



CAC Item C5

Staff Report Item 17

**TO:** East Bay Community Energy Board of Directors

**FROM:** Izzy Carson, Power Resources Manager

**SUBJECT:** Emissions Overview (Information Item)

**DATE:** April 19, 2023

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### **Recommendation**

Receive a presentation showing the history of the Bright Choice plan's emission factor and future emission reduction targets.

### **Background and Discussion**

Staff is presenting an overview of the Bright Choice plan's emission factor to the Board. This presentation is in response to requests for additional information on Bright Choice emissions and the history and methodology of how this is calculated.

#### *Bright Choice History*

In October 2018, the Board adopted a 2018 calendar year emission factor of 142 pounds of carbon-dioxide equivalent per mega-watt hour ( $\text{lb-CO}_2^e/\text{MWh}$ ) for the Bright Choice energy product, a product approved in 2018 that was established to provide a choice for customers for electricity at a lower price than PG&E as a comparable renewable product.

#### **2020 Changes Impacting Procurement and Emissions Reporting**

##### *Carbon Free Allocation*

In 2019 Pacific Gas and Electric (PG&E) initiated a formal large hydro and nuclear electricity allocation process determined by load share, with deliveries starting in 2020. The acceptance of this allocation did not have incremental cost to Community Choice Aggregators (CCAs) due to the Power Charge Indifference Adjustment (PCIA), a non-by passible charge set annually, under which all customers pay.

The fundamental question of whether to accept nuclear electricity from the allocation came down to a trade-off between having nuclear electricity as part of East Bay Community Energy's (EBCE) portfolio and lower greenhouse gas (GHG) emissions, or not having nuclear and accepting higher GHG emissions. Ultimately the Board elected to accept the large hydro allocation and reject the nuclear allocation.

With the introduction of the Carbon-Free Allocation, EBCE's large hydro portfolio was expected to be more in line with PG&E, and therefore renewable energy was a more appropriate focus.

### *Bright Choice Procurement Floor*

In 2020 the Bright Choice renewable target was amended to establish a clean energy procurement floor that was intended to be higher than PG&E. The procurement floor was derived based on PG&E's prior year renewable energy power content forecast, plus an additional 5% renewables.

While the 5% buffer was included as to mitigate uncertainty in PG&E's provided forecast, it was noted at the April 2020 Board meeting that there was a possibility that in a given year EBCE's renewable percentage may be less than PG&E's. This approach did have increasing forecasting challenges due to a lack of visibility into PG&E's annual renewable target. Furthermore, the reporting lag on power content means that actual values are not fully validated until their Power Content Label is produced, which occurs in the Fall of the year after the power is procured.

### *Assembly Bill (AB) 1110*

In 2016, AB 1110 was passed which modified the Power Source Disclosure Report (PSDR) methodology and impacted the information shared with customers on the Power Content Label (PCL). The new methodology required electricity suppliers, EBCE included, to disclose the GHG emissions intensity associated with its electricity sources. The California Energy Commission (CEC) updated the PSDR regulations implementing AB 1110 effective May 2020.

AB 1110 required replacing that emission factors can only be marketed using the newly adopted PSDR regulations methodology and that other methods for calculating emissions factors like The Climate Registry (TCR), a national emissions accounting methodology that was widely used by load serving entities, including CA utilities, CCAs and cities could not be used for calculating and disclosing emission factors to customers. The global emissions perspective of TCR was replaced with a California specific methodology, with the most significant change being in the application of the associated GHG emissions from firm and shaped Renewable Energy Credit (REC) purchases, also known as Portfolio Content Category (PCC) 2 RECs. PCC2 RECs are a California Renewable Portfolio Standard (RPS) renewable product that are by in large solar, wind and hydro resources, generated outside of California. Under the new CA specific methodology, these PCC2 RECs, regardless of source, are given an equivalent emissions factor equal to unspecified power, resulting in a material increase in reported emissions.

### *Path to Zero Emissions 2030*

In December of 2020, the Board adopted a clean energy goal for all electricity within EBCE’s portfolio to have zero net emissions by 2030. In April of 2022, a path to reach that zero emissions goal was approved by the Board, which included annual targets for renewables and large hydro (as a percentage of sales) to reach that goal. Two months later in June of 2022, the renewable targets were increased by an additional 5%.

The path to zero emissions also removed the use of Pacific Gas and Electric’s (PG&E) prior year renewable content forecast as the basis for the annual procurement floor for Bright Choice. This step de-coupled the renewable content of Bright Choice from PG&E renewable content forecasts and established the annual steps that would lead to zero emission electricity in 2030.

*Bright Choice Annual Renewable and Carbon Free Electricity Targets*

The table below shows renewable and carbon free content targets through 2030 for Bright Choice, including estimates for unspecified power based on those targets, as well as estimates for emission factors in future years, and the CA RPS percentages for comparison.

**Table 1: Bright Choice: Renewable, Carbon Free Percentages by Year, Unspecified Power estimates and PCL Emissions Factor for Bright Choice**

Year	Bright Choice				CA-RPS %
	Renewable %	Carbon Free %	Unspecified %	PSDR Emission Factor	Renewable %
2018	41%	62%	38%	n/a	29%
2019	60%	87%	13%	n/a	31%
2020	40%	55%	45%	591	33%
2021	42%	60%	40%	564	36%
2022	50%	68%	32%	545	39%
2023	54%	71%	29%	540	41%
2024	58%	75%	25%	455	44%
2025	61%	79%	21%	390	47%
2026	65%	84%	17%	317	49%
2027	69%	88%	13%	243	52%
2028	73%	92%	8%	164	55%
2029	76%	98%	2%	66	57%
2030	80%	100%	0%	-	60%

There are two primary factors influencing Bright Choice emissions. The largest source of emissions in EBCE’s portfolio is power content from emitting generation sources and for Bright Choice this is unspecified power which is the balance of carbon free electricity purchases (which includes renewable) and total sales. Unspecified electricity is not purchased for Bright Choice for content purposes but is reflective of the total sales net of carbon free content. The second factor influencing the Bright Choice emissions is renewable content from PCC2 RECs since the PSDR emissions reporting regulations require EBCE to report emissions for these renewable purchases when the source of the energy is not specified. Annual increases in the renewable and carbon free content result in annual reductions in the emission factor and unspecified power for Bright Choice.

Not shown in the above table but reflected in the estimates for emission factors is an annual reduction in the purchase of PCC2 RECs for the Bright Choice plan whereby 2030 all of the renewable electricity for Bright Choice would come from PCC1 RECs.

### **Fiscal Impact**

There are no fiscal impacts as this item provides information only on Bright Choice product emissions.

### **Attachments**

- A. Presentation

APRIL 19, 2023

# Bright Choice Emissions Overview



# Overview

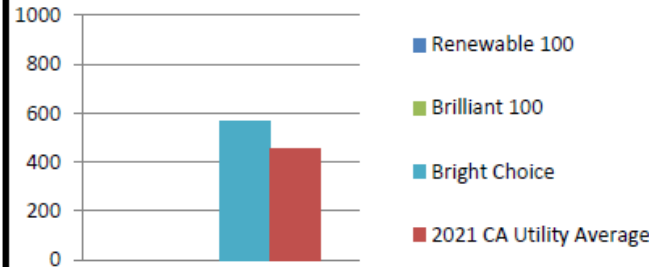
- What is Power Content
- EBCE Product Overview
- Renewable Energy Credits and Portfolio Content Category Classifications
- EBCE Bright Choice Target History
- PG&E Carbon Free Allocation
- Bright Choice Amendment to Power Content
- Emissions Accounting Methodology
- Where we are now
- CCA Comparison
- 2022 Snapshot

# What is the Power Content Label (PCL)?

## PCL

- Published annually, based on prior calendar year generation from owned or contracted-for resources
- Detailed breakdown on sources of energy used to provide electricity
- Resembles a nutrition label for electricity
- The PCL submission requires a formal 3rd party audit and is reviewed and approved by the CEC

2021 POWER CONTENT LABEL								
East Bay Community Energy								
ebce.org/documents-and-resources								
Greenhouse Gas Emissions Intensity (lbs CO <sub>2</sub> e/MWh)				Energy Resources				
Renewable 100	Brilliant 100	Bright Choice	2021 CA Utility Average	Eligible Renewable <sup>1</sup>	Renewable 100	Brilliant 100	Bright Choice	2021 CA Power Mix
0	0	564	456		100.0%	35.8%	42.3%	33.6%
				Biomass & Biowaste	0.0%	0.0%	0.5%	2.3%
				Geothermal	0.0%	0.0%	0.0%	4.8%
				Eligible Hydroelectric	0.0%	0.0%	0.2%	1.0%
				Solar	50.0%	17.9%	19.0%	14.2%
				Wind	50.0%	17.9%	22.6%	11.4%
				Coal	0.0%	0.0%	0.0%	3.0%
				Large Hydroelectric	0.0%	64.2%	15.9%	9.2%
				Natural Gas	0.0%	0.0%	0.0%	37.9%
				Nuclear	0.0%	0.0%	1.7%	9.3%
				Other	0.0%	0.0%	0.1%	0.2%
				Unspecified Power <sup>2</sup>	0.0%	0.0%	40.0%	6.8%
				<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Percentage of Retail Sales Covered by Retired Unbundled RECs <sup>3</sup> :					0%	0%	0%	
<sup>1</sup> The eligible renewable percentage above does not reflect RPS compliance, which is determined using a different methodology. <sup>2</sup> Unspecified power is electricity that has been purchased through open market transactions and is not traceable to a specific generation source. <sup>3</sup> Renewable energy credits (RECs) are tracking instruments issued for renewable generation. Unbundled renewable energy credits (RECs) represent renewable generation that was not delivered to serve retail sales. Unbundled RECs are not reflected in the power mix or GHG emissions intensities above.								
For specific information about this electricity portfolio, contact:					East Bay Community Energy 1-833-699-EBCE (3223)			
For general information about the Power Content Label, visit:					<a href="http://www.energy.ca.gov/pcl/">http://www.energy.ca.gov/pcl/</a>			
For additional questions, please contact the California Energy Commission at:					Toll-free in California: 844-454-2906 Outside California: 916-653-0237			



# EBCE's Customer Products

## Renewable 100

100% renewable energy from California solar & wind power at a slightly higher price than PG&E



100% eligible renewable

## Bright Choice

Our basic plan, which costs less than PG&E



42.3% eligible renewable power

### KEY

- Wind
- Solar
- Hydro
- Biomass & Biowaste, Geothermal, Eligible Hydroelectric
- Other or Unspecified
- Nuclear



# Renewable Energy Credits and Portfolio Content

## Category Classifications

### Renewable Energy Credits (RECs):

- Represent clean energy attributes of renewable electricity
- Each REC is equivalent to one MWh of renewable electricity generated
- Limitations to the amount that each group can count towards RPS requirements
- Classified into three distinct categories Portfolio Content Categories (PCC)

PCC 1	Energy and REC are from same source and delivered into a California Balancing Authority (CBA) without any substitution
PCC 2	Substitute Energy not from the same source as REC
PCC 3	Electricity Products Not Qualified as PCC 1 or PCC 2, Including Unbundled RECs

# Bright Choice History

Bright Choice plan was created to provide electricity to customers at a lower price than PG&E as a comparable product.

**2018** – Bright Choice was a Board approved product, with an approved power content set at 85% carbon free

- October 2018 – Board approved use of The Climate Registry (TCR) carbon accounting methodology and 2018 calendar year emissions factor target of 142 lb-CO<sub>2</sub>e/MWh (Actual 2018 emissions was 101 lb-CCO<sub>2</sub>e/MWh)
- TCR is a national emissions accounting methodology that was widely used by load serving entities, including CA IOUs and CCAs, and cities

# 2019 PG&E Carbon Free Allocation

- PG&E initiated a formal large hydro and nuclear allocation process determined by load share, with deliveries starting in 2020. The acceptance of this allocation had zero incremental cost to CCAs due to PCIA
- EBCE initiated discussions in the November 2019 ExComm meeting followed by extensive discussions on risks, benefits, and costs with the Board and CAC at the December 2019 and January 2020 Board meetings
  - Fundamental question for accepting nuclear or not came down to a trade-off between having nuclear and lower greenhouse gas emissions, or not having nuclear and **accepting higher greenhouse gas emissions**
  - EBCE board elected to accept the large hydro allocation



# 2020 Amendment to Bright Choice Power Content Guidelines

- With the introduction of the carbon free allocation, EBCE's large hydro portfolio content was expected to be generally in line with PG&E, and therefore Renewable Energy was a much more appropriate focus
- Renewables target was amended to reflect a clean energy procurement floor based on PG&E's prior year renewable energy power content forecast + 5% buffer for uncertainty

$$2020 \text{ Bright Choice Renewable \%} = [2019 \text{ PG\&E Renewable Forecast}] + 5\% = 39.5\%$$

- Challenges existed under this approach due to lack of visibility into PG&E's annual renewable target and a changing RPS banking strategy. Furthermore, the reporting lag means that actual values are not fully validated until the fall of the year after the power is procured

# Assembly Bill (AB) 1110

- Regulations modifying power content reporting methodology and emissions accounting methodology were initially implemented in 2020.
- AB 1110 fundamentally required replacing the previously accepted TCR emissions methodology, which took a global emissions perspective, with a California-centric emissions methodology
- Requires retail sellers to:
  - Include emissions from PCC 2 RECs resulting in a material increase in reported emissions
  - Resources, regardless of source (solar, wind, hydro) are given an equivalent emissions factor based on imported energy into CAISO, typically unspecified system power.

# Where are we now?

- In December 2020, the Board adopted a clean energy goal for all electricity within EBCE's portfolio to have zero net emissions by 2030
- In April 2022, a path to reach that zero emissions goal in 2030 was approved, which included annual targets for renewable and large hydro (as a percentage of sales)
- Targets were increased by an additional 5% in June 2022

*Note: 2019 renewables procurement increased significantly to address scarcity in large hydro generation due to drought conditions*

Year	Bright Choice					CA-RPS %
	Renewable %	Carbon Free %	Unspecified %	TCR*-Emission Factor	PSDR Emission Factor	Renewable %
2018	41%	62%	38%	101	n/a	29%
2019	60%	87%	13%	135	n/a	31%
2020	40%	55%	45%	n/a	591	33%
2021	42%	60%	40%	n/a	564	36%
2022	50%	68%	32%	n/a	545	39%
2023	54%	71%	29%	n/a	540	41%
2024	58%	75%	25%	n/a	455	44%
2025	61%	79%	21%	n/a	390	47%
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2028	73%	92%	8%	n/a	164	55%
2029	76%	98%	2%	n/a	66	57%
2030	80%	100%	0%	n/a	-	60%

# Total Emissions Inclusive of Renewable 100 Product

Year	All Plans				CA-RPS %
	Renewable %	Carbon Free %	TCR*-Emission Factor	PSDR-Emission Factor	Renewable %
2018	42%	88%	82	<i>n/a</i>	29%
2019	65%	88%	113	<i>n/a</i>	31%
2020	39%	61%	<i>n/a</i>	488	33%
2021	42%	65%	<i>n/a</i>	464	36%
2022	61%	75%	<i>n/a</i>	406	39%
2023	68%	78%	<i>n/a</i>	391	41%
2024	69%	81%	<i>n/a</i>	338	44%
2025	72%	84%	<i>n/a</i>	288	47%
2026	75%	88%	<i>n/a</i>	234	49%
2027	77%	91%	<i>n/a</i>	179	52%
2028	80%	94%	<i>n/a</i>	121	55%
2029	83%	97%	<i>n/a</i>	62	57%
2030	86%	100%	<i>n/a</i>	-	60%

# CCA Comparison

	RPS	Hydro	% Nuclear	Non-nuke Carbon Free	Unspecified	Rate	2021 Cost Differential w/ PG&E	Lbs CO2e/MWh
Peninsula	49.20%	50.80%	0.00%	100.00%	0.00%	\$0.1439	1.29%	5
Silicon Valley	44.10%	35.90%	20.00%	80.00%	0.00%	\$0.1459	2.65%	18
MCE	60.50%	36.80%	0.90%	97.30%	1.70%	\$0.1490	4.68%	75
CleanPowerSF	55.40%	37.60%	0.10%	93.00%	6.90%	\$0.1196	-18.72%	82
PG&E	47.70%	4.00%	39.30%	51.70%	0.00%	\$0.1420	0.00%	98
Sonoma	49.70%	40.60%	0.50%	90.30%	9.20%	\$0.1353	-4.98%	130
San Jose	36.00%	31.30%	31.30%	67.30%	1.30%	\$0.1487	4.48%	162
3CE	38.40%	11.80%	0.00%	50.20%	49.80%	\$0.0910	-56.07%	494
Pioneer	30.80%	0.40%	20.40%	31.20%	48.40%	\$0.1287	-10.33%	542
EBCE	42.30%	15.90%	1.70%	58.20%	40.00%	\$0.1373	-3.41%	564
King City	40.00%	0.00%	0.00%	40.00%	60.00%	\$0.1524	6.81%	567
Redwood Coast	33.10%	10.50%	0.00%	43.60%	56.40%	\$0.1509	5.89%	615
Valley	12.60%	10.90%	0.00%	23.50%	76.50%	\$0.1521	6.65%	722

Contributing factors to higher/lower emissions

- Acceptance or rejection of nuclear allocation
- Rates compared to PG&E
- Renewable and Hydro content
- Unspecified Power



\*2021 Power Content Labels data  
 \*PG&E residential rates as of 1/1/2023



# 2022 Snapshot

Note that these are draft power content forecast positions for 2022 and subject to change following formal reconciliation and audit. Formal PCL and emissions data to be released on October 1<sup>st</sup>.

	PG&E*	EBCE
Eligible Renewable	40.00%	47.77%
Large Hydro	7.00%	22.75%
Nuclear	49.00%	0.00%
Unspecified	0.00%	29.48%
Total Carbon Free	96.00%	70.52%
Carbon Free non-Nuke	47.00%	70.52%

# Questions?

Thank You

Izzy Carson

Power Resources Manager