

**COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY TO THE
CALIFORNIA AIR RESOURCES BOARD ON ITS POTENTIAL REVISIONS TO THE
CALIFORNIA MANDATORY GREENHOUSE GAS REPORTING REGULATION,
RELEASED MAY 30, 2012**

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I.

INTRODUCTION

Southern California Edison Company (“SCE”) respectfully submits its comments on the California Air Resources Board’s (“ARB’s”) Potential Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, released on May 30, 2012 (“May 2012 Proposed Modifications”).¹ The May 2012 Proposed Modifications recommended changes to the existing Regulation for the Mandatory Reporting of Greenhouse Gas Emissions,² which was developed pursuant to requirements of the California Global Warming Solutions Act of 2006.

SCE appreciates the ARB staff’s efforts to work openly with stakeholders in crafting a reporting regulation that successfully implements the Global Warming Solutions Act of 2006 (Assembly Bill 32; Stats. 2006, Chapter 488), more commonly known as Assembly Bill (“AB”) 32.³ SCE has provided a few comments on specific regulatory provisions below. SCE has organized its comments by topic.

¹ California Air Resources Board, Proposed 15-Day Modifications to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, July 25, 2011, *available at* <http://www.arb.ca.gov/regact/2010/ghg2010/mandatory15dayreg.pdf>.

² Cal. Code Regs. tit. 17, §§ 95100 to 95133.

³ Cal. Health and Safety Code §§ 38500 to 38599. Section 38530 specifies the reporting requirements.

II.

COMMENTS ON SPECIFIC ISSUES

A. The ARB Should Clarify What Western Renewable Energy Generation Information System (“WREGIS”) Information Needs to Be Reported By Compliance Entities, and If Necessary, Better Integrate Its Processes with the WREGIS System

The ARB has proposed using WREGIS certificates in the process of certifying the Renewables Portfolio Standard (“RPS”) Adjustment process. To that end, the ARB has added the following language to Section 95111(b)(5):

The reporting of RPS Adjustments shall include information for Cap and Trade accounting purposes, as well as information for GHG inventory reporting. The status of [Renewable Energy Credits] RECs shall be reported as retired or not retired. RECs not retired are assumed to have been banked for future use.

Unfortunately, this draft language lacks the clarity needed for entities to understand fully what they must report. It is unclear what the ARB is seeking when it states, “The reporting of RPS Adjustments shall include information for Cap and Trade accounting purposes, as well as information for GHG inventory reporting.” For example, does this language mean that all renewable energy certificates ever owned by the reporting entity, *e.g.*, since the creation of WREGIS, must be reported? Or, does it mean that all of the certificates held by the compliance entity in the WREGIS account at the time of reporting must be reported? Alternatively, is it the ARB’s intent to require reporting of only those certificates that the compliance entity was planning to apply towards the RPS Adjustment? Had the ARB not offered this proposed revision to the reporting requirement, a compliance entity would have expected to report information related to only those WREGIS certificates that it was planning to use as supporting evidence in claiming the RPS Adjustment. SCE submits that the ARB should clearly articulate which WREGIS Certificate information (“REC information”) it wants to collect from the compliance entities and why. Furthermore, if the intent is to track all of the REC information, including

which certificates have been retired vs. those not yet retired, a better and more efficient approach would be for the ARB to obtain access to the WREGIS' database and integrate its reporting and verification processes with that database.

Additionally, since the compliance periods for the cap-and-trade program and the RPS program do not coincide, it is unclear why the ARB is assuming that non-retired certificates are being banked for future use. ARB should not make such an assumption due to the mismatch in timing, alone.

Furthermore, there are open questions regarding the eligibility of WREGIS certificates of different vintages to count towards the RPS Adjustment. For example, SCE has suggested that the RPS Adjustment be allowed in the year that the energy is generated (*i.e.*, the certificate is created) and not require that the certificates be *retired* in *that* year, or if the ARB wants to impose a retirement requirement, that it be 36 months from the time the WREGIS certificate was created. Given these types of open issues and uncertainties, it is unclear why the ARB would ask compliance entities to report the status of RECs as retired or not retired, and furthermore, why it assumes that the compliance entities are banking all certificates that have not been retired, for future use.

While SCE strongly supports the ARB's efforts to develop a workable RPS Adjustment process that will allow California electricity customers to realize the zero emission attributes of out-of-state renewable procurement, in order for such a process to be as efficient and accurate as possible, SCE suggests that the ARB better integrate its processes with the WREGIS system.

On a housekeeping note, ARB has also added the following language to Section 95111(b)(5) that restricts the RPS Adjustment to only "Retail Providers":

The RPS Adjustment may only be claimed by Retail Providers where adjustments are used to comply with California RPS requirements.

However, the cap-and-trade regulation defines at Section 95852(b)(4) that the RPS Adjustment applies to electricity importers:

RPS adjustment. Electricity imported or procured by an electricity importer from an eligible renewable energy resource reported pursuant to MRR must meet the following conditions to be included in the calculation of the RPS adjustment:
(A) The electricity importer must have either:

Therefore, SCE recommends that the above proposed new sentence in Section 95111(b)(5) be revised to be consistent with the cap-and-trade regulation, such that the RPS Adjustment “may only be claimed by *retail providers who are also electricity importers*” (emphasis supplied), not by all electricity importers.

B. Reported Information Related to Electricity Import Transactions May Not Always Match the E-tag Information Because E-tags Are Created After the Fact

SCE continues to be concerned that the ARB seems to increasingly rely on NERC E-tag information as the only source to corroborate electricity import transactions, even though many parties, including SCE, have cautioned that NERC E-tag information should be only *one* of the many ways to provide sufficient documentation about electricity imports to the ARB and the verifiers. Relying on NERC E-tags only can lead to many unintended consequences.

In the case of utility pool purchases, at the time such procurement decisions are made, the utility will not have any information regarding the generator or the source of the power. The utility purchases “pool” power, assuming that it is “unspecified source” power. As such, the energy would be procured and priced based on the default emissions factor in place at the time of the transaction. However, the seller would periodically create E-tags (and does so long after the power market transaction has been consummated) for such power as if the power originated from specific sources. Since the purchasing utility could not have been aware of this information at the time of making its procurement decision, it is crucial that the regulation and the verification standard acknowledge the reality of the power markets and allow the reported information to be verified based on all supporting documentation. These documents could include power purchase agreements, enabling agreements and confirms, as well as NERC E-tags. The greatest emphasis should be given to the information that was available to the electricity importer at the time of the

transactions. In order to facilitate fully informed procurement decisions, the reporting regulation and verification process must recognize the nature of the source information available at the time of purchase.

C. ARB Should Look to External Sources to Evaluate the Economic Impact of AB 32

SCE agrees with the ARB's intent to monitor the economic impact of AB 32 regulations and to study leakage. However, the ARB staff should not be undertaking such an effort. SCE recognizes the extraordinary challenge to ARB staff and leadership to develop and implement regulations pursuant to AB 32. Recognizing the many available resources within California, in order to best capitalize on ARB resources, SCE suggests that such an economic evaluation be conducted by an external entity, either a private consulting firm or an academic institution.

Given the demands on ARB resources, staff should continue to focus on finalizing the development of the cap-and-trade and reporting regulations and the technical design needed to implement the program. The type of analysis necessary to identify the extent and nature of the potential economic and emissions leakage issues related to the various rules is best conducted by entities who have the requisite knowledge and experience and who are not directly involved in implementing AB 32.

III.

CONCLUSION

SCE appreciates this opportunity to provide its comments to the ARB on the May 2012 Proposed Modifications. SCE urges ARB staff to revise the regulation in accordance with the principles outlined herein.

Respectfully submitted,

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