



Adrianna B. Kripke  
Senior Environmental Counsel

San Diego Gas & Electric Company  
8330 Century Park Court, CP32C  
San Diego, CA 92123  
Tel: 858-654-1536  
akripke@semprautilities.com

September 19, 2016

**SENT BY ELECTRONIC AND U.S. MAIL**

Clerk of the Board, Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**RE: Comments on 45-day Mandatory Reporting Regulation Changes**

Dear Board Members:

San Diego Gas & Electric (SDG&E) respectfully submits the following comments in response to the California Air Resources Board (ARB) Staff-proposed changes to the Mandatory Reporting Regulation (MRR) promulgated on August 2, 2016. SDG&E appreciates the changes to the regulation that make compliance and reporting less burdensome including provisions in the mandatory reporting regulation that will allow the cap-and-trade program to satisfy Environmental Protection Agency requirements for the Clean Power Plan.

These comments focus on Greenhouse Gas (GHG) accounting, which is an important element in measuring the success in meeting the State's 2030 goals. Specifically, these comments support separate comments from SDG&E on the changes to the cap-and-trade regulation requesting the Board not adopt the ARB Staff-proposed changes to cap-and-trade provisions with respect to "direct delivery" of renewable energy, the Renewable Portfolio Standard (RPS) Adjustment, and Energy Imbalance Market (EIM) secondary emissions effects or as referred to in the MRR, "remaining emissions." Likewise, the Board should not adopt changes to the MRR that support the Staff's proposed changes regarding direct delivery, the RPS Adjustment, and EIM remaining emissions.

These comments also address Staff-proposed change to the "lesser of" analysis that would substantially increase the burden of reporting with no tangible benefit.

Finally, SDG&E would propose that the Board consider changes to the mandatory reporting regulation to include reporting of offsets occurring outside of California and the RPS adjustment that should count in the GHG inventory as a GHG reduction benefitting the state of California.

#### **A. Changes Consistent with SDG&E Proposed Changes to the Cap-and-Trade Regulation**

##### Direct Delivery

SDG&E recommends that the Board reject the changes to section 95111(g)(1) of the MRR that indicates the provision of Renewable Energy Credits (RECs) is optional for direct delivery of out-of-state renewable electricity. Instead, the Board should require that RPS-compliant RECs be bundled with the electricity for it to be considered directly delivered. The MRR should not explicitly indicate that violating the regulation is allowable as is proposed. SDG&E proposes revisions to Sections 95111(a)(4) and (g)(3) of the MRR to ensure the requirements for a specified source claim are consistent with the Cap-and-Trade regulation.

**SDG&E Recommendation: The Board should reject Staff-proposed changes to 95111(g)(1)(M)(3), and instead adopt the following clarifications to sections 95111(a)(4), 95111(g)(1)(M), and 95111(g)(3):**

Section 95111 (a)(4): Imported Electricity from Specified Facilities or Units. The electric power entity must report all direct delivery of electricity as from a specified source for facilities or units in which they are a generation providing entity (GPE) or have a written power contract to procure electricity, and meet all of the requirements in section 95852(b)(3) of the cap-and-trade regulation for specified source claims. When reporting imported electricity

from specified facilities or units, the electric power entity must disaggregate electricity deliveries and associated GHG emissions by facility or unit and by first point of receipt, as applicable. The reporting entity must also report total GHG emissions and MWh from specified sources and the sum of emissions from specified sources explicitly listed as not covered pursuant to section 95852.2 of the cap-and-trade regulation. 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, if applicable, RECs associated with the electricity if sourced from an eligible renewable energy resource from the source through the market path.

(A) Claims of specified sources of imported electricity, defined pursuant to section 95102(a), are calculated pursuant to section 95111(b), must meet the requirements in section 95111(g) and in section 95852(b)(3) of the cap-and-trade regulation, and must include the following information...

\*\*\*\*\*

Section 95111(g)(1)(M): Requirements for Claims from Eligible Renewable Energy Resources. Provide the primary facility name, total number of Renewable Energy Credits (RECs), the vintage year and month, and serial numbers of the RECs as specified below:

1. RECs associated with electricity procured from or generated by an eligible renewable energy resource and reported as an RPS adjustment as well as whether the RECs have been placed in a retirement subaccount and designated as retired for the purpose of compliance with the California RPS program.
2. RECs associated with electricity procured from or generated by an eligible renewable energy resource and reported as an RPS adjustment in a previous emissions data report year that were subsequently withdrawn from the retirement subaccount, or modified the associated emissions data report year the RPS adjustment was claimed, and the date of REC withdrawal or modification.
3. For imported electricity from a specified source which is an eligible renewable energy resource, RECs associated with electricity generated, directly delivered, and reported as specified imported electricity and whether or not the RECs have been placed in a retirement subaccount. If RECs were created for electricity imported from an eligible renewable energy resource but not reported, the imported electricity cannot be claimed as specified.

\*\*\*\*\*

Section 95111(g)(3): Delivery Tracking Conditions Required for Specified Electricity Imports. Electricity importers may claim a specified source when the electricity delivery meets any of the criteria for direct delivery and for specified source of electricity defined in section 95102(a), and one of the following sets of conditions is satisfied:

- (A) The electricity importer is a GPE. If the facility/unit is an eligible renewable energy resource then the GPE must have (1) retained rights to the electricity or generation; (2) retained rights to the associated RECs; and (3) report the REC serial numbers associated with the imported electricity pursuant to section 95111(g)(1)(M); or
- (B) The electricity importer has a written power contract for electricity generated by the facility or unit. If the facility/unit is an eligible renewable energy resource then the electricity importer must have (1) a right of ownership or contract rights to the associated RECs; and (2) report the REC serial numbers associated with the imported electricity pursuant to section 95111(g)(1)(M)....

#### RPS Adjustment

**SDG&E Recommendation: Consistent with the need for the RPS Adjustment to recognize the GHG reductions achieved by California utilities, the Board should reject the Staff-proposed change in 95111(g) to cease reporting on the RPS adjustment beginning in 2021.**

### Energy Imbalance Market (EIM)

SDG&E has recommended that the Board reject Staff-proposed changes to address secondary emission effects or “remaining emissions” impacts of the EIM since ARB regulations and California Independent System Operator (CAISO) optimization determine which power is deemed imported to California, so this issue is already covered sufficiently.

#### **SDG&E Recommendation: Consistent with that recommendation, SDG&E requests the Board reject the proposed changes to the MRR regarding EIM:**

- **The definition of “Electricity Importers” should not be changed to include the EIM purchaser in section 95102.**
- **The definition of “Imported Electricity” in section 95102 should not be changed to include “electricity emissions not reported by EIM Participating Resource Scheduling Coordinators but distributed to EIM Purchasers pursuant to section 95852.”**
- **Section 95111(h) regarding “remaining emissions,” electricity emissions not reported by EIM Participating Resource Scheduling Coordinators but distributed to EIM Purchasers, should not be added. Not only is it inconsistent with the treatment of bilateral contracts with those same sources, it cannot be accurately measured. The Staff analysis shows that there are large discrepancies between actual meter output and CAISO model results.**

#### **B. A Change That Needlessly Increases the Complexity of Reporting**

The proposed change to 95111(b)(2)(E)(1) should not be adopted by the Board. Staff-proposed changes would eliminate certain exclusions to the “lesser of” analysis. This Staff-proposed change should be rejected for (1) grandfathered contracts that meet California RPS program requirements in Public Utilities Code Section 399.16(d) and (2) dynamically tagged power deliveries. Having these resources perform a “lesser of” analysis adds reporting complexity unnecessarily at a time when ARB is tightening reporting and verification deadlines. Secondly, it creates incompatibility with the RPS reporting requirements by potentially relying on less accurate E-tag information.

Dynamically tagged resources are outside the CAISO’s balancing authority, but the resource is dispatched by the CAISO to meet CAISO load. The “lesser of” analysis is an hour by hour comparison of what was tagged compared to what was metered, but the meter data is the most accurate. As such, if meter data is used, it seems ineffective to have to compare it to the less accurate tagged amount. Tagging is a North American Electric Reliability Corporation (NERC) requirement when transferring power between balancing authorities that does not require the same degree of accuracy as the meter data, as acknowledged by ARB Staff.<sup>1</sup>

The same is true of grandfathered RPS contracts; the entire metered output is deemed delivered to California by the California Energy Commission, so the tags are less accurate and should not be used.

#### **SDG&E Recommendation: The Board should continue the exemption to the “lesser of” analysis for both grandfathered RPS contracts and dynamically tagged resources in 95111(b)(2)(E)(1).**

This provision A lesser of analysis is applicable to imports from specified sources, including imported electricity under EIM, for which ARB has calculated an emission factor of zero, and for imports from California Renewable Portfolio Standard (RPS) eligible resources, excluding the following: (1) contract or ownership agreements, known as grandfathered contracts that meet California RPS program requirements in Public Utilities Code Section

---

<sup>1</sup> ARB Staff, Initial Statement of Reasons for MRR, page 44.

399.16(d) or California Code of Regulations, Title 20 Section 3202(a)(2)(A); (2) dynamically tagged power deliveries; (3) ~~untagged power deliveries, including EIM imports; ...~~  
(SDG&E proposed change is double underscored)

#### **GHG Reductions Outside California Should Be Recognized**

The cap-and-trade program includes GHG reductions outside of California to count as reductions for purposes of the cap-and-trade program. However, these reductions are not considered in the GHG Inventory. As the Board considers regulations that extend GHG reductions beyond 2020, the Board should give California entities the benefit of the GHG reductions paid for by California entities. The Board should specifically include an adjustment to the calculated GHG inventory for GHG reductions occurring through out-of-state offsets and the RPS adjustment. Since GHG is global, for purposes of the MRR and GHG inventory, these reductions should offset some California emissions in the GHG inventory used to measure progress toward the State's 2030 GHG reduction goals.

Thank you for your consideration. Please contact me if you have any questions.

Sincerely,

*Adrianna B. Kripke*