

1. Definitions and Covered Entities

1.1 Definitions

1.1.1 Asset-controlling Entity

“Asset-controlling entities” are entities that operate power plants or serve as exclusive marketers for certain power plants even though they do not own them.

1.1.2 Asset-owning Entity

An “asset-owning entity” is an entity that owns power plants. Asset-owning entities may include, but are not limited to, independent power producers, qualifying facilities (QFs), investor-owned utilities (IOUs), publicly owned utilities (POUs), state agencies, federal agencies, and community choice aggregators (CCAs).

1.1.3 Emission Factor

An “emission factor” is a ratio that reflects the level of emissions of a specified pollutant per unit of specified activity, e.g., pounds of carbon dioxide (CO₂) equivalent emissions emitted per megawatt-hour of electricity produced.

1.1.4 Exchange Agreement

An “exchange agreement” is an agreement, between electricity market participants that provides for an exchange of energy for energy. Exchange transactions do not involve transfers of payment or receipts of money for the full market value of the energy being exchanged, but may include payment for net differences due to market price difference between the two parts of the transaction or to settle minor imbalances.

~~1.1.5 Marketer~~

~~A “marketer” is an entity that buys and/or sells power but does not serve any end users.~~

1.1.61.1.5 Null Power

“Null power” is any electricity produced by a renewable electricity facility from which a renewable energy certificate has been unbundled and sold separately.

1.1.71.1.6 Point of Delivery

A “point of delivery” is a point on an electric system where a power supplier delivers electricity to the receiver of that energy. This point could include an interconnection with another system or a substation where the transmission provider’s transmission and distribution systems are connected to another system. The last point of delivery is the location where the electricity sinks

1.1.81.1.7 Point of Receipt

A “point of receipt” is a point on an electric system where an entity receives electricity from a supplier. This point could include an interconnection with another system or generator busbar. For a power purchase or sale, the point of receipt is the location where the electricity enters the transmission grid.

1.1.91.1.8 Pacific Northwest

The Pacific Northwest region includes Washington, Oregon, Idaho, Montana, and British Columbia.

1.1.101.1.9 Power Plant

A “power plant” or “plant” is a facility for the generation of electricity which may be comprised of one generating unit, or more than one generating unit if (a) the units are at the same location, (b) each unit utilizes the same resource (fuel), and (c) all units are operationally dependent on each other¹.

1.1.10 Purchasing/Selling Entity

A “purchasing/selling entity” is the entity responsible for power at a particular point or portion of the physical scheduling path as identified on all North American Electric Reliability Council (NERC) E-Tags.

1.1.11 Retail Provider

“Retail provider” means an entity that provides electricity to end users in California. Thus, “retail provider” includes electrical corporations (including IOUs, multi-jurisdictional utilities, and electric cooperatives), POUs (including municipalities, municipal utility districts,

¹ This definition differs slightly from the definition of a power plant in Public Utilities Commission Decision (D.) 07-01-039 (the Emission Performance Standard decision) and in the Emissions Performance Standard regulations adopted by the Energy Commission on May 23, 2007.

public utility districts, irrigation districts, and joint power authorities), electric service providers (ESPs), CCAs, and the Western Area Power Administration (WAPA).

1.1.12 Qualifying Facility

A cogeneration or small power production facility that meets certain ownership, operating, and efficiency criteria established by the Federal Energy Regulatory commission pursuant to the Public Utility Regulatory Policies Act.

1.1.13 Southwest

The Southwest region includes Arizona, Nevada, Utah, Colorado, and western New Mexico.

1.1.14 Specified Sources

“Specified sources” are power plants whose electrical generation can be tracked due to full or partial ownership by the reporting entity, or due to its identification in a power purchase contract with the generator or ~~marketer~~ purchasing/selling entity selling the power.

1.1.15 Unspecified Sources

“Unspecified sources” refers to the origin of purchases of electricity that cannot be tracked to a particular power plant. Most purchases from entities that own fleets of power plants such as independent power producers, utilities, and federal power agencies, and most purchases from marketers and brokers are purchases from unspecified sources.

1.2 Covered Entities

This Electricity Sector Greenhouse Gas Reporting and Tracking Protocol (Protocol) applies to every retail provider in California. Since WAPA sells a small amount of power to end users in California, it is a retail provider and, thus, is required to report under this Protocol. The California Department of Water Resources (DWR), and any other state agencies that generate or procure power, are required to report, using the Retail Provider Reporting Protocol, the power that they generate or procure to serve their own loads. Additionally, the Protocol applies to all purchasing/selling entities~~marketers~~ that import power into or export power from California, meaning any ~~marketer~~ purchasing/selling entity having possession of imported electricity at the first point of delivery in California or, for exported power, having possession of electricity at the last point of delivery in California prior to its export to another state.

The reporting requirements for retail providers are contained in Section 3 of this Protocol, and the reporting requirements for ~~marketers~~ purchasing/selling entities are contained in Section 4 of this Protocol. Section 5 describes the process by which asset-owning or controlling retail providers or ~~marketers~~ purchasing/selling entities may propose supplier-specific emission factors for their sales from unspecified sources.

In addition to any requirements imposed by this Protocol, power plants are required to report emissions using the source-based protocol (California Code of Regulations, Title 17, Subchapter 10, Article 1, sections 95100 to 95132).

2. Categories of Sources

For purposes of reporting greenhouse gas (GHG) emissions, the sources of power used to meet retail load can be broken down into two types: specified sources and unspecified sources, as defined above. Further subcategories of these two types are described below.

2.1 Specified Sources

Specified sources include, but may not be limited to, the following sources of power:

- Power plants that the reporting entity owns or partially owns as an equity partner.
- Federally-managed hydroelectric facilities, to the extent their power is allocated to a reporting entity.
- Qualifying facilities certified by the Federal Energy Regulatory Commission (FERC).
- Other cogeneration or combined heat and power facilities.
- Renewable sources that are tracked in Western Region Electricity Generation Information System (WREGIS).
- Other power plants that are identified in a power purchase contract with the generator or marketer-purchasing/selling entity selling the power.

Purchases made pursuant to a power purchase agreement from substantially identical collocated power plants with a single interconnection may be treated as a purchase from a specified source for the purpose of this Protocol.

2.2 Unspecified Sources

Power from unspecified sources includes, but may not be limited to, power from the following sources:

- Purchasing/selling entities, including mMarketers that purchase or generate power from a variety of power plants or other electricity suppliers, and then resell the power to retail providers or other markets.
- The California Independent System Operator (CAISO), which runs a real-time balancing market for participating retail providers to adjust to short-term fluctuations in load. Beginning in 2008, the CAISO will launch the Integrated Forward Market

(IFM), which will be a fully functional market where sellers and retail providers may bid loads and sources.

- Retail providers may also sell power on an unspecified basis.

3. Retail Provider Reporting Protocol

For each calendar year, retail providers shall comply with the reporting requirements in Subsections 3.1, 3.3, 3.5, 3.8, 3.10, and 3.12. The other subsections in Section 3 describe how the California Air Resources Board (ARB) attributes GHG emissions to each retail provider.

3.1 Net Generation from Each Owned Power Plant

For each wholly-owned power plant, provide the plant name and ARB plant identification code.

For each partially-owned power plant that reports under ARB's source-based reporting program, provide the plant name and identification code, the proportional ownership share of the reporting entity, the quantity of net generation received by the reporting entity including transmission losses.

For receipts of electricity from power plants not reporting under ARB's source-based reporting system, provide the plant name and ARB identification code, the percentage ownership share of the reporting entity, the quantity of electricity generated by the power plant, the quantity of electricity received by the reporting entity, including transmission losses.

For each power plant, indicate whether the plant is used exclusively to serve native load. One of the following three conditions must be met in order for a reporting entity to report a plant as exclusively serving native load:

1. The plant is a California-eligible renewable resource and, prior to the reporting date, the reporting entity has retired the WREGIS certificates associated with the power received from the facility during the reporting year.
2. The plant is a low-cost, must-run resource, such as a hydro generation facility, that the reporting entity takes on an as-available basis.
3. The plant is a baseload plant running at a capacity factor of 60 percent or greater. If a plant is reported as serving native load on this basis, all owned or partially-owned facilities running at the same or greater capacity factor shall also be reported as serving native load.

For each plant reported as serving native load, the reporting entity shall indicate which of the three conditions is met.

3.2 Calculation of Emissions from Owned Power Plants

For wholly-owned and partially-owned power plants that report under ARB's source-based reporting system, ARB retrieves the emissions for all GHGs and the generation data transmitted to ARB under the source-based reporting system.

For power plants not reporting under ARB's source-based reporting system, ARB calculates emission factors using data from finalized reports under 40 CFR Part 75 or plant-level fuel consumption data from the Energy Information Administration if Part 75 data are not available.

ARB attributes emissions to the reporting entity based on its proportional ownership share (not the amount of electricity received).

In determining emissions related to sales from unspecified sources (see Section 3.1.1), ARB excludes generation from plants used to serve native load from the calculation of resources deemed to be available for wholesale sales.

3.3 Purchases and Exchanges from Specified Sources

For power purchased from each specified source that reports under ARB's source-based reporting program, or received from such a specified source under exchange agreements; provide the ARB plant identification code and the quantity of electricity purchased, including associated transmission losses.

For power purchased from each specified source not reporting under ARB's source-based reporting system, provide the plant name and identification code, and the quantity of electricity purchased, including associated transmission losses.

For each purchase from a renewable resource, indicate whether the power is null power.

If substitute energy accounts for more than 15 percent of the energy received under a plant-specific purchase agreement, report only deliveries from the specified source in this section. Report the substitute energy in the appropriate category in Section 3.5.

~~For each purchase indicate whether one or more of the following conditions are met:~~

- ~~1. The purchase is made through a purchase agreement that was in effect prior to January 1, 2008 and either is still in effect or has been renewed without interruption.~~
- ~~2. The purchase is made through a purchase agreement from a power plant that became operational on or after January 1, 2008.~~

3.4 Calculation of Emissions for Purchases and Exchanges from Specified Sources

For each purchase from a specified source that reports under ARB's source-based reporting program ~~and meets one or more of the conditions specified in Section 3.3~~, ARB attributes emissions from these plants proportionately based on the share of net generation purchased.

For all other purchases from a specified source ~~that meets one or more of the conditions specified in Section 3.3~~, ARB calculates emission factors using data from finalized reports under 40 CFR Part 75 or plant-level fuel consumption data from the Energy Information Administration if Part 75 data are not available, and attributes emissions based on the calculated emission factors and net generation purchased.

~~For each purchase from a specified source that does not meet one or more of the conditions specified in Section 3.3, ARB attributes emissions based on the net generation purchased and the default emission factor for the region in which the specified source is located, calculated as described in Section 3.6.~~

ARB attributes emissions for any purchase of null power based on the default emission factor of the region in which the null power was generated.

3.5 Purchases and Exchanges from Unspecified Sources

List all bilateral purchases of power and power received as part of an exchange agreement from unspecified sources, as measured at the first California point of delivery at which the reporting entity took possession of the power, aggregated by counterparty. For each counterparty, list the quantity of electricity received, including associated transmission losses, separately for each of the three resource regions defined in this Protocol (Northwest, Southwest, and California). If there are any electricity purchases for which the region of origin cannot be determined, report these quantities as from "unknown region." Receipt of power attributed to the Northwest or Southwest region must be verifiable via North American Electric Reliability Corporation (NERC) E-Tags. Separately, report the quantity of electricity purchased from the CAISO real-time market and any power purchased in the CAISO's Integrated Forward Market that is not under contract with specified counterparties.

3.6 Calculation of Emissions for Purchases and Exchanges from Unspecified Sources

For counterparties for which ARB has certified supplier-based emission factors (developed pursuant to Section 3.9 for retail providers and Section 4.3 for marketers purchasing/selling entities), ARB multiplies the quantity of purchases and exchanges from each supplier, including transmission losses, by the certified emission factor.

For other purchases and exchanges, ARB sums the quantities of purchases and exchanges by region and multiplies the total by the default regional emission factor.

ARB calculates default emission factors, and accounts for transmission losses.

ARB attributes emissions to purchases reported as originating from an unknown region using the highest of the three regional default emission factors.

3.7 Total CO₂e Emissions from Owned Facilities and Purchases

ARB sums the total metric tons of emissions from owned power plants, purchases from specified sources, and purchases from unspecified sources as described in the above sections. ARB then converts the GHG emissions to CO₂ equivalents and calculates the total.

3.8 Sales and Exchanges from Specified Sources

Report the sum of sales and deliveries of power under exchange agreements from each power plant owned or operated by the reporting entity, identified by the plant identification code, and reported separately for each counterparty and destination region (California, Northwest, and Southwest). For each power plant that is owned but not operated by the reporting entity, report the portion of any sales made by the plant operator based on the reporting entity's ownership share of the power plant. Report quantities of power sold or exchanged as measured at the busbar where power enters the grid. If busbar data are not available for certain sales, report it as a sale from an unspecified source.

If long-term unit-contingent forward sales and exchanges with a delivery term of one year or greater from an owned power plant amount to more than ten percent of the reporting entity's proportional ownership-based share of the total net generation of the power plant, the reporting entity shall provide documentation establishing why the power was sold. The reporting entity shall indicate whether either of the following conditions is met, with supporting documentation:

1. The power could not be delivered to the reporting entity during the hours in which it was sold.
2. The reporting entity did not need the power during the hours in which it was sold for reasons such as because it had surplus power from its owned power plants and the specified plant was the marginal plant during the hours in which the power was sold.

3.9 Adjustments to Total Emissions for Sales and Exchanges from Specified Sources to Counterparties within California

ARB adjusts the total emissions described in Section 3.7 for emissions attributed to sales from specified sources to counterparties within California.

To adjust total emissions for sales and exchanges from specified sources, ARB uses the emission rates of each plant either reported under the source-based reporting system or as calculated by ARB (see Section 3.2). ~~However, if the reported sales and exchanges from an owned power plant amount to more than 10 percent of the reporting entity's proportional ownership share and if the purchase does not meet one or both of the conditions specified in Section 3.8, ARB attributes emissions to that power using the average emission factor of power available for sales from unspecified sources (calculated as described in Section 3.11).~~

ARB attributes emissions by multiplying each plant's sales and exchanges from specified sources to counterparties within California by the relevant emission factor. ARB then deducts the total emissions attributed to sales and exchanges from specified sources to counterparties within California from the totals described in Section 3.7.

3.10 Sales and Exchanges from Unspecified Sources

Report aggregated sales and power deliveries under exchange agreements from unspecified sources, reported separately for each counterparty and each destination region (California, Northwest, and Southwest). Report quantities as measured at the busbar. If busbar data are not available for certain sales, report the quantity as measured at the first point of receipt at which possession of the power was taken. In other words, these values shall not include any transmission losses that occur between the seller's point of receipt and purchaser's point of delivery.

3.11 Adjustments to Total Emissions for Sales and Exchanges from Unspecified Sources to Counterparties within California

ARB adjusts the total emissions described in Section 3.7 for emissions attributed to sales from unspecified sources to counterparties within California.

To obtain the quantity of power available for sales from unspecified sources, ARB deducts from the total amount of electricity from owned facilities and purchased quantities of power (including transmission losses) from the following sources:

1. Sources reported as serving native load, as described in Section 3.1.
2. Sales and exchanges from specified sources, as described in Section 3.8.

To obtain the amount of emissions associated with power available for sales from unspecified sources, ARB deducts from the total emissions from owned facilities and purchases, as described in Section 3.7, all emissions attributed to the sources in the itemized list above.

The average emission factor of power available for sales from unspecified sources is the ratio of the emissions from power available for sales from unspecified sources to the quantity of power available for sales from unspecified sources.

To adjust the total GHG emissions for sales from unspecified sources to counterparties within California, ARB multiplies the quantity of electricity sold from unspecified sources to counterparties within California, as measured at the generator busbar or reporting entity's point of receipt, by the average emission factors available for sales from unspecified sources. These quantities are deducted from the total emissions as described in Section 3.7 and adjusted as described in Section 3.9.

3.12 Reporting Requirements for Multi-jurisdictional Utilities and WAPA

Multi-jurisdictional utilities shall report the information required in Subsections 3.1, 3.3, 3.5, 3.8, and 3.10 for their operations that serve California and any contiguous service territories. They shall report California retail sales, in gigawatt-hours, and total retail sales in California and any contiguous territories.

WAPA shall report the information required in Subsections 3.1, 3.3, 3.5, 3.8, and 3.10 for its entire operations. WAPA shall also report California retail sales, in gigawatt-hours, and total retail sales.

3.13 Calculation of Emissions for Multi-jurisdictional Utilities and WAPA

For each multi-jurisdictional utility, ARB will determine emissions associated with the utility's entire operations, and will attribute a pro-rata share of those emissions, based on the ratio of California retail sales to total retail sales, to the California operations of the multi-jurisdictional utility.

For WAPA, ARB will determine emissions associated with WAPA's entire operations, and will attribute a pro-rata share of those emissions, based on the ratio of WAPA's sales to end users in California to total retail sales, to its California operations.

3.14 Requests for Exemptions

On a case-by-case basis, a reporting entity may request that ARB modify its determination of emissions to be attributed to the reporting entity based on the methodology set forth in Section 3. Such a request for exemption shall document why the reporting entity believes that the methodology in Section 3 does not recognize real reductions in GHG emissions that have been achieved due to the reporting entity's actions, and shall contain a proposed alternative determination of attributable emissions, with complete supporting documentation.

3.15 Sample Reporting Form²

Columns	1	2	3	4	5	6	7	8	9
Data Rows	Section 1	Retail Load and Losses							
1	Total Retail Load								
2	Total Load-Related Losses								
	Section 2	Owned Facilities							
	Plant Name	Plant Code	Net Gen	Power received	Losses	Proportional Ownership Share	Used Exclusively to Serve Native Load?	Qualifying Reason for Native Load	
3									
4									
	Section 3	Specified Purchases							
	Plant Name	Plant Code	Power received	Losses	Purchased Through Agreement Effective Prior to 1/1/08?	Purchase Through Agreement with Plant Oper. After 12/31/07	Purchase Through New Agreement with Plant Oper. Before 1/1/08		
5									
6									
	Section 4	Unspecified Purchases	CAISO Market(s)						
	Market(s)	Power received	Losses						

² Note that this sample form is for illustrative purposes only. It does not reflect all of the steps that may be necessary for reporting under this protocol.

Purchasing Entity	MWh sold to Northwest	MWh sold to Southwest	MWh sold in-state (California)						
13									
Section 7	Claimed Resources								
Sum MWh, for plants claimed to serve native load in Section 2									
14									

4. ~~Marketer~~ Purchasing/Selling Entity Reporting Protocol

4.1 Imports

Report all imported ~~of~~ electricity with a final point of delivery within a California balancing authority (also commonly referred to as a control area) that your firm had possession of at the first point of delivery inside a California balancing authority, summed separately for each counterparty supplying the power. For each counterparty, report the imported power separately for specified sources by the ARB plant identification code and for unspecified sources. Report unspecified sources summed by region of origin. The quantities of electricity shall be reported as measured at the first California balancing authority point of delivery. Report transmission losses separately for each combination of counterparty and source.

Report any electricity wheeled through California that terminates in a location outside of California, as measured at the first California balancing authority point of delivery. Report these receipts separately for each counterparty supplying the power. For each counterparty, report the wheeled-through power separately by region of origin (Northwest or Southwest), and by each specified source or on a combined basis for unspecified sources. The quantities of electricity shall be reported as measured at the Point of Delivery. Report transmission losses separately for each combination of counterparty and region. These transactions must be verifiable via NERC E-tags.

4.2 Exports

Report all exports of electricity that your firm had possession of at the last point of delivery inside a California balancing authority, reported separately for each counterparty supplying the power. For each counterparty, report the exported power separately by each specified source and on a combined basis for unspecified sources, and by region of destination (Northwest or Southwest). The quantities of electricity shall be reported as measured at the last California balancing authority point of delivery.

5. Supplier-based Emission Factors

Asset-owning or controlling entities may request that ARB develop and apply a supplier-specific emission factor for their sales from unspecified sources. An entity making such a request shall document that the power it sells originates from a fleet of plants either under its operational control or for which it serves as exclusive marketer and shall document the derivation of its proposed supplier-specific emission factor.

6. Submission Process

6.1 State Agency Responsibilities for Receiving and Maintaining Data

ARB is the lead agency for tracking and monitoring all emissions data relevant to implementation of Assembly Bill 32, so it is the primary recipient of reports. Reporting entities shall also provide simultaneous copies of submissions to the Public Utilities

Commission and the Energy Commission, which will support ARB, as necessary, in verifying the data.

6.2 Frequency

Retail providers and ~~marketers~~ purchasing/selling entities shall provide annual GHG emission reports, due to ARB as required by ARB reporting deadlines.

6.3 Verification

ARB has proposed using third-party certification and is developing a training and certification program for third party auditors.

(END OF ATTACHMENT A)

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedure, I have this day served a true copy of COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON PROPOSED DECISION OF COMMISSIONER PEEVEY ON REPORTING AND TRACKING OF GREENHOUSE GAS EMISSIONS IN THE ELECTRICITY SECTOR on all parties identified on the attached service list(s). Service was effected by one or more means indicated below:

Transmitting the copies via e-mail to all parties who have provided an e-mail address. First class mail will be used if electronic service cannot be effectuated.

Executed this **24th day of August 2007**, at Rosemead, California.



Raquel Ippoliti
Project Analyst
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, California 91770