



CRS

center for
resource
solutions

November 30, 2016

Paul Douglas
Energy Division
California Public Utilities Commission (CPUC)
505 Van Ness Ave
San Francisco, CA 94102

RE: Center for Resource Solutions' (CRS's) Comments on Energy Division Staff White Paper on Implementing Greenhouse Gas (GHG) Planning Targets in the Integrated Resource Planning (IRP) Process (Proceeding R.16-02-007)

Dear Mr. Douglas:

CRS appreciates this opportunity to comment on the Energy Division Staff's White Paper on Implementing GHG Planning Targets in the IRP Process. Our comments are focused on Question for Parties no. 6, the methodologies for developing and reporting against GHG planning targets and the relevance of other methodologies/protocols developed for other state programs, and the treatment of voluntary renewable energy generation in GHG target reporting.

Background on CRS and Green-e®

CRS is a 501(c)(3) nonprofit organization that creates policy and market solutions to advance sustainable energy. CRS has broad expertise in renewable energy policy design and implementation, electricity product disclosures and consumer protection, and GHG reporting and accounting. CRS has a long history of working with state agencies—and has worked with the CPUC for nearly 20 years—to help design and implement consumer protection policies that ensure accurate marketing and avoid double counting of individual resources towards multiple end uses.

CRS also administers the Green-e programs. Green-e Energy, in particular, is the leading certification program for voluntary renewable electricity products in North America. In 2015, that program certified the majority of the U.S. voluntary renewable energy market. Stakeholder-driven standards supported by rigorous verification audits and semiannual reviews of marketing materials ensure robust customer disclosure and are pillars of Green-e Certification. Through these audits and reviews, CRS is able to provide independent third-party certification of renewable energy products. Green-e program documents, including the standards, Code of Conduct, and the annual verification report, are available at www.green-e.org.

Responses to questions presented in the Staff White Paper

6. This question raises the possibility of using an ex-post GHG reporting protocol for load-serving entities (LSEs) to determine their adherence to GHG planning targets under IRP and asks specifically whether the CPUC should rely on the GHG intensity reporting protocol that the California Energy Commission (CEC) will develop pursuant to Assembly Bill (AB) 1110 for power source and emissions disclosure to retail customers as this ex-post protocol. Since the methodology being developed by the CEC for

implementation of AB 1110 (“AB 1110 methodology”) is intended for a different purpose and will measure different GHG emissions than those intended to be reflected in GHG planning targets for IRP, the AB 1110 methodology should not be used either to determine GHG planning targets or to determine adherence to these targets. Rather, a different methodology must be developed for calculating and reporting the emissions attributes of bundled electricity that is owned and generated or purchased by LSEs to serve load.

The CPUC should clarify what GHG emissions it intends to measure with GHG planning targets under IRP. For example, are these reduction targets for emissions associated with what LSEs procure, deliver, or own? There are at least two other methodologies used for other state programs that measure GHG emissions in California. But neither appears to be appropriate for use in the IRP process.

The Air Resource Board’s (ARB’s) Mandatory Reporting Regulation (MRR) is used by entities with compliance obligations under California’s cap-and-trade program. As such, the MRR is a methodology for reporting emissions of what is owned and imported. It does not cover purchases of electricity to serve load and is therefore not appropriate to use as the methodology for GHG emissions targets under IRP. It is also inappropriate for use as the AB 1110 methodology.¹

The AB 1110 methodology will cover the emissions of the electricity ultimately delivered to retail customers—all delivered emissions (attributes). This includes trading of renewable attributes that happen after IRP. Specifically, the AB 1110 methodology should include transactions of unbundled renewable energy credits (RECs). Purchases of unbundled RECs should not be included in the purchases covered by GHG targets for IRP because IRP is concerned only with owned and generated or purchased bundled electricity to serve load and associated emissions attributes.

Importantly, REC ownership must be required for RE generation and resources that are included in IRP—bundled RE used to serve load—in order for LSEs to claim delivery of renewable power to meet load. Purchases of null power (where the RECs have been sold off) must be assigned a residual or average system mix emissions factor to prevent double counting of the renewable energy in the Renewable Portfolio Standard (RPS) or other retail product claims. In other words, while purchases of unbundled RECs should not be included, sales of RECs by LSEs must be considered in calculations of GHG emissions in IRP such that the underlying generation is not reported as renewable and assigned positive emissions.

Comments on issues that are not addressed in the questions set out in the Staff White Paper

Voluntary renewable energy—renewable energy used to supply voluntary renewable energy products offered by LSEs—should not be counted toward any GHG emission target reporting under IRP.

Alongside state mandates like the RPS and carbon pricing programs like cap-and-trade, the voluntary renewable energy market has been a major driver of new clean energy development in the state, leading to more jobs and greater economic growth. The market leverages private, non-ratepayer funding to help speed the transition to renewable energy sources, and it provides a pathway whereby the appetite for voluntary action can be channeled to in-state clean energy development. Last year, around 520,000 megawatt-hours (MWh) of renewable energy from California were used to supply

¹ See pg. 9 of August 18, 2015 CRS Letter to Assembly Member Phil Ting regarding AB 1110. Available here: <http://resource-solutions.org/site/wp-content/uploads/2015/09/CRSlettertoAssemblymemberTingREAB1110-8-18-2015.pdf>.

Green-e certified voluntary sales. This number increased dramatically from 2014. This shows strong demand for voluntary renewable energy in the state. It is also worth noting that Green-e certifies a majority but not the entirety of the voluntary market, which means that this represents a conservative estimate of voluntary activity in the state.

Voluntary means surplus to regulation. Historically, voluntary renewable energy is not used to meet governmental targets, laws, or legal mandates. The voluntary market stands apart from and builds on compliance efforts. This enables the voluntary market to make an incremental difference often referred to as “regulatory surplus.” Also, many of the companies and individuals purchasing in California’s voluntary renewable energy market do so as part of their commitment to fight climate change. Voluntary buyers and investors therefore expect that voluntary generation will reduce emissions beyond regulatory targets as a critical non-financial benefit. Our experience in the voluntary market has shown that regulatory surplus and moving the needle on climate change are significant drivers of voluntary demand.

Regulatory surplus has been a key principle for Green-e certification throughout the program’s existence. In January 2015, the CPUC directed the three largest investor-owned utilities (IOUs) in the state—Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas and Electric Company, which together cover nearly 80% of the state—to offer a Green-e Energy certified 100% renewable energy option to their customers.² As such, the IOUs’ and other Green-e certified programs in the state will need to meet Green-e’s requirements to source from renewable energy that is not used to meet regulatory targets. Other state programs that would otherwise affect the emissions reduction benefits of voluntary renewable energy have taken effort not to count voluntary renewable energy and its GHG benefits or to include mechanisms that ensure that voluntary renewable energy continues to achieve emissions reductions in excess of what is achieved by state programs and processes. For example, the cap-and-trade program includes the Voluntary Renewable Electricity Reserve Account, through which allowances are set-aside and retired on behalf of the voluntary renewable energy market, enabling voluntary renewable energy to avoid emissions beyond the level of the cap and surplus to regulation.

CRS would be happy to assist the CPUC in exploring options to maintain regulatory surplus with respect to GHG emissions for the voluntary renewable energy market under GHG planning targets for IRP.

Please let me know if we can provide any further information or answer any other questions.

Sincerely,



Todd Jones
Senior Manager, Policy and Climate Change Programs

² CPUC. Decision 15-01-051 January 29, 2015. Decision Approving Green Tariff Shared Renewables Program for San Diego Gas & Electric Company, Pacific Gas and Electric Company, and Southern California Edison Company pursuant to Senate Bill 43. Available online: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M146/K250/146250314.PDF>.