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June 17, 2014

California Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: SCPPA Comments on Potential Amendments to the Mandatory Reporting Regulation (June 2, 2014 "Informal Discussion Draft")

Thank you for the opportunity to provide these informal comments regarding the Air Resources Board's proposed amendments to California's Mandatory Reporting Regulation. The Southern California Public Power Authority (SCPPA) appreciates staff's willingness to share an informal draft of the revisions for stakeholder comment and supplemental briefing materials to help inform a formal rulemaking expected later this year.

SCPPA is a joint powers authority consisting of eleven municipal utilities and one irrigation district. SCPPA members deliver electricity to approximately two million customers over an area of 7,000 square miles, with a total population of 4.8 million people. SCPPA members include the municipal utilities of the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District.

SCPPA's comments on the Discussion Draft of potential amendments to the Mandatory Reporting Regulation focus on the following proposed amendments for electric power entities on:

1) §95111(g)(1)(N) to narrow applicability of the requirement to retain meter generation data for verification of certain specified sources, must be further clarified to achieve the stated intent;
2) §95892(d)(5) on potential new data reporting requirements for sales into the California Independent System Operator (CAISO) markets in order to ensure that publicly owned utilities purchase a sufficient number of allowances to meet the compliance obligation associated with those sales, needs further dialogue with those utilities in the CAISO; and
3) §95111(b)(2), the proposal to clarify reporting requirements for transmission line loss factors for busbar measurements, should be offered as an option for reporting entities.

Imported Electricity Meter Data §95111(g)(1)(N)

SCPPA appreciates ARB staff's commitment to the ARB Board on October 25, 2013 to work with stakeholders to minimize the burden of comparing hourly data and reporting the "lesser of" amount for certain specified imports. We also appreciated the willingness of ARB staff to meet with publicly-owned utility stakeholders to further discuss this issue. A number of issues and challenges with ARB staff's initial interpretation of this rule provision were explained and resolved, principally that hour-by-hour verification is not necessary for directly delivered electricity imports from many specified resources – particularly for non-intermittent generating resources like hydropower from Hoover Dam or nuclear power from the Palo Verde Generating Station because what those plants produce is what the participants receive (100% specified). It was also recognized that the hourly data comparison is not necessary for "grandfathered" resources nor for electricity dynamically transferred from a specified generating facility into California.

Rather, as ARB staff indicated during the April 30, 2014 Electric Power Entities webinar on *Reporting for Electricity Retail Providers and Marketers under Section 95111,* that the "lesser of" analysis for 2014 data reported in 2015 would likely apply only for certain Renewables Portfolio Standard (RPS) eligible resources where hourly meter data is already provided to the California Energy Commission – and that any verification would be performed should verifiers or ARB request it on an audit basis or if anomalies are identified.

However, the proposed amendment in ARB's June 2, 2014 discussion draft does not accomplish either the intent to minimize administrative burden nor to limit applicability to only those RPS-eligible resources for which the "lesser of" analysis is required under the California Energy Commission's RPS regulation.

First, it is not appropriate to apply the "lesser of" calculation requirement to "all imports from specified sources for which ARB has calculated an emission factor of zero." The purpose of the "lesser of" calculation is to distinguish electricity produced by a specified intermittent renewable generating facility from substitute electricity supplied by other sources due to generation imbalance. However, the proposed language would mistakenly apply the "lesser of" calculation to non-intermittent, 100% specified resources like Hoover Dam hydropower and Palo Verde nuclear power, where the electricity is delivered on a dynamic tag that is adjusted to reflect the actual net generation produced by the specified facility during each hour and absolutely no substitute electricity is involved.

As was explained to ARB staff in January, the hour-by-hour verification is not necessary for directly delivered electricity imports from non-intermittent generating resources because the electricity is delivered from only the one source – the specified generating facility – and there is no supplemental source of electricity. In many cases electricity produced by non-intermittent generating resources is delivered to a number of different participants. The "lesser of" calculation should not apply to these facilities as it would not accurately reflect an individual participant's full entitlement share throughout the year. For example, a comparison of monthly entitlement share versus schedule data for the Palo Verde nuclear generating facility clearly demonstrates that deviation exists between a participant's entitlement share and energy scheduled, and that the deviation is corrected over the course of the year to make the participant whole. Applying the "lesser of" calculation to verify specified imports from this type of facility would simply not be accurate for the following primary reasons:

1) Since the schedule is always in whole mega-watt hours (MWhs), selecting the minimum of the hourly schedule or entitlement share for each hour would shave off any fractional MWh the participant is entitled to receive that exceeds the whole MWh scheduled.
2) A participant can defer receiving a portion of its entitlement share until a later time. When the participant schedules the deferred energy, the hourly schedule will exceed the participant's entitlement hourly share.

In either case, the hourly schedule would not match the participant's entitlement share. Therefore, selecting the minimum of the schedule or the entitlement share on an hour-by-hour basis would not recognize the participant's full entitlement share of the generating facility output for the year as specified, which is not accurate.

Second, applying the "lesser of" calculation requirement to "imports from California Renewable Portfolio Standards (RPS) eligible resources" is too broad. The RPS rules do *not* apply this requirement to grandfathered-eligible renewable generating resources nor to renewable electricity imported on a dynamic tag.

Applicability of the "lesser of" calculation should be limited to imported renewable energy that is subject to the "lesser of" analysis under Section 3203(a)(1)(C) of the Energy Commission's *Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electric Utilities*. To comply with the ARB Board's direction to reduce the administrative burden and to achieve ARB staff's stated intent to "narrow applicability" of this section to only those intermittent RPS resources where the "lesser of" analysis is required under the RPS regulation, SCPPA recommends the following revisions to the proposed language:

> (N) For verification purposes, retain meter generation data or invoices to document that the power claimed by the reporting entity was generated by the specified facility or unit ~~at the time the power was directly delivered. For all imports from specified sources for which ARB has calculated an emission factor of zero, and for~~ If the specified import~~s~~ is from a "Portfolio Content Category 1" ~~from are~~ California Renewable Portfolio Standard (RPS) eligible resource~~s~~ that meets the criteria of section 3203(a)(1)(C) of the California Energy Commission's *Enforcement Procedures for the Renewables Portfolio Standard for Local Publicly Owned Electricity Utilities* or section 399.16(b) of the Public Utilities Code, and if the imported electricity is not dynamically transferred into a California Balancing Authority a lesser of analysis ~~is required, and must be~~ conducted according to the following equation may be required by verifiers or ARB as requested.
>
> Sum of Lesser of MWh = $\Sigma HM_{sp} \min(MG_{sp}, TG_{sp})$
>
> Where:
>
> ΣHM_{sp}= Sum of the Hourly Minimum of MG_{sp} and TG_{sp} (MWh).
>
> MG_{sp}= metered facility or unit net generation (MWh).
>
> TG_{sp}= tagged or transmitted energy at the transmission or sub-transmission level imported to California (MWh).

Potential New CAISO Market Sales Reporting Requirements Under §95892(d)(5)
SCPPA appreciates ARB's interest in and request for stakeholder guidance concerning reporting requirements on sales into the CAISO. We note that publicly owned utilities are already expressly prohibited from using freely allocated allowances to cover compliance obligations from electricity sales into the CAISO markets. The treatment of electricity sales into the CAISO markets is a multi-faceted issue and will depend on whether the seller serves retail load within the CAISO Balancing Authority Area. For publicly owned utilities that do not serve retail loads within the CAISO Balancing Authority Area, an aggregated annual MWh reporting of the sales into the CAISO markets should suffice for this purpose. The verifier(s) could ascertain the accuracy of the information reported by comparing the e-tag information with sales made to the CAISO. This approach is simple and straightforward to implement and does not add unnecessary reporting burden.

For the publicly owned utilities that serve retail loads within the CAISO Balancing Authority Area, a more refined approach needs to be taken to discern between the use of resources to serve retail loads and the true sales into the CAISO markets above and beyond the publicly owned utilities' retail load serving function. As ARB should recognize, the definition of sales into the CAISO markets in the CAISO Tariff do make this distinction and therefore the reporting should necessarily recognize such distinction.

To implement this refined approach, it may require utility-specific methodologies as opposed to a methodology of general applicability. This is the case because publicly owned utilities within the CAISO Balancing Authority Area all have different resource portfolios with resources that each have different contractual/financial/operational characteristics; therefore, the distinction between the use of the resources to serve retail loads or sales into the CAISO market may vary (sometimes even from hour to hour). SCPPA Members within the CAISO Balancing Authority Area already have methodologies in place that are suitable for this purpose. We urge ARB to work cooperatively with publicly owned utilities to understand their individual circumstances and methodologies before imposing a generalized methodology or reporting requirements that may not reflect underlying rationale and therefore would not be suitable for this purpose.

Transmission Line Loss Factors §95111(b)(2)
SCPPA supports retaining the option to report either a 1.0 or a 1.02 transmission loss factor for imported electricity, whichever is most appropriate for each individual situation. Retaining the option is important to avoid double counting of GHG emissions for the support of line losses. Typically line losses are supported by the balancing authority through which the energy is flowing, and the transmission service provider charges the owner of the electricity for the line losses, which are compensated for using energy from other sources. For example, electricity imported from Intermountain Generating Station in Utah is supported by the Los Angeles Department of Water and Power's balancing authority area and generating resources. Therefore, it is appropriate to report a transmission loss factor of 1.0 for electricity imported from Intermountain because the downstream line losses are compensated for using electricity produced by California generating resources or other imported electricity, both of which are subject to reporting under the Mandatory Reporting Regulation. Applying a 1.02 transmission loss factor across the board would artificially inflate California's GHG emissions and unfairly penalize California entities when a California balancing authority is supporting the transmission all the way from the generating facility into California. The Electric Power Entity is in the best position to determine whether a 1.0 or a 1.02 transmission loss factor is appropriate, depending on whether line losses for their imports are being supported using California energy. Therefore, the option to report either a 1.0 or a 1.02 transmission loss factor should be retained to avoid double counting of GHG emissions for the support of line losses.

SCPPA appreciates this opportunity to comment on the discussion draft and looks forward to working with ARB staff as the formal rulemaking proceeds.

Respectfully submitted,

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Director of Regulatory Affairs