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California Air Resources Board
1001 I Street
Sacramento, CA 95812

Re: Shell Energy North America (US), L.P. Comments on the Renewable
Portfolio Standard Adjustment Following the December 14, 2015
Workshop on the Proposed Amendments to the Cap and Trade Regulations

To: California Air Resources Board:

Shell Energy North America (US), L.P. (“Shell Energy”) appreciates the opportunity to comment on the Air Resources Board’s (“ARB”) proposed amendments to the cap and trade regulations. Thank you for considering the following comments on the Renewable Portfolio Standard (RPS) Adjustment in response to the ARB Staff’s presentation at the December 14, 2015 workshop.

ARB Staff indicated that the RPS Adjustment was developed, in part, to help entities that have made long-term investments in out-of-state renewable projects. The RPS Adjustment was developed to ensure that those long-term investments were not stranded when the renewable power from those projects could not be imported into California in real-time. The RPS Adjustment language also provides obligated entities the ability to claim an RPS Adjustment for renewable contracts that are “firmed and shaped” (Portfolio Content Category 2 (PCC 2)) products, as defined under P.U. Code Section 399.16(b)(2).

Shell Energy supports elimination of the RPS Adjustment post-2020. Elimination of the RPS Adjustment at that time affords obligated entities adequate time to reflect PCC 2 eligibility in their contracts. Moreover, the timing fits with the program redesign for post-2020. During the interim period between now and 2021, the ARB has the tools to ensure that entities claiming the RPS Adjustment are reporting the data correctly.

The ARB should enforce the language in Section 95852 of the cap and trade regulations. This language (Emission Categories Used to Calculate Compliance Obligations) provides as follows: “The following criteria must be met for electricity importers to claim a compliance obligation for delivered electricity based on a specified source emission factor or asset controlling



supplier emission factor (D) If RECs were created for the electricity generated and reported pursuant to MRR, then the REC serial numbers must be reported and verified pursuant to MRR.”

If an obligated entity is reporting any volumes on the specified resource worksheet, the verifier must confirm that the entity has an underlying contract with the source. Additionally, if the project is renewable and created RECs, regardless of whether or not the obligated entity bought the RECs, the reporter must include the REC serial numbers in the workbook.

Additionally, the ARB must recognize that obligated entities claiming an RPS Adjustment for a PCC 2 product have contracted for incremental energy imports that are not source specific (although the RPS ID associated with the bundled portion of the contract must be on the NERC E-Tag). Therefore, the reporter will include, as “unspecified,” incremental energy imports that may have eligible renewable sources as well as sources that are not renewable, that are tied to the volumes being claimed under the RPS Adjustment. The import may be from any source as long as the source is “incremental” to the buyer’s portfolio. The buyer will have the contract, and the NERC E-tags matched to RECs, to provide evidence of compliance. To meet CPUC requirements, the contracts must state that the bundled renewable energy is not being sold to another entity; no other entity should be able to claim any of that power as a specified import in real-time.

Finally, Shell Energy agrees that the verification training materials should be made public and that ARB should ensure consistency in verification. Currently, it appears that some verifiers are incorrectly requiring PCC 2 claims to be submitted on the specified worksheet, when in fact the sources imported in real-time are not specified. PCC 2 RPS adjusted volumes are reported on the unspecified spreadsheet and matched with volumes on the RPS Adjustment worksheet.

Thank you for your consideration of these comments. If you have any questions, or if you would like to discuss these recommendations further, please do not hesitate to contact me.

A handwritten signature in cursive script, appearing to read "Marcie Milner".

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