COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY TO THE CALIFORNIA AIR RESOURCES BOARD ON THE PROPOSED 2013 REGULATORY CHANGES TO THE REGULATION FOR THE MANDATORY REPORTING OF GREENHOUSE GAS EMISSIONS

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I.

INTRODUCTION AND EXECUTIVE SUMMARY

Southern California Edison Company ("SCE") respectfully submits its comments to the California Air Resources Board ("ARB") on the Proposed Amendments to the Regulation for Mandatory Reporting of Greenhouse Gas Emissions ("Proposed Amendments").[1] SCE thanks ARB staff for their efforts on the Proposed Amendments and appreciates this opportunity to offer further suggestions for improving the Mandatory Reporting Regulation ("MRR").

In these comments, SCE recommends that the ARB:

- Remove the Proposed Amendments on system power;
- Clarify the documentation requirements for importers of resold specified source electricity;
- Adopt ARB staff's proposed modification that imported electricity acquired from an asset-controlling supplier that was not acquired as specified power must be reported as unspecified power;
- Eliminate the 45-day deadline for reconciling electricity claimed in the Renewables Portfolio Standard ("RPS") adjustment, effectively making the deadline the same as for the verification statement; and
- Recognize that ARB staff's proposed changes related to a future Energy Imbalance Market might require further alteration.

[1] *See* Proposed Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions (available at: http://www.arb.ca.gov/regact/2013/ghg2013/ghg2013isorappa.pdf).

II.

SCE SUPPORTS ARB STAFF'S PLAN TO REMOVE THE PROPOSED AMENDMENTS ON SYSTEM POWER

ARB staff have indicated to SCE that they intend to remove the Proposed Amendments related to system power. SCE supports removing these amendments and encourages the ARB to release 15-day changes reflecting ARB staff's proposed removal of the system power language. As SCE stated in its comments on the ARB's Discussion Draft of Potential Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, the addition of system power emission factors would diverge from the ARB's existing methodology of accounting for emissions of imported power through a single unspecified Western Electricity Coordinating Council ("WECC")-wide regional emission factor.[2] It would not be appropriate to increase high-emissions systems' emission factors, and thus increase total reported emissions, without simultaneously decreasing the default emission factor for unspecified electricity to account for the reduced emissions intensity of the rest of the WECC-wide electricity pool. To avoid inflating total reported emissions by assessing power from high-emissions systems at a higher emission factor while leaving the default emission factor (for average- and low-emissions systems) unchanged, SCE supports the ARB staff's intention to remove all references to system power emission factors from the Proposed Amendments to the MRR.

If the ARB decides to move forward with the system power provisions, however, the ARB should make a number of modifications to the MRR and Initial Statement of Reasons ("ISOR") in order to clarify the definition of system power. As the Proposed Amendments currently read, it is possible to interpret system power in two different ways. System power could be understood to mean *specified* power from a system with an emission factor above the

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[2] *See* Comments of Southern California Edison Company to the California Air Resources Board on Potential Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, August 1, 2013, at 1-6.

default. Alternatively, system power could be interpreted to mean *any* power from a system with an emission factor above the default, even if it is purchased as unspecified power. Based on discussions with ARB staff, SCE understands that system power should be read to mean *specified* power from a system with an emission factor above the default. SCE's proposed edits, as shown below, clarify the MRR and the ISOR to reflect this intent.[3]

SCE suggests that the ARB make three changes to the MRR. First, the ARB should modify the last sentence in the definition of "power contract" or "written power contract" in Section 95102(a)(356) as follows to clarify what the ARB means by a "system" given that there are many "systems" referenced in the regulation:

> MRR Section 95102(a)(356): "A power contract for a specified source is a contract that is contingent upon delivery of power from a particular facility, unit, **system power supplier's** system, or asset-controlling supplier's system that is designated at the time the transaction is executed."

Second, the ARB should modify other definitions in the MRR as follows to better align system power reporting rules with those for asset-controlling supplier power, which is explicitly defined as specified power:[4]

> MRR Section 95102(a)(437): "'Specified source of electricity' or 'specified source' means a facility or unit which is permitted to be claimed as the source of electricity delivered…. Specified source**s can include**~~**also means**~~ electricity procured from an asset-controlling supplier **or system power supplier** recognized by the ARB."
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> MRR Section 95102(a)(451): "'System power' means wholesale electricity procured from a system power supplier and NERC e-tagged as a representative weighted average power output from all generation resources under the ownership or control of the system power supplier which contribute to the power output mix. For purposes of this article, this definition applies to cases where the carbon intensity of the system power supplier's weighted average power output is greater

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[3] Throughout these comments additions are shown in bold and underline and deletions are shown in bold and strikethrough. Proposed changes to the MRR included in the Proposed Amendments are included and not shown in bold, underline, or strikethrough.

[4] *See* Proposed Amendments § 95102(a)(20) (stating that "Asset controlling suppliers are considered specified sources.").

than the default emission factor set forth in 95111(b)(1). **System power is a type of specified power.**"

Additionally, SCE recommends four modifications to the ISOR to eliminate the inconsistent in-text definitions of system power as power "with a carbon content above the default emission factor." Instead of defining system power in the text of the ISOR, SCE's proposed edits as set forth below leave system power to be defined in the MRR:

> ISOR at ES-4: "Add a requirement that purchase~~r~~s of system power ~~**with a carbon content above the default emission factor must report using a**~~**be reported at the** system power emission factor rate as determined by ARB, instead of at the unspecified rate, in order to reflect system power carbon content."
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> ISOR at 5: "Electric Power Entities: The proposed amendments … for system power language would require purchasers of system power ~~**that has a carbon content above the default emission factor**~~ to report imported power using a system power emission factor calculated by ARB, instead of the lower default emission factor for unspecified power, in order to accurately reflect the carbon content of the system power."
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> ISOR at 10: "The amendments … would require purchasers of system power ~~**with a carbon content above the default emission factor**~~ to report using a system power emission factor rate to be determined by ARB, instead of at the unspecified rate, in order to reflect system power carbon content."
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> ISOR at 59: "The proposed system power language would require purchasers of system power~~**, where system power is defined as power with a carbon content above the default emission factor,**~~ to report imported power at a system power emission factor rate calculated by ARB, instead of at the default emission factor for unspecified power."

Finally, the ARB should provide more clarity on what type of information it would like to see in relation to current and historic e-tagging practices for system power suppliers. Specifically, the ARB should include the type of information it is looking for directly in Section 95111(g)(6), as indicated below:

> MRR Section 95111(g)(6): "*Registration Information for System Power Sources*. The following information is required: … (C) Information on current and historical NAESB/NERC e-tagging practices for the system power supplier**, specifically [the type of data/info the ARB is looking for, e.g. sample e-tags from 2011 and 2012]**."

III.

THE ARB SHOULD CLARIFY THE DOCUMENTATION REQUIREMENTS FOR IMPORTERS OF RESOLD SPECIFIED SOURCE ELECTRICITY

SCE supports ARB staff's attempt to clarify the regulations governing resale of specified source electricity by adding language in Section 95111(a)(4) of MRR. However, SCE suggests that the ARB further amend the MRR to clarify that the electricity importer of any "resold" specified source electricity (i.e., contracts to purchase specified source electricity from entities that are not the generation-providing entity of the source) will only be required to provide proof of a contract with its direct seller in which (1) the seller warrants the sale of specified source electricity from the facility, and (2) the importer has the contractual right to obtain from the seller additional documentation certifying that the electricity was transacted as specified from the source through the market path, as may be required for verification. SCE recommends that the ARB add the following language to Section 95111(a)(4) in order to clarify this distinction for market participants:

> "The sale or resale of specified source electricity is permitted among entities on the e-tag market path insofar as each sale or resale is for specified source electricity in which sellers have purchased and sold specified source electricity, such that each seller warrants the sale of specified source electricity **and is able to provide supporting documentation that the electricity was transacted as specified source electricity** from the source through the market path."

IV.

THE ARB SHOULD ADOPT ARB STAFF'S PROPOSED MODIFICATION THAT IMPORTED ELECTRICITY ACQUIRED FROM AN ASSET-CONTROLLING SUPPLIER THAT WAS NOT ACQUIRED AS SPECIFIED POWER MUST BE REPORTED AS UNSPECIFIED POWER

In the Proposed Amendments, ARB staff propose adding language to Section 95111(a)(5)(B) of the MRR, to specify that the reporting entity must "Report asset-controlling supplier power that was not acquired as specified power, as unspecified power." SCE supports

ARB staff's recognition that transactions occur in the market in which electricity may be purchased from an asset-controlling supplier ("ACS") that is not specified, and that imported electricity which is not designated as specified power at the time of transaction should be reported as unspecified power. This revision to the MRR should be adopted by the ARB.

The connection of the ACS emission factor to the designation of the imported electricity as specified power at the time of transaction better aligns with the decision-making process used by power traders in the market. Such power traders may assume that all imported power for which the seller is unknown will be reported using the default emission factor. For instance, if the seller's identity is unknown at the time of the transaction, as is the case with transactions executed on the Intercontinental Exchange, the buyer will likely assume that all imported power will be reported using the default emission factor. Similarly, if a buyer agrees over the phone or instant messaging to buy unspecified power from an ACS, that agreement should align with the emission factor reported for the transaction, regardless of the source listed on the e-tag for the deal.

V.

THE ARB SHOULD ELIMINATE THE 45-DAY DEADLINE FOR RECONCILING ELECTRICITY CLAIMED IN THE RPS ADJUSTMENT, EFFECTIVELY MAKING THE DEADLINE THE SAME AS FOR THE VERIFICATION STATEMENT

Section 95111(g) of the MRR states that: "Registration information and the amount of electricity claimed in the RPS adjustment must be fully reconciled and corrections must be certified within 45 days following the emissions data report due date." This provision, which requires a due date of approximately July 15,[5] is in conflict with other portions of the MRR,

[5] For electric power entities, Section 95103(e) of the MRR states the emissions data report is due June 1, and July 15 is approximately 45 days thereafter (depending on whether both dates fall on a weekday or a weekend).

which allow modifications to the emissions data report to be made until the September 1 verification statement deadline.[6]

Reconciling electricity claimed in the RPS adjustment is just like any other modification to the emissions data report, and thus should not have a separate, earlier deadline of 45 days after the emissions data report due date. A reporting entity should be able to submit and certify a revised emissions data report until the September 1 verification statement deadline that includes modifications to reconcile the amount of electricity claimed in the RPS adjustment. To maintain consistency in the schedule for emissions data reports referenced throughout the MRR, SCE recommends that the ARB eliminate the 45-day deadline for reconciling electricity claimed in the RPS adjustment, effectively making that deadline the same as the deadline for the verification statement. This change could be accomplished by deleting the following sentence in Section 95111(g) of the MRR:

> "~~**Registration information and the amount of electricity claimed in the RPS adjustment must be fully reconciled and corrections must be certified within 45 days following the emissions data report due date.**~~"

Alternatively, the ARB could revise the same sentence in Section 95111(g) as follows:

> "Registration information and the amount of electricity claimed in the RPS adjustment must be fully reconciled and corrections must be certified ~~**within 45 days following the emissions data report due date**~~**by the verification statement due date provided in section 95103(f)**."

[6] *See* MRR § 95103(f) (including September 1 verification statement deadline), § 95131(b)(9) ("As a result of data checks by the verification team and *prior to completion of a verification statement(s)*, the reporting entity must make any possible improvements or corrections to the submitted emissions data report, and submit a revised emissions data report to ARB.") (emphasis added).

VI.

THE PROPOSED AMENDMENTS REGARDING THE ENERGY IMBALANCE MARKET MIGHT REQUIRE FUTURE ALTERATION

SCE appreciates that the Proposed Amendments related to the Energy Imbalance Market ("EIM") are broad enough to accommodate some potential modifications to the California Independent System Operator's ("CAISO's") proposed EIM design.[7] However, there are still many EIM-related issues and processes that could considerably alter the EIM design before the Federal Energy Regulatory Commission ("FERC") approves a final EIM design.[8] The ARB should be aware that its EIM-related language might require future alteration depending on the outcome of the EIM proposal approval process.

VII.

CONCLUSION

SCE appreciates this opportunity to comment on the Proposed Amendments and urges the ARB to make changes to the final regulation in accordance with the recommendations contained herein. In particular, the ARB should: (1) remove the Proposed Amendments on system power; (2) clarify the documentation requirements for importers of resold specified source electricity; (3) adopt ARB staff's proposed modification that imported electricity acquired from an asset-controlling supplier that was not acquired as specified power must be reported as unspecified power; (4) eliminate the 45-day deadline for reconciling electricity claimed in the RPS adjustment, effectively making the deadline the same as for the verification statement; and

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[7] In particular, the Proposed Amendments do not use overly specific terms, such as "export allocation," which ARB staff had considered including in the regulation. *See* Mandatory Reporting Workshop: Potential Updates to the California Regulation for the Mandatory Reporting of Greenhouse Gas Emissions, June 26, 2013, at 11 (available at: http://www.arb.ca.gov/cc/reporting/ghg-rep/revision-2013/mrr-june-workshop2013-1p.pdf).

[8] The CAISO still has to take the EIM proposal to its Board in November, and to the FERC after the CAISO's stakeholder process is complete in Q1 2014. For examples of some of the issues the CAISO may have to work through before approval, see the stakeholders' concerns in their comments on the Third Revised Straw Proposal available at: http://www.caiso.com/Documents/Energy%20imbalance%20market%20-%20papers%20and%20proposals%7CStakeholder%20comments.

(5) recognize that ARB staff's proposed amendments related to a future EIM might require further alteration.

Respectfully submitted,

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