

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Agenda Item 13

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
Gary Lawson, Sacramento Municipal Utility District (SMUD)

SUBJECT: Suspension of Forward PCC-2 Renewable Procurements

DATE: June 6, 2018

RECOMMENDATION

Staff is recommending that the Board adopt a resolution establishing the following:

- Suspend the current forward procurement of PCC-2 Renewable Power pending outcome of the California Energy Commission's effort to update the Power Source Disclosure/Power Content Labeling requirements for load serving entities.
- Authorize the General Manager to reactivate PCC-2 Renewable Power Procurement in the event that the outcome of the CEC's change in Power Source Disclosure/Power Content Labeling requirements is favorable as to the treatment of PCC-2 Power. The General Manager will report back to the Board with such information.
- Require staff to return for additional authorization in the event that CEC's change in Power Source Disclosure/Power Content Labeling requirements is not favorable as to the treatment of PCC-2 Power.

BACKGROUND

The California Energy Commission (CEC) is in the process of revising the Power Source Disclosure/Power Content Label (PSD/PCL) requirements for California load serving entities resulting from changes to the PSD/PCL law affected by AB 1110 passed in 2016. The changes would apply starting with 2019 power deliveries. (The resulting reporting would be published in 2020 on the specified reporting schedule for 2019 deliveries.) AB 1110 changes include the addition of greenhouse gas emissions intensity reporting in the mandatory Power Content Labeling.

As part of an informal stakeholder process taking place before the rulemaking process starts, CEC staff has developed a proposal that would not be favorable with regard to the greenhouse gas reporting associated with PCC-2 renewable power imports.

As you will recall, PCC-2 renewable power is imported from outside California from a seller supplying RECs from a renewable resource which are provided along with a power import into California. Currently, the ownership of PCC-2 RECs is evidence that the purchaser has bought

the renewable carbon free attributes of the supplying renewable energy resource. For example, the RECs might be matched with an import of power from a natural gas-fired power plant. The PCC-2 REC offsets any carbon emissions associated with the underlying imported energy under current rules.

The CEC staff proposal would require the load serving entity to declare the carbon emissions associated with the underlying energy, and would not allow the PCC-2 REC to offset the carbon emissions for greenhouse gas reporting purposes.

ADDITIONAL CONSIDERATIONS

While the changes in law require all retail sellers to begin reporting greenhouse gas emissions intensity in 2020 for the 2019 calendar year, that legislation also allows a newly formed CCA to avoid reporting carbon emissions for 24 months up to 36 months after launch, meaning that VCEA would not have to report carbon emissions for 2019, and possibly for 2020:

“Any new community choice aggregator formed after January 1, 2016, shall not be required to report data on greenhouse gas emissions intensity associated with retail sales until at least 24 months, but shall be required to report that data no later than 36 months, after serving its first retail customer. (PUC § 398.4 (k)2.F(ii).

Therefore, VCEA will have a choice on whether it reports greenhouse gas emissions in 2020 for 2019 power deliveries. VCEA has stated that a key goal for CCE formation is to achieve an energy supply that is cleaner than PG&E's. So despite the option to not report greenhouse gas emissions intensity on 2019 power deliveries, given its stated goal VCEA may want to be able to report favorable greenhouse gas emissions for its 2019 power supply.

ANALYSIS

Table 1 in the Attachment shows the estimated carbon emissions for VCEA's 2019 power portfolio under the current assumptions that PCC-2 RECs would offset the carbon emissions associated with the matched imported power.

In the event that the CEC were to adopt CEC staff's position, the consequence to VCEA would be that without any action, VCEA's reported carbon emissions increase significantly. Table 2 in the Attachment shows that VCEA's estimated carbon emissions could go to 144,744 metric tonnes based upon the reporting change, and assuming VCEA took no other action to try and reduce reported carbon emissions.

VCEA would incur increased costs to procure additional no/low carbon energy to offset the increase in carbon emissions that would be attributed to PCC-2 renewable power. Under today's power costs, VCEA could pay up to \$750,000 annually for the additional no/low carbon energy.

Given the current market for renewables, staff does not view that suspending PCC-2 power procurement will disadvantage VCEA in its renewable procurement. In fact, should the CEC

staff's proposal be adopted by the CEC, the cost of PCC-2 power may actually drop, because it would no longer be treated as greenhouse gas free which would requiring purchasers to incur additional expense to mitigate the greenhouse gas impacts.

COMMUNITY ADVISORY COMMITTEE REVIEW

Staff reviewed the recommendation with the Community Advisory Committee on May 30, 2018, which voted on and approved supporting staff's recommendation with a 7-0-1 vote.

CONCLUSION

Because the CEC is still working through development of the revised reporting rules, and because staff does not have clarity yet on the likely direction of the CEC on enacting staff's current proposal (or not), staff proposes that PCC-2 procurements be suspended until more certainty is obtained on the likely direction of the CEC, or until the CEC adopts the final rule change.

Staff makes the specific recommendations in the aforementioned resolution.

Attachment

1. Resolution

Attachment

Table 1. VCEA 2019 Portfolio Carbon Emissions Estimate Under Current Assumptions

	Content		Retail Load, MWhs	CO2 Emissions Intensity Per Product	CO2 Emissions Per Product	CO2 Emissions Intensity/ Contribution to Total
Renewable	42%		318,293	0 lb/MWh	0 MT	0 lb/MWh
PCC-1 ¹		23.25%	176,198	0 lb/MWh	0 MT	0 lb/MWh
PCC-2 ²		18.75%	142,095	0 lb/MWh	0 MT	0 lb/MWh
Large Hydro ³	33%		250,087	0 lb/MWh	0 MT	0 lb/MWh
Unspecified Market Power ⁴	25%		189,460	962 lb/MWh	82,711 MT	241 lb/MWh
Total	100%		757,840		82,711 MT	241 lb/MWh
Assumptions:						
1 Assumes PCC-1 renewable power has no associated net carbon emissions.						
2 Assumes PCC-2 renewable power has no associated net carbon emissions.						
3 Assumes Large Hydro has no associated net carbon emissions.						
4 California Air Resource Board's calculation for emissions from Unspecified Sources of Power has an emission factor of 0.428 MT CO2/MWh, in addition to a transmission loss adjustment of 1.02. Converted to lbs/MWh, that equates to 962 lb/MWh. Source: Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, Title 17, California Code of Regulations.						

Table 2. VCEA 2019 Portfolio Carbon Emissions Estimate Under Proposed Reporting Requirement

	Content		Retail Load, MWhs		CO2 Emissions Intensity Per Product		CO2 Emissions Per Product		CO2 Emissions Intensity/ Contribution to Total	
Renewable	42%		318,293		430 lb/MWh		62,033 MT		180 lb/MWh	
PCC-1 ¹		23.25%		176,198		0 lb/MWh		0 MT		0 lb/MWh
PCC-2 ²		18.75%		142,095		962 lb/MWh		62,033 MT		180 lb/MWh
Large Hydro ³	33%		250,087		0 lb/MWh		0 MT		0 lb/MWh	
Unspecified Market Power ⁴	25%		189,460		962 lb/MWh		82,711 MT		241 lb/MWh	
Total	100%		757,840				144,744 MT		421 lb/MWh	

Assumptions:

1 Assumes PCC-1 renewable power has no associated net carbon emissions.

2 Assumes PCC-2 renewable power has net carbon emissions associated with unspecified imports (See note 4).

3 Assumes Large Hydro has no associated net carbon emissions.

4 California Air Resource Board's calculation for emissions from Unspecified Sources of Power has an emission factor of 0.428 MT CO2/MWh, in addition to a transmission loss adjustment of 1.02. Converted to lbs/MWh, that equates to 962 lb/MWh. Source: Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, Title 17, California Code of Regulations.

VALLEY CLEAN ENERGY ALLIANCE

RESOLUTION NO. 2018- _____

A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE SUSPENDING THE CURRENT FORWARD PROCUREMENT OF PCC-2 RENEWABLE POWER PENDING OUTCOME OF THE CALIFORNIA ENERGY COMMISSION'S EFFORT TO UPDATE THE POWER SOURCE DISCLOSURE/POWER CONTENT LABELING REQUIREMENTS FOR LOAD SERVING ENTITIES

WHEREAS, the Valley Clean Energy Alliance ("VCEA") is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) ("Act"), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo ("County"), the City of Davis ("Davis"), and the City of Woodland ("City") (the "JPA Agreement"), to collectively study, promote, develop, conduct, operate, and manage energy programs; and

WHEREAS, to serve its customers, VCEA has procured PCC-2 renewable power to partially meet its renewable energy and clean power goals; and

WHEREAS, the California Energy Commission (CEC) is currently considering changes to the Power Source Disclosure/Power Content Label (PSD/PCL) requirements for California load serving entities resulting from changes to the PSD/PCL law affected by AB 1110; and

WHEREAS, the CEC's pending action creates uncertainty as to the future applicability of PCC-2 for off-setting carbon emissions; and

WHEREAS, the CEC's final decision on PCC-2 renewable power is anticipated later in 2018.

NOW, THEREFORE, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

1. Suspend the current forward procurement of PCC-2 Renewable Power pending outcome of the California Energy Commission's (CEC) effort to update the Power Source Disclosure/Power Content Labeling requirements for load serving entities.
2. Authorize the General Manager to reactivate PCC-2 Renewable Power Procurement in the event that the outcome of the CEC's change in Power Source Disclosure/Power Content Labeling requirements is favorable as to the treatment of PCC-2 Power. The General Manager will report back to the Board with such information.
3. Require staff to return for additional authorization in the event that the CEC's change in Power Source Disclosure/Power Content Labeling requirements is not favorable as to the treatment of PCC-2 Power.

ADOPTED, this _____ day of _____, 2018, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Lucas Frerichs, Chair

Secretary

Approved as to form:

Interim VCEA Counsel