



September 8, 2014

Ms. Mary Jane Coombs
Climate Change Program Evaluation Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: SCPPA Recommendations on Potential Amendments to the Mandatory Reporting Regulation

Thank you for the opportunity to provide recommended regulatory language as the Air Resources Board considers amending the Mandatory Reporting Regulation. The Southern California Public Power Authority (SCPPA) appreciates the time ARB staff spent with Publicly Owned Utility stakeholders on August 27, 2014 to hear our issues and concerns with the formal 45-day proposed amendments. SCPPA urges ARB staff to consider the changes recommended below, and is available to discuss any additional questions that staff may have.

1. Meter Data for Specified Imported Electricity §95111(g)(1)(N)

ARB's 45-Day Proposed Language: "For verification purposes, retain meter generation data from all specified sources to document that the power claimed by the reporting entity was generated by the facility or unit at the time the power was directly delivered. This is applicable to imports from specified sources for which ARB has calculated an emission factor of zero, and for imports from California Renewable Portfolio Standard (RPS) eligible resources, excluding: (1) grandfathered contracts under the California RPS program that "count in full" under Public Utilities Code Section 399.16(d); (2) dynamically tagged power deliveries; (3) untagged power deliveries; and (4) nuclear power. Accordingly, a lesser of analysis is required pursuant to the following equation:"

SCPPA Proposed Revision:

"For verification purposes, retain meter generation data from all specified sources, **except for electricity supplied from an Asset Controlling Supplier's system,** to document that the power claimed by the reporting entity was generated by the facility or unit, ~~at the time the power was directly delivered~~ **unless the reporting entity is unable to obtain meter generation data for reasons beyond the reporting entity's control. In addition, This is applicable to for directly delivered** imports from specified sources for which ARB has calculated an emission factor of zero, ~~and for imports from~~ California Renewable Portfolio Standard (RPS) eligible resources, excluding: (1) grandfathered contracts under the California RPS program that ~~"count in full"~~ **qualify** under Public Utilities Code Section 399.16(d) **or California Code of Regulations Section 3202(a)(2)(A)**; (2) dynamically tagged power deliveries; (3) untagged power deliveries; ~~and~~ (4) nuclear power **and (5) large hydro power,** ~~Accordingly,~~ a lesser of analysis is required pursuant to the following equation:"

1. *This proposed language addresses the concern that a reporting entity may not have the contractual right to hourly meter data under legacy power purchase agreements.*
2. *This proposed language clarifies the "lesser of" analysis is applicable only to directly delivered imports from non-exempted zero emission specified sources and RPS eligible resources that are not grandfathered.*
3. *This proposed language excludes large hydro power from the "lesser of" analysis as large hydro is not an intermittent resource and therefore there is no substitute energy involved.*

2. Potential New CAISO Market Sales Reporting Requirements Under §95111(a)(12)

ARB's 45-Day Proposed Language: "Electrical Distribution Utility Sales into CAISO. All electricity distribution utilities except IOUs must report the annual MWh, by source, of all electricity sold in the CAISO market, and the emission factor for each source, beginning with calendar years 2013 and 2014, reported in 2015."

SCPPA Proposed Revision:

"Electrical Distribution Utility Sales into CAISO. ~~All~~ **Except for (a) IOUs and (b) POUs that consign all their allocated allowances for auction and attest that no auction proceeds will be used to meet compliance obligations associated with sales into the CAISO markets,** electricity distribution utilities ~~except IOUs~~ must report the annual MWh, by source **or system as specified on the NERC E-tag,** of ~~all~~ electricity sold in the CAISO market **per the CAISO tariff,** and the emission factor for each source **or system as applicable,** beginning with calendar years 2013 and 2014, reported in 2015.

1. *This proposed language exempts POUs that consign 100% of their allocated allowances to auction and do not use any of the auction proceeds to meet compliance obligations associated with electricity sold into the CAISO. The attestation eliminates the verification process to address ARB staff's stated concern that third party verifiers are not allowed to verify POU's allowance positions.*
2. *This proposed language specifically references the CAISO tariff.*
3. *This proposed language provides the flexibility to report by source (for POUs within CAISO) or in aggregate (for POUs outside the CAISO) and by source specific emission factor or system average emission factor.*

3. Add definition of Electricity Sold in the CAISO Market

For clarity, the Mandatory Reporting Regulation should include a definition of electricity sold in the CAISO market.

SCPPA Proposed Definition:

Electricity Sold in the CAISO Market means any transaction that is financially settled by the CAISO under the CAISO tariff, where the California Independent System Operator (CAISO) is the contracting counterparty, except for the exclusions specified in Section 11.29 of the CAISO tariff.

4. Change in method for calculating Emission Factors for specified out-of-state generating facilities §95111(b)(2)

In §95111(b)(2), ARB has proposed to change the methodology used to calculate emissions factors for specified out-of-state electricity generating facilities (EGFs), from factors based on GHG emission data reported to EPA under the federal Greenhouse Gas Emission Reporting Program pursuant to 40 CFR Part 98, to factors based on fuel data from the U.S. Energy Information Administration.

SCPPA Recommendation: SCPPA requests that ARB withdraw the proposed amendments.

1. *Ensuring consistency between in-state and out-of-state emission sources, and from one year to the next, is important not only for purposes of measuring the changes in emissions over time, but also for the potential impacts on the Cap-and-Trade Program. In-state EGFs are required to report the same GHG emission data to ARB as they report to EPA under 40 CFR Part 98. Maintaining consistency in the emission calculation methodology for in-state and out-of-state EGFs ensures equal treatment of all EGFs. It is important that a tonne of in-state emissions is equal to a tonne of out-of-state emissions. Because emissions factors calculated using fuel data reported to EIA will be different than those calculated using GHG emission data reported to EPA, it would potentially create a competitive advantage or disadvantage for out-of-state EGFs in the Cap-and-Trade Program.*
2. *The current methodology for calculating emissions factors for out-of-state EGFs using GHG emissions data reported to EPA under 40 CFR Part 98 is necessary to satisfy the rigorous and consistent accounting of emissions requirement in AB 32. Unlike the fuel data reported to the EIA, GHG emissions based on CEMS data reported to EPA must pass rigorous quality assurance and quality checking standards.*

3. Additionally, use of GHG emissions data reported to EPA may be required in light of the recent proposed EPA rule under Clean Air Act Section 111(d). Therefore, retaining the existing methodology will maintain consistency between the California and U.S. EPA programs.

Transmission Line Loss Factors §95111(b)(2)

ARB's 45-Day Proposed Language:

(2) *Calculating GHG Emissions from Specified Facilities or Units.* For electricity from specified facilities or units, the electric power entity must calculate emissions using the following equation:

$$CO_2e = MWh \times TL \times EF_{sp}$$

Where:

CO₂e = Annual CO₂ equivalent mass emissions from the specified electricity deliveries from each facility or unit claimed (MT of CO₂e).

MWh = Megawatt-hours of specified electricity deliveries from each facility or unit claimed.

EF_{sp} = Facility-specific or unit-specific emission factor published on the ARB Mandatory Reporting website and calculated using total emissions and transactions data as described below. The emission factor is based on data from the year prior to the reporting year.

EF_{sp} = 0 MT of CO₂e for facilities below the GHG emissions compliance threshold for delivered electricity pursuant to the cap-and-trade regulation during the first compliance period.

TL = Transmission loss correction factor.

TL = 1.02 when deliveries are not reported as measured at the busbar, to account for transmission losses between the busbar and measurement at first point of receipt in California.

TL = 1.0 when deliveries are reported as measured at the busbar.

SCPPA Proposed Revision:

(2) *Calculating GHG Emissions from Specified Facilities or Units.* For electricity from specified facilities or units, the electric power entity must calculate emissions using the following equation:

$$CO_2e = MWh \times TL \times EF_{sp}$$

Where:

CO₂e = Annual CO₂ equivalent mass emissions from the specified electricity deliveries from each facility or unit claimed (MT of CO₂e).

MWh = Megawatt-hours of specified electricity deliveries from each facility or unit claimed.

EF_{sp} = Facility-specific or unit-specific emission factor published on the ARB Mandatory Reporting website and calculated using total emissions and transactions data as described below. The emission factor is based on data from the year prior to the reporting year.

EF_{sp} = 0 MT of CO₂e for facilities below the GHG emissions compliance threshold for delivered electricity pursuant to the cap-and-trade regulation during the first compliance period.

TL = Transmission loss correction factor.

TL = 1.02 ~~when deliveries are not reported as measured at the busbar,~~ to account for transmission losses **supported by generation outside of between the busbar and measurement at first point of receipt in a California balancing authority.**

TL = 1.0 when transmission losses are supported by a California balancing authority or paid back using electricity sourced from within California. ~~deliveries are reported as measured at the busbar.~~

1. A one-size-fits-all default transmission loss factor would result in double counting of GHG emissions for transmission losses and unnecessary Cap-and-Trade program compliance costs. SCPPA's recommended revisions would provide for accurate reporting of transmission losses associated with imported electricity from specified facilities or units.

2. *Compensating for transmission losses occurs naturally as part of the California balancing authority energy management system action and no transmission loss number has to be calculated. The balancing action automatically uses the balancing authority's internal generation to compensate for the transmission losses. Therefore, CO₂e emissions associated with a balancing authority's function to support transmission losses are embedded in its internal generation data and is already accounted for.*
3. *For transmission losses incurred by other entities, the entity that supported the losses needs to be compensated for the generation used to support its transmission usage. Return of transmission losses is also known as loss payback. When the loss payback is in the form of generation sourced from within California, the emissions for the energy used to pay back the transmission losses are already accounted for under the reporting requirements. Thus, in this situation, the transmission loss factor should be 1.0.*
4. *Applying a transmission loss factor of 1.02 in cases where transmission losses are compensated for with California generation would overstate emissions for transmission losses, and inaccurate reporting of emissions that do not exist. Therefore, the transmission loss factor of 1.0 should be retained and applied in cases where transmission losses are supported by a California balancing authority, or where transmission losses are paid back using electricity sourced from within California.*

Please refer to the attached diagram illustrating different scenarios where it would be appropriate to apply either a 1.02 or a 1.0 transmission loss factor.

Thank you for your consideration of SCPPA's recommendations on these important matters. Please let me know if you have any questions or require any additional information. We are ready and willing to meet with you to further discuss these issues.

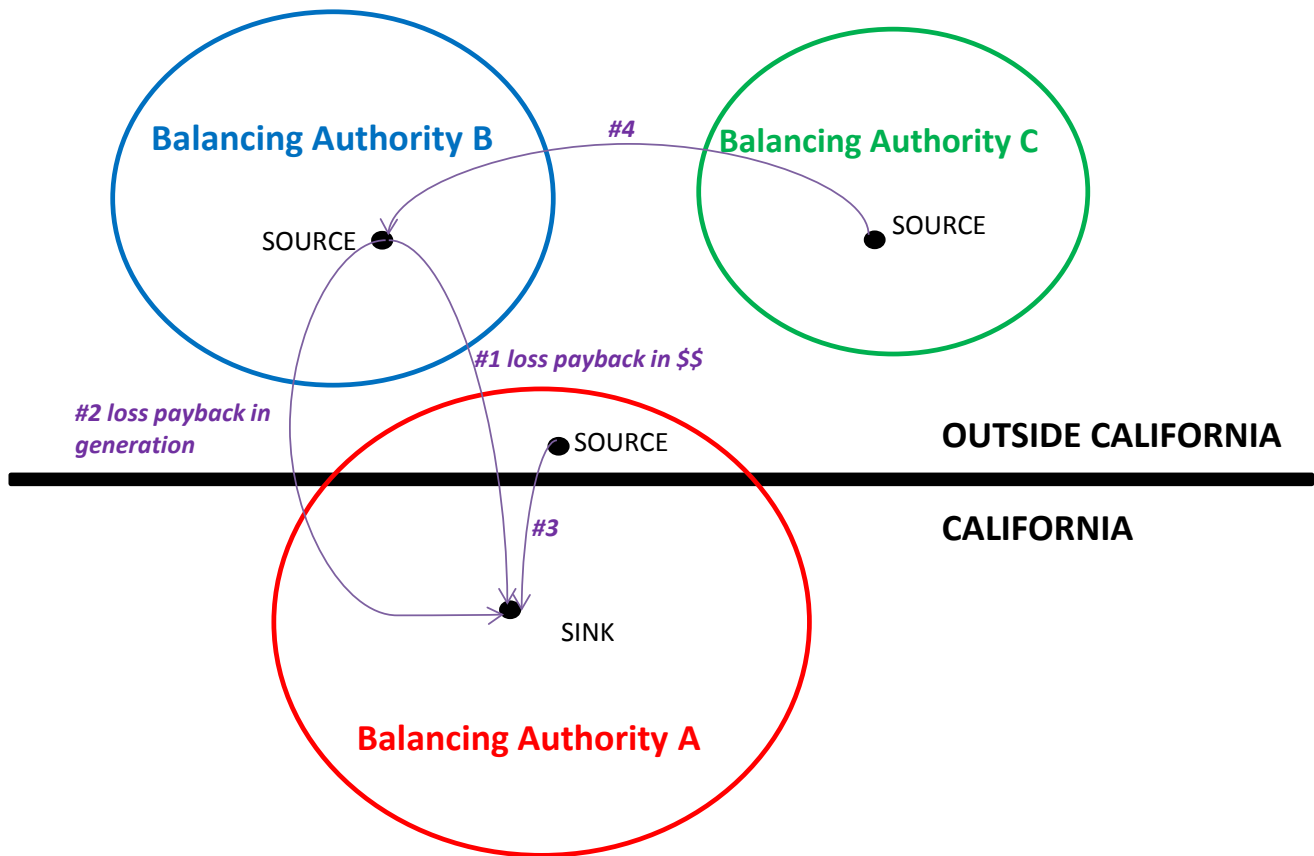
Sincerely,



Tanya DeRivi
Director of Regulatory Affairs

[Attachment]

Cc: Rajinder Sahota
Brienne Aguila
Holly Stout
Wade McCartney
Craig Segall
Bill Knox



Situation #1

Source is in Balancing Authority (BA) "B" and sink is in BA "A". Transmission losses (TL) are paid monetarily.
 TL = 1.02

Situation #2

Source is in BA "B" and sink is in BA "A". TL paid back in generation.
 TL = 1.0

Situation #3

Source is in BA "A" and sink is in BA "A". The balancing action automatically uses the BA's internal generation to compensate for TLs.
 TL = 1.0

Situation #4

Source is in BA "B" and sink is in BA "A". TLs paid from BA "C" to BA "B".
 TL = 1.02