Summary of Information on Assembly Bill (AB) 1110 provided by Center for Resource Solutions (CRS)

This document summarizes information presented in a letter from CRS to Assembly Member Phil Ting dated August 18, 2015.[1]

CRS is a 501(c)(3) nonprofit organization with broad expertise in renewable energy policy design and implementation, electricity product disclosures and consumer protection, and GHG reporting and accounting. CRS also administers Green-e®, the leading certification program for voluntary renewable electricity products in North America. CRS is providing this information as an independent third party. We provide certification services to a variety of utility and electric service provider participants across the country, including Community Choice Aggregation (CCA) and investor-owned utility programs.

Our primary concern with AB 1110 is the double counting that results from the prohibition of Renewable Energy Certificates (RECs)—the principal accounting instrument used in the broader U.S. electricity market for tracking and verifying renewable energy delivery and consumption—for disclosure of greenhouse gas (GHG) emissions associated with delivered electricity, a primary attribute contained in the REC.[2] **In order to avoid double counting, RECs must be required for any renewable energy and associated emissions that are included in the emissions disclosure.** Otherwise, AB 1110 allows reporting of zero-emissions renewable electricity delivered to retail customers while the RECs from the same zero-emissions electricity may be used for the Renewable Portfolio Standard (RPS) or other retail product claims in California or another state.[3]

We recommend that the language amending Sec. 398.4 of the Public Utilities Code be removed from the bill, which would allow the California Energy Commission to finish its work to determine the methodology for GHG emissions accounting and reporting through a transparent and open regulatory process.

AB 1110 conflates RECs as an essential accounting instrument to verify delivery of renewable energy and associated emissions for retail product claims in California with "unbundled" REC purchasing as a form of contract and procurement option for suppliers. Policymakers and regulators may choose to limit the GHG emissions disclosure, based on the form of the energy procurement contract used by the supplier or the location of the generation, for example, as a policy preference (though this presents a less-than-complete picture of emissions and may require additional explanation to avoid consumer confusion, as we explain). But, REC ownership must be required for delivery of any renewable energy or associated emissions that *are* included in the disclosure in order to avoid double counting of these MWh and emissions. In-state renewable energy or "bundled" renewable energy can be prioritized in emissions disclosure without restricting use of the underlying contractual instrument, which is required for effective delivery of renewable generation attributes whether bundled or unbundled.

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[1] The full letter with attachments can be found at: resource-solutions.org/publications. Direct link: http://resource-solutions.org/site/wp-content/uploads/2015/09/CRSlettertoAssemblymemberTingREAB1110_8-18-2015.pdf.

[2] See CAL. PUB. UTIL. CODE § 399.12(h), online here: http://www.leginfo.ca.gov/cgi-bin/displaycode?section=puc&group=00001-01000&file=399.11-399.32. Also See Jones, T. *et al*. (2015). *The Legal Basis of Renewable Energy Certificates*. Center for Resource Solutions. Available online at: http://www.resource-solutions.org/pub_pdfs/The%20Legal%20Basis%20for%20RECs.pdf.

[3] CAL. PUB. UTIL. CODE § 399.21(a)(2), requires that: "Each renewable energy credit shall be counted only once for compliance with the renewables portfolio standard of this state or any other state, or for verifying retail product claims in this state or any other state."

We have noted that **the most complete and accurate emissions disclosure reflects *all* purchases made by utilities/CCAs/suppliers, including out-of-state and unbundled RECs, since there is no difference to the customer in terms of emissions claims**. For retail customers in California, the REC represents the attributes of renewable generation (including emissions), exclusive claim to the delivery and ultimately use of renewable generation, and proof of renewable generation that has been added to the grid within Western power grid. Whether these attributes are delivered to the customer with (bundled) or separate from electricity (unbundled) has no bearing whatsoever on the delivery of those attributes and customer's claim to receipt of those attributes (emissions). The form of contract can be disclosed, if that's deemed important for the customer. We also feel that **if certain purchases or generation are to be excluded, there should be disclosure to let the customer know what has been excluded**, particularly where there would be discrepancies between what is included in power source disclosure (which currently reflects all purchases made) and what is included in emissions disclosure, again in order to avoid customer confusion.

Finally, we provided information to correct other misrepresentations in testimony on the bill in 2015, in particular regarding the need for alignment of accounting methodologies for cap-and-trade, under the Mandatory Reporting Regulation (MRR), with accounting for retail customer disclosures like this, as well as conflation of RECs and carbon offsets.

GHG accounting disclosure to retail customers as required by this bill should not use the same methodology as that which is used for reporting GHG emissions to the California Air Resources Board under the cap-and-trade program. California's MRR is not for reporting for retail product claims. It is not used for tracking and determining emissions delivered to consumers, nor is it appropriate as such a protocol. Rather, the MRR is used for accounting of electricity generated in-state or directly delivered to support compliance for wholesale power generation. Protocols for GHG accounting and reporting for purchased and delivered electricity are developed internationally by the World Resources Institute (WRI).[4] These rules have been implemented by GHG inventory and reporting systems like The Climate Registry (TCR)[5] and CDP, which are used by thousands of companies, organizations, governmental agencies, and municipalities reporting their emissions associated with purchased electricity.

RECs are not the same as carbon offsets, and they should not be treated the same in GHG accounting. RECs do not offset the emissions associated with electricity generation. Rather, since usage of any specified generation source on the shared electricity grid can only be determined contractually, RECs are used to verify renewable electricity purchasing, delivery, and use within the broader context of functioning voluntary and compliance renewable electricity markets in California and across the United States. Multiple federal agencies, state legislation and regulation, regional electricity transmission authorities, standard-setting organizations for GHG accounting, trade associations, and market participants have recognized that RECs represent and convey the environmental attributes of renewable electricity generation to the owner, along with the legal right to claim usage of that renewable electricity.

CRS is happy to support improvements to this bill, since **we generally support the idea of emissions disclosure and standardization of emissions disclosure in California**.

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[4] Sotos, M. (2015) *GHG Protocol Scope 2 Guidance: An Amendment to the GHG Protocol Corporate Standard*. World Resources Institute. Available online: http://www.wri.org/sites/default/files/Scope_2_Guidance_Final.pdf.

[5] TCR is formerly the California Climate Action Registry (CCAR), which was created by the State of California in 2001 to promote and protect businesses' early actions to manage and reduce their GHG emissions. Visit http://www.theclimateregistry.org/.