

CALIFORNIA
ENERGY
COMMISSION

RECONCILIATION OF RETAILER CLAIMS, 2002

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Gray Davis, Governor

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Introduction

Public Utilities Code, Section 398.5(e) requires the California Energy Commission (Energy Commission) to prepare an annual report comparing the source of power that retailers have disclosed to consumers with the information that the Energy Commission has received about the actual energy generated for consumption in California. The activities carried out to meet this mandate are referred to as the “Power Source Disclosure Program.”

This report, *Reconciliation of Retailer Claims, 2002* fulfills that mandate for calendar year 2002. After reviewing the available data, the Energy Commission staff concludes that retailers’ claims submitted to date are accurate.

Background

Senate Bill 1305 (SB 1305, Sher, Chapter 796, Statutes of 1997) enacted in 1997 ensures that retail providers of electricity disclose to consumers “accurate, reliable, and simple to understand information on the sources of energy used to provide electric services”. (Public Utilities Code, Section 398.1(b). Toward that end, the law requires retail providers of electricity to disclose fuel source information to consumers about the electricity being sold by using a format developed by the Energy Commission.

The law also allows the Energy Commission to obtain information from retail providers and from generators (directly or through system operators), to verify the information disclosed to consumers. Specifically, all retail providers of electricity who make claims differentiating their power mix from the California Power Mix (referred to in the legislation as “net system power”), are required to submit detailed information about their power purchases and retail sales to the Energy Commission after the end of the year.

At the same time, the law requires all electricity generators who report meter data to a system operator to also report generation, fuel type, and fuel type consumed (as a percentage of generation) data to the system operator on a quarterly basis.¹ System operators must then make the generation and fuel source information available to the Energy Commission for the dual purposes of verifying information disclosed to consumers and calculating net system power (established annually by the Energy Commission).

Using the detailed information from retail providers and generators, the Energy Commission then prepares and submits an annual report such as this one to the California Public Utilities Commission, comparing power source annual information disclosed to consumers (as directed in Public Utilities Code, Section 398.4) with information on actual electricity generated in California.

In line with SB 1305, the Energy Commission has implemented regulations specifying the following:

- 1) Guidelines and formats for disclosure of generation-related information to system operators and the Energy Commission,
- 2) Guidelines and formats for retail disclosure of fuel source information to consumers by retail providers, and
- 3) Guidelines for annual submissions to the Energy Commission by retail providers.

These regulations governing the “Power Source Disclosure Program” first went into effect on October 21, 1998 and were amended March 5, 2002. They are found in Title 20 of the California Code of Regulations, beginning with Section 1390.

The format adopted for retail electricity source disclosure to consumers is called the “power content label” (pictured to the right). Using this label, consumers can compare the power “content” — or resource mix — of a given electricity product against that of the California Power Mix. The California Power Mix refers to electricity

consumed on a statewide basis as differentiated by fuel type after subtracting out power that has been specifically claimed by retail providers, less self-generation. Retail providers may use the California Power Mix as default and not make claims differentiating their power from the California Power Mix, or they may “claim specific purchases,” their actual power mix differentiated by fuel type based on purchases from specific generating facilities. Retail providers who make any claims differentiating their power from the California Power Mix are required to disclose their actual power mix as well as the California Power Mix. As such, the power content label allows retail providers of electricity to distinguish their products from other electricity products in the market on the basis of relative mix of resource or fuel type.

By law, all retail providers must display a label in product-specific written promotional materials, must send their customers quarterly label updates, and provide them with an annual label that compares the actual annual resource mix with their projected annual mix. The annual label includes an explanation of variations greater than plus or minus five percentage points.

POWER CONTENT LABEL		
ENERGY RESOURCES	PRODUCT NAME* (projected)	2002 CA POWER MIX** (for comparison)
Eligible Renewable	55%	9%
-Biomass & waste	-	3%
-Geothermal	-	4%
-Small hydroelectric	-	2%
-Solar	-	0%
-Wind	-	<1%
Coal	8%	15%
Large Hydroelectric	11%	23%
Natural Gas	21%	42%
Nuclear	5%	11%
Other	0%	0%
TOTAL	100%	100%

* 50% of Product Name is specifically purchased from individual suppliers.
 ** Percentages are estimated annually by the California Energy Commission based on the electricity sold to California consumers during the previous year.

For specific information about this electricity product, contact Company Name. For general information about the Power Content Label, contact the California Energy Commission at 1-800-555-7794 or www.energy.ca.gov/consumer.

Additionally, if a retail provider distinguishes its product from the California Power Mix, the company must submit detailed information about power purchases and sales to the Energy Commission. This submittal is called the *Annual Retail Provider Report*. The regulations require these retail providers to validate all power purchase and sales claims at the end of the year through an independent audit. The Energy Commission staff compares this information and historical generation data with the claims made via the Power Content Label. In this way, the Energy Commission is helping to ensure that consumers will have confidence in the accuracy of the Power Content Label.

Fifth Year Status

Annual Retail Provider Reports Received

The Energy Commission received *Annual Retail Provider Reports* from 27 companies. Of the 27 companies, 23 were retail providers, and four were wholesalers or pools from which nine retail providers purchased power. The following is the list of all companies that submitted reports:

- 3Phases Energy Services
- Commonwealth Energy Corporation
- Enron Energy Marketing Corporation
- Enron Energy Services
- Green Mountain Energy
- Alameda Power Authority
- Anaheim Public Utility District
- City of Colton
- City of Healdsburg
- City of Lompoc
- Los Angeles Department of Water and Power
- Modesto Irrigation District
- City of Needles
- Palo Alto Electric Utility
- City of Redding
- City of Riverside
- City of Roseville
- Sacramento Municipal Utility District
- Silicon Valley Power
- Southern California Edison Company
- Surprise Valley Electrification Association
- Turlock Irrigation District
- City of Ukiah
- Automated Power Exchange
- Bonneville Power Authority

- Northern California Power Authority
- Ontario Natural Trading

These companies collectively claimed specific purchases from 358 different generating facilities. Of the 358 generating facilities, 218 facilities are “renewable” as defined by the legislation. Of the 218 renewable facilities claimed, 117 are “registered” renewable generating facilities for purposes of the Energy Commission’s Renewable Energy Program, though only 70 of these registered renewable facilities actually received funding through the program. More than one provider claimed 36 of the 358 generating facilities.

	Number of Generators	
	<u>2001 Report</u>	<u>2002 Report</u>
Purchased from Generators	212	358
Generators claimed by more than one Retail Provider	53	36
Renewable Generators	90	218
Registered Renewable Generators	43	117
Registered Generators Receiving Funds	21	70

The most significant change in the retailer claims was the loss of 10 Electric Service Providers or Direct Access Providers and the addition of one Investor-Owned Utility. In addition, the total specific purchase claims increased from the previous year's total of 43,771 gigawatt-hours to 96,205 gigawatt-hours, an increase of 52,434 gigawatt-hours.

Generation Reports Received

In 2003, over 200 companies reported data to the Energy Commission about the generation output of 700 power plants. Wind generation data, however, is provided by the Energy Commission’s Public Interest Energy Research program.

Availability of Generation Data

To prepare this report, it was necessary to gather 2002 calendar year generation data for all 358 generating facilities claimed by the 27 retail providers. In analyzing the year 2002 claims, the Energy Commission supplemented its SB 1305 generation reports with data from the United States Energy Information Administration (EIA) and the Renewable Energy Program, as described below.

Data from the Energy Information Administration

Generating facilities with a capacity above one megawatt are required to submit generation data to the EIA using one or more various forms. The EIA has made data from some of the reporting forms publicly available on the Internet. In many cases, however, generation data are available only in aggregate and not on a plant-specific basis. The Energy Commission staff was able to obtain plant specific generation data from EIA on utility-owned generating facilities and some non-utility-owned facilities. EIA data played an important part in the development of this report because it provided primary data in some cases and served as a check for data provided as part of the Generation Data Reporting program and the Renewable Energy Program.

In addition, the Energy Commission, and energy agencies in the states of Washington and Oregon are participants in a Department of Energy grant program, with an objective of developing an energy information/tracking system that ultimately would be applicable to the Western Electric Coordinating Council (WECC). The initial database that uses EIA data sources had been developed and is in beta testing. This database was assisted in the analysis needed to prepare this report.

Data from the Renewable Energy Program

Although many renewable generating facilities have “registered” with the Renewable Energy Program, not all are eligible to receive funding through either the “Existing” or “New” Renewable Resources Accounts. However, generating facilities that are registered and eligible for funding submit generation data to the Existing Renewable Account and the New Renewable Account. These two accounts have growing databases containing generation data for many of California’s renewable generating facilities. These data are useful in filling some of the gaps left by other data sources.

Reconciling Retail Providers’ Claims

For calendar year 2002, the actual comparison of retail claims with generation data proved to be more complicated than the prior year. The number of retail providers (including wholesalers and pools) decreased from 39 to 27 and the number of generators increased from 212 to 358. Despite the decrease in retail providers claiming specific purchases, the number of generators and amount of gigawatt-hours claimed increased. This growth created additional complexity and difficulty in checking retailer’s claims. Despite the issues associated with the growth in data, improvements in the Power Source Disclosure Program database and development of analysis tools offset the increased volume and complexity of data that needed to be analyzed. Retailers claimed specific purchases totaling about 96,205 gigawatt-hours from generators that produced in excess of 185,720 gigawatt-hours. The staff checked to ensure that retail claims for a given generator were less than or equal to the amount of generation reported by that generator. For purposes of the SB 1305 program, it is not necessary to determine the disposition of all the power generated by a given generating facility.

Retail Provider Claims		
	<u>2001 Report</u>	<u>2002 Report</u>
Specific Renewable Purchases (GWH)	3,775	14,473
Total Specific Purchases (GWH)	43,771	96,205
Reporting Retail Providers		
Investor-Owned Utility	0	1
ESP	15	5
Municipal Utility	17	17
<u>Wholesaler/ Pool</u>	<u>7</u>	<u>4</u>
Total	39	27

For all generators for which the Energy Commission staff was able to obtain plant-specific data, the amount of generation exceeded the claims. Plant-specific generation data for several generating facilities could not be found from any of the data sources listed in the previous section, but affidavits or audits by third parties submitted under the Power Source Disclosure Program corroborated the claims made for those facilities. While affidavits or audits by third parties may not give the same level of assurance as meter data or data submitted to the EIA, the Energy Commission staff believes that this source is sufficient for the purposes of this report. The staff will continue to make efforts to close this data collection gap for next year's report.

Given the information available, all companies reporting to the Energy Commission appear to have purchased sufficient amounts of power of the specified fuel types to meet their claims to consumers. In fact, the companies purchased more renewable power than was required.

Expectations for Next Year's Report

For the analysis of the year 2003 data, the Energy Commission anticipates having access to more complete data through filings with the Energy Commission and from the EIA. At the same time, the Energy Commission also anticipates an increase in the number of retail claims from municipal retail providers and a reduction in the number of traditional ESPs. The decline in the number of ESPs is the result of the changes in the regulations governing the direct access market and the increasing uncertainty of cost in serving customers during 2002.

Staff expects the number of ESPs participating in the program to decrease in 2003 because the Energy Commission will no longer provide incentives to customers that purchase eligible renewables from an ESP. Because these credits are no longer available, ESPs may make fewer claims on their sales because fewer renewable energy products may be offered to customers. Because ESPs that participated in the Energy Commission's Customer Credit Program comprise a shrinking proportion of specific purchase claims, this may not significantly affect the totals reported in 2003.

A significant number of changes were made to the *Annual Retail Provider Reports* after they had been submitted on time (March 1, 2003), and a number of reports were submitted late. These changes and late submissions created problems in determining the total amount of Specific Purchases used to calculate Net System Power, which must be reported by April 15 of each year. The staff will continue to take additional steps to provide retail providers we are aware of with software packages to assist in preparing the *Annual Retail Provider Report*. The staff will continue the high level of outreach to retail providers prior to the reporting date to assist in answering questions related to the reporting of specific purchases in the *Annual Retail Provider Reports*.

In 2002, the Governor signed Senate Bill 1078 (SB 1078, Sher, Chapter 516, Statutes of 2002), requiring that retail providers of electricity comply with a Renewable Portfolio Standard (RPS). Under the RPS, retail providers of electricity would be required to procure renewable generation that equals 20 percent of their consumption by 2017. The law tasks the Energy Commission with devising an accounting system that would be used to verify compliance. Staff intends to explore how the Renewable Portfolio Standard would interact with Power Source Disclosure Program.

The Legislature also heard legislation (SB 185), proposing changes to the Power Source Disclosure Program including:

- Consolidating the quarterly Power Content Labels into an annual Power Content Label.
- Moving the deadline for Annual Reports to the Energy Commission from March 1st to May 1st.
- Requiring that retail providers of electricity disclose the generation technology of their procured energy while allowing retail providers to claim Net System Power if the technology is unknown.

SB 185 did not pass the Legislature during the 2003 session. The Legislature, however, may revisit these issues during the 2004 session. If legislation modifying the Power Source Disclosure Program becomes law, the Energy Commission would follow with a rulemaking aimed at conforming program regulations to the new statute.

ⁱ Generators that do not report information to system operators but whose electricity is being claimed as a specific purchase report these data directly to the Energy Commission.