STATE OF CALIFORNIA

ENERGY RESOURCE CONSERVATION AND DEVELOPMENT COMMISSION

In the matter of: Developing Regulations and Guidelines for the 33 Percent Renewables Portfolio Standard.	Docket No. 11-RPS-01

COMMENTS OF PACIFICORP ON THE DRAFT EIGHTH EDITION OF THE RENEWABLES PORTFOLIO STANDARD ELIGIBILITY GUIDEBOOK

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PacifiCorp appreciates this opportunity to comment on the California Energy Commission's (Commission's) draft eighth edition of the *Renewables Portfolio Standard Eligibility Guidebook* (RPS Guidebook) released on January 16, 2015. With the limited exceptions noted in these comments, the changes made to the RPS Guidebook do an outstanding job of streamlining and reorganizing the RPS Guidebook to reduce duplication. These changes improve the overall clarity of the RPS Guidebook and will serve to better describe the eligibility requirements for the renewables portfolio standard (RPS) program. PacifiCorp appreciates the efforts taken in updating the RPS Guidebook and looks forward to working with staff and the Commission to further refine and finalize the RPS Guidebook.

I. Comments on and Proposed Modifications to the RPS Guidebook

A. Station Service

PacifiCorp seeks clarity regarding the RPS Guidebook's changes to the requirements for station service. According to the RPS Guidebook, "[g]eneration supplying station service must be netted from total generation, regardless of whether the Generating Unit provides its own station service or purchases it from another entity."[1] PacifiCorp agrees that renewable energy credits (RECs) should not be created from generation supplying station service. However, in the event that a Generating Unit uses electricity provided by the electric grid while the Generating Unit is not operating, PacifiCorp believes that such "off-line station service" should not be netted (deducted) from the Generating Unit's total generation.

Station service is excluded from the generation used to create RECs to ensure that load that could be served from the grid by a non-renewable resource is not counted towards a Generating Unit's output. Under this same rationale, however, there is no basis to deduct off-line station service that occurs when a Generating Unit is not operating and no RECs are being created. Off-line station service occurs at a time that is different from the time at which RECs are created, as no generation is produced by a Generating Unit when off-line station service is necessary. Accordingly, as a Generating Unit will be offline, no RECs will be created during periods of off-line station service. Based on this nuance, PacifiCorp requests that the RPS Guidebook be modified to clarify that off-line station service should not be netted against the total generation of a Generating Unit.

This clarification will not only help achieve renewable goals, but also avoids complications that may otherwise arise. For example, if off-line station service is required to be netted against a facility's total output, validly created RECs could be extinguished after the fact. To illustrate, if a Generating Unit created RECs, and after validly creating such RECs stopped operating for a period of time, during which time it received station service from the electric grid, the requirement to net generation from the Generating Unit against station service could

[1] RPS Guidebook, p. 58. All references to the RPS Guidebook are made to the redlined version of the RPS Guidebook issued on January 16, 2015.

require the Generating Unit to reduce its total generation by the amount of off-line station service utilized while the Generating Unit was not operating. However, as the Generating Unit was not operating and thereby not creating RECs, the only way to reduce the total output from the facility by the amount of off-line station service would be to reduce, and thereby eliminate or extinguish, those RECs that had already been created. This would not only result in complications with RPS administration and compliance, but is counterintuitive as RECs should not be eliminated based on an electric customer's use of non-renewable electricity.

For this reason, the RPS Guidebook should be clarified to explain that while station service will not qualify for RPS purposes and must generally be deducted from a Generating Unit's total generation, off-line station service (electricity provided by the grid when the Generating Unit is not operating) is not required to be excluded from the Generating Unit's total generation (whether prior or subsequent). Accordingly, the Commission should modify the language on page 58 of the RPS Guidebook as follows (proposed additions are underlined):

> Generation supplying station service <u>while the Generating Unit is operating</u> must be netted from total generation, regardless of whether the Generating Unit provides its own station service or purchases it from another entity.

B. Annual LSE Reports

1. REC Counting

According to the RPS Guidebook, annual load-serving entity (LSE) reports allow LSEs to report retired RECs so the Commission can "verify the claims an LSE plans to use toward its RPS procurement requirements, and to ensure that *a REC is counted only once for compliance with the California RPS, for the regulatory requirements of any other state, or to satisfy any* *other retail, regulatory, or voluntary market claim*."[2] PacifiCorp seeks clarity about the RPS Guidebook's restriction that a REC may be used for only one regulatory compliance purpose. For example, the California Air Resources Board's (CARB) Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (Mandatory Reporting Regulation or MRR) and Cap-and-Trade Regulation require RECs to be used as part of the determination of an entity's greenhouse gas (GHG) compliance obligation. Specifically, importers must report REC serial numbers when claiming specified imports from RPS eligible resources. In addition, CARB's Cap-and-Trade Regulation allows an LSE to utilize an RPS adjustment to reduce an LSE's compliance obligation for certain imports.

CARB's Cap-and-Trade Regulation provides:

> The RECs associated with the electricity claimed for the RPS adjustment must be placed in the retirement subaccount of the entity subject to the California RPS, and party to the contract in 95852(b)(4)(A), in the accounting system established by the CEC pursuant to PUC 399.25, and designated as retired for the purpose of compliance with the California RPS program within 45 days of the reporting deadline specified in section 95111(g) of MRR for the year for which the RPS adjustment is claimed.[3]

CARB's informal guidance documents similarly provide that RECs may be used for the RPS adjustment:

> Q: Does the [Cap-and-Trade] Regulation or [Regulation for the Mandatory Reporting of Greenhouse Gas Emissions] MRR require retired RECs to be placed into a particular WREGIS subaccount, e.g., a 2013 or 2014 subaccount?
>
> A: The regulations only specify that ***the REC must be used to comply with California's RPS requirement***. To meet this

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[2] RPS Guidebook, p. 123, emphasis added. *See also* p. 129: "A REC claimed by an LSE for California's RPS is not used for any other competing purpose. … LSEs may be required to … demonstrate that the LSE has not also claimed RECs in another program."

[3] CARB Cap-and-Trade Regulation § 95852(b)(4)(B), emphasis added.

> requirement, the RECs must be retired in WREGIS. ARB's regulations do not specify the specific year of the WREGIS REC retirement subaccount into which the RECs must be placed.[4]

Since CARB requires that RECs be reported to confirm that an import is in fact from an RPS-eligible resource, and also allows RECs to be used for the RPS adjustment, PacifiCorp seeks clarification that an LSE's use of RECs for these purposes will not impact or limit that LSE's ability to comply with the Cap-and-Trade and MRR.

Accordingly, the Commission should modify the language on page 123 of the RPS Guidebook as follows (proposed additions are underlined):

> The Energy Commission uses the retirement information to verify the claims an LSE plans to use toward its RPS procurement requirements, and to ensure that a REC is counted only once for compliance with the California RPS, for the regulatory requirements of any other state, or to satisfy any other retail regulatory, or voluntary market claim. [<u>Footnote</u>]
>
> [<u>Footnote</u>]: <u>Use of a REC for compliance with the California RPS does not limit an LSE's ability to report a specified import or utilize the RPS adjustment in accordance with the California Air Resources Board's California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms to Allow for Use of Compliance Instruments Issues by Linked Jurisdictions and Regulation for the Mandatory Reporting of Greenhouse Gas Emissions.</u>

Similarly, the Commission should modify the language on page 129 of the RPS Guidebook as follows (proposed additions are underlined):

> 3) A REC claimed by an LSE for California's RPS is not used for any other competing purpose.
>
> LSEs may be required to submit supporting documentation to verify procurement from facilities or demonstrate that the LSE has

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[4] See CARB RPS Reporting FAQs, FAQ #19, emphasis added, available at: http://www.arb.ca.gov/cc/reporting/ghg-rep/ghg-rep-power/rec-faqs.pdf

> not also claimed RECs in another program. RECs claimed for California's RPS may also be used in accordance with the California Air Resources Board's California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms to Allow for Use of Compliance Instruments Issues by Linked Jurisdictions and Regulation for the Mandatory Reporting of Greenhouse Gas Emissions.

These revisions will avoid confusion between regulatory agencies and ensure that a REC may be used for other regulatory compliance purposes as required by CARB.

2. POU Reporting Requirements – e-Tag Requirements

If a local publicly owned electric utility (POU) procures renewable electricity products from facilities not interconnected to a California balancing authority (CBA), the RPS Guidebook requires that RECs retired from such procurement "be accompanied by e-Tag data demonstrating that electricity was scheduled into a CBA."[5] This requirement could prove problematic in certain instances, and PacifiCorp recommends that the RPS Guidebook be revised to allow alternative methods to verify delivery into a CBA. For instance, the California Independent System Operator's (CAISO) Energy Imbalance Market (EIM) allows PacifiCorp and other entities to sell electricity from renewable resources located outside of California into the CAISO. This transaction does not involve the use of e-Tags, however.[6] Therefore, any requirement to demonstrate delivery into the CAISO using an e-Tag could not be satisfied for EIM transfers. PacifiCorp recommends that the RPS Guidebook account for this situation by allowing delivery into a CBA to be demonstrated either by providing e-Tag data ***or*** by a similar demonstration that

[5] RPS Guidebook, p. 128.

[6] CARB has provided guidance regarding e-Tags in the EIM, stating: "For EIM transaction reporting purposes, the NERC e-tag query information in section 95105(d)(5) does not apply to imports reported by EIM participating resource scheduling coordinators." (CARB Energy Imbalance Market Transactions Reporting FAQ, question 1(g), available at http://www.arb.ca.gov/cc/reporting/ghg-rep/ghg-rep-power/eim-faqs.pdf.) Instead, CARB relies on reporting from CAISO to determine EIM transaction imports. *See* Section 95802(a)(188) of the Cap-and-Trade Regulation.

the energy was delivered into the CAISO through the EIM.

Accordingly, page 128 of the RPS Guidebook should be modified as follows (proposed additions are underlined, proposed deletions are struck through):

> RECs retired from these facilities shall be accompanied by e-Tag data demonstrating that electricity was scheduled into a CBA, using one of the following forms:
>
> a) WREGIS Matched e-Tag Summary Report: for all generation e-Tag data, information on this form can be found in Appendix C: Annual LSE Reporting Forms.
>
> b) CEC- RPS-eTag: for generation e-Tag data, if the information is not available in WREGIS. This form is included in Appendix C: Annual LSE Reporting Forms. Available for use only to POUs.
>
> For transactions involving the California Independent System Operator's Energy Imbalance Market (EIM) that do not include e-Tag data, alternative data may be provided that demonstrates that the electricity was scheduled into the California Independent System Operator.
>
> In all cases, the REC(s) and the accompanying e-Tag(s) or alternative EIM data shall be from the same calendar year. ~~, and the e~~E-Tag(s) shall identify the facility that produced the RECs by either including the RPS ID for the facility in the miscellaneous field, listing the facility name as the source on the e-Tag, or both. EIM data shall identify the facility that produced the RECs by including the RPS ID for the facility and providing the facility name.
>
> For PCC 1 RECs for which the associated electricity must be scheduled into a CBA pursuant to the POU Regulations, the electricity scheduling arrangement shall be from the facility without the substitution of electricity from another source. Beginning January 2014, the e-Tags for these scheduling structures shall identify the certified facility as the source point of the electricity. The Energy Commission will audit the electricity scheduling arrangements by requesting the submission of select e-Tags.

C. REC Definition

As described in Section B.1 above, PacifiCorp is seeking clarity that using RECs for RPS compliance will not jeopardize an LSE's ability to claim an RPS adjustment for GHG compliance purposes at the CARB. Similarly, PacifiCorp is seeking clarity regarding the REC definition in the RPS Guidebook. The RPS Guidebook's REC definition provides, in part, that a REC includes:

> …any avoided emission of pollutants to the air, soil or water; any avoided emissions of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, or any other greenhouse gases that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of global climate change; and the reporting rights to these avoided emissions, such as Green Tag reporting rights.[7]

Similarly, footnote 145 to the REC definition provides:

> "Avoided emissions may or may not have any value for GHG compliance purposes. Although avoided emissions are included in the definition of the REC, this definition does not create any right to ***use those avoided emissions*** to comply with any GHG regulatory program."[8]

Based on the CARB Cap-and-Trade Regulation and the requirement to use RECs to support a specified source claim or claim an RPS adjustment under the Cap-and-Trade Regulation for GHG compliance purposes, PacifiCorp requests that the RPS Guidebook's definition of a REC be clarified to reflect the fact that RECs may be used for RPS compliance, MRR obligations and the RPS adjustment at CARB. To make this change, footnote 145 on page 178 of the RPS Guidebook should be modified as follows (proposed additions are underlined):

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[7] RPS Guidebook, p. 178, footnotes omitted.

[8] *Id.*, emphasis added.

> "Avoided emissions may or may not have any value for GHG compliance purposes. Although avoided emissions are included in the definition of the REC, this definition does not create any right to use those avoided emissions to comply with any GHG regulatory program except as specified in the California Air Resources Board's California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms to Allow for Use of Compliance Instruments Issued by Linked Jurisdictions or in the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions."

PacifiCorp appreciates that the RPS Guidebook's REC definition is based, in part, on the California Public Utilities Commission's (CPUC) REC definition identified in CPUC Decision (D.) 08-08-028. However, it is important to note that the CPUC has eliminated its required standard term and condition (STC) for "Green Attributes", an STC that previously included RECs as a component of "Green Attributes". The Commission concluded in D.13-11-024 that the "Green Attributes" STC was "outdated, as well as inconsistent with recent statutory requirements for use of biomethane fuel in generation for RPS compliance."[9] Because the "environment of RPS procurement in which STC 2 ["Green Attributes"] operates has also changed substantially … the 'Green Attributes' term that now includes RECs (as defined), contains redundant, overlapping, and possibly inconsistent elements."[10] For this reason, the CPUC eliminated the "Green Attributes" STC as a mandatory, non-modifiable STC for RPS contracts.

Although the CPUC has not officially modified its REC definition in D.08-08-028, it has recognized that the RPS program has changed significantly. Furthermore, since D.08-08-028 was issued, CARB adopted its Mandatory Reporting Regulation and Cap-and-Trade Regulation,

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[9] D.13-11-024, p. 21, available at http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M081/K872/81872675.PDF.

[10] *Id.* at 22-23.

which includes provisions for the RPS adjustment and a requirement to report REC serial numbers for certain specified import claims. Based on these changes, the Commission should modify the REC definition to make clear that use of RECs for the RPS program will not restrict an LSE's ability to claim those same RECs for an RPS adjustment under the CARB Cap-and-Trade Regulation. Similarly, the Commission should clarify that reporting RECs under the MRR will not in any way restrict the use of those same RECs for RPS purposes. PacifiCorp believes that such clarification will avoid market and program uncertainty and help LSEs achieve compliance with RPS and GHG obligations. PacifiCorp further recommends that the Commission coordinate with the CPUC and the CARB, as necessary, to ensure that similar interpretations are consistently used by all three agencies.

II. Conclusion

PacifiCorp commends the Commission and Commission staff for the time and effort taken to revise the RPS Guidebook. PacifiCorp appreciates the opportunity to provide these comments, and for the reasons set forth herein, urges the Commission to revise the draft RPS Guidebook in accordance with the recommendations set forth above.

Respectfully submitted,

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