# GOING BEYOND MWH

*Marginal Emission Rate and Its Application in Voluntary Clean Energy Investments*

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August 10th, 2023

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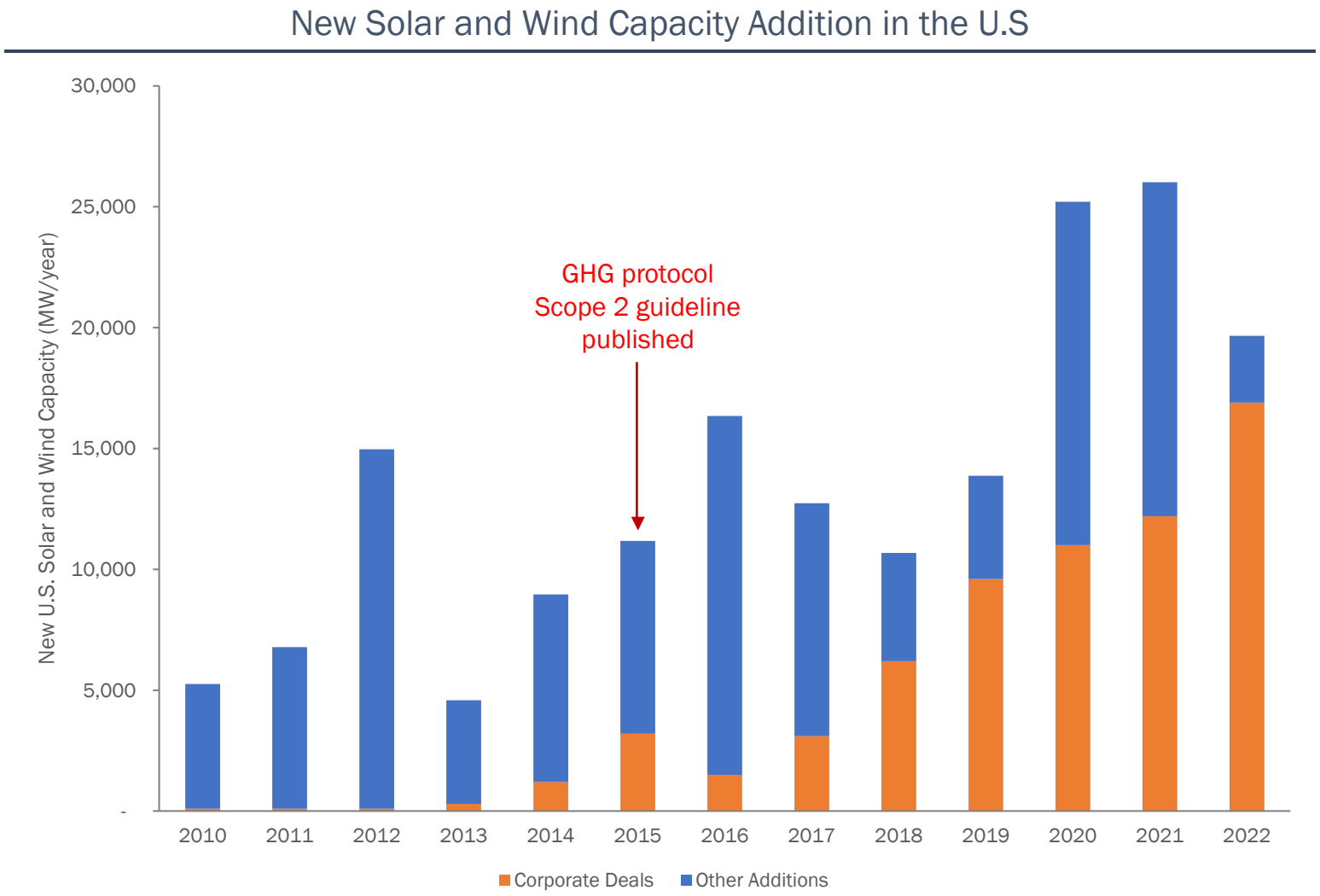
# Voluntary Procurement

& the GHG Protocol Scope 2 Guidelines

# Voluntary procurement added 40% of RE additions in the past decade




*Data source: EIA 860, CEBA deal tracker*

- Over the past decade, U.S. power grid added ~150 GW of new solar and wind capacity
- Corporate voluntary procurement account for about **40%** (65 GW) of that addition.
  - *48% of Fortune 500 companies committed to carbon neutral by 2050*

# GHG protocol incentivizes procuring MWh of REC

- GHGP scope 2 guideline allows corporation to use a combination of
  - *MWh matching via vPPAs and/or unbundled RECs, &*
  - *Average emission rate*

  to track their emission

- Example 1:
  - *U.S. based company with 100 GWh of load, and 100 GWh of RECs*

    Emission : 100 GWh – 100 GWh = 0 net load, 0 emission
- Example 2:
  - *U.S. based company with 100 GWh of load, and 50 GWh of RECs*

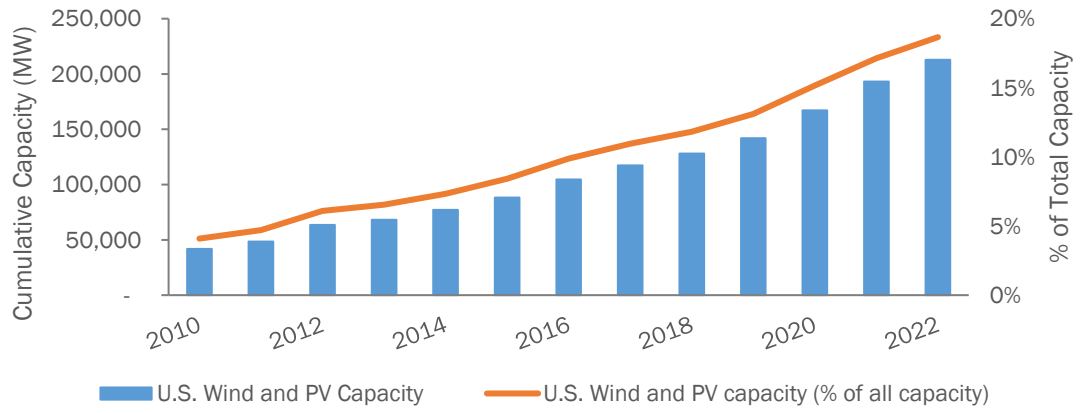
    Emission : (100GWh – 50 GWh) x 855 lbs. $CO_2$/MWh[1] = 42 million lbs. $CO_2$

# New guidance is needed for an evolved grid

Locational Marginal Emission Rate

# RECs are not the same

## U.S. solar and wind capacity

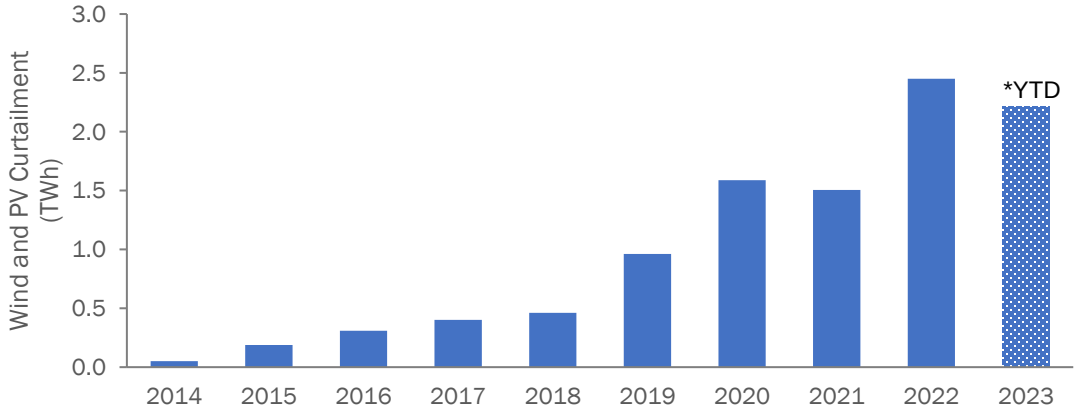



- GHGP kickstarted corporate voluntary procurement and added significant renewable capacity to the grid
  - *RECs do not distinguish projects'*
    - Location, and
    - generation profile
  - *RECs and average emission do not reflect physics of grid emission*

## ERCOT 2022 Curtailment Stats

| Wind Curtailment: | PV (utility) Curtailment |
|---|---|
| 5% | 9% |
| ~5,600 GWh | ~2,400 GWh |

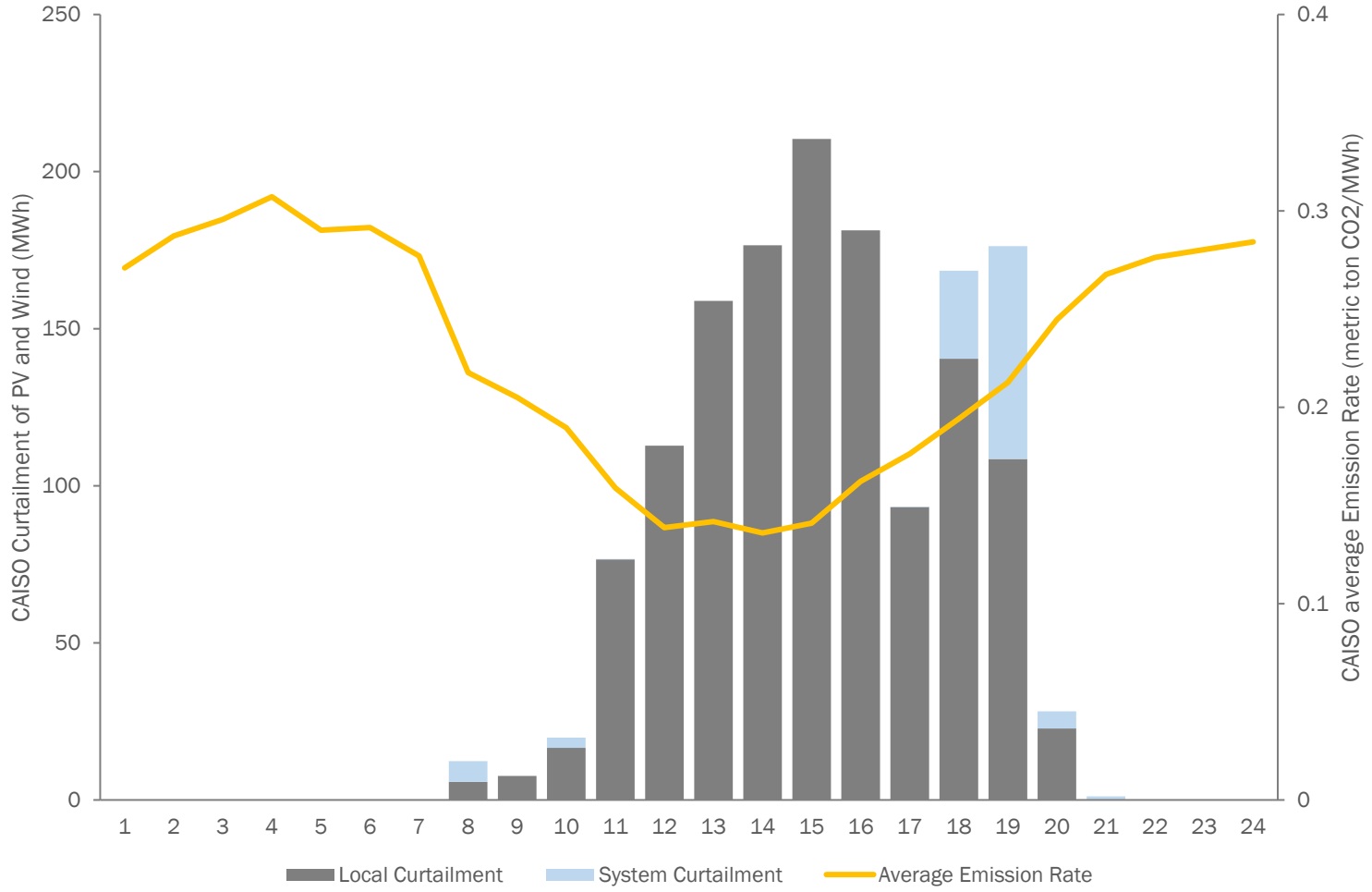
## CAISO Curtailment of Solar and Wind




*Source: BTU Analytics, ERCOT, CAISO*

# Average emission rate does not provide sufficient information

CAISO emission rate and renewable curtailment (June 30th , 2023)




- Average emission rate suggest
  - *Shift load to mid-day*
  - *Increase zero-emission generation in the morning and later afternoon*
- Curtailment data shows more intricate detail
  - *Mid-day curtailment is local: not all area sees low emission*
  - *High curtailment at late afternoon: more zero-emission gen has no impact*

*Source: CAISO, managing oversupply*

# Emission on the grid is time and location sensitive, same as LMP

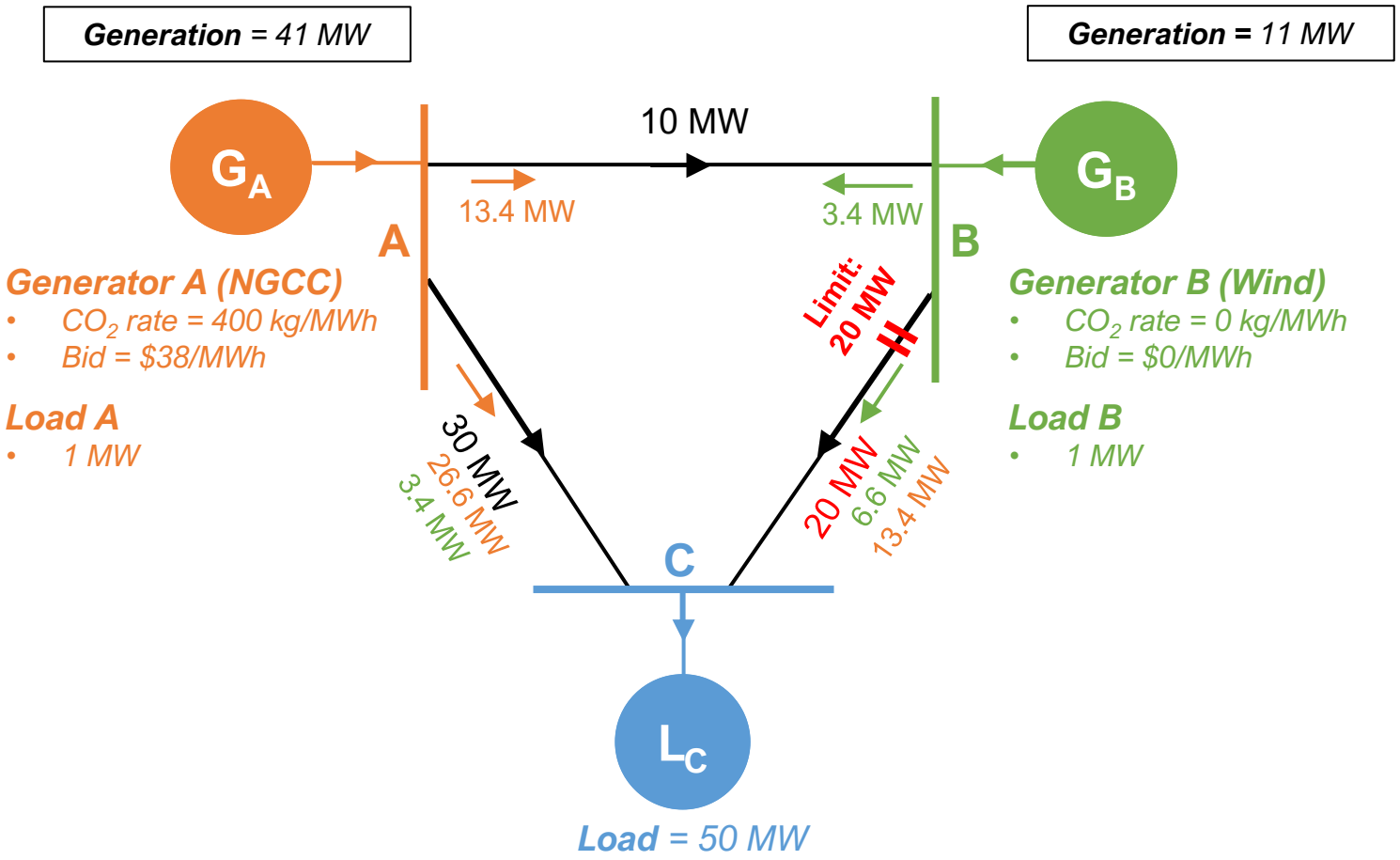
- Incremental change of energy injection/withdrawal changes system dispatch
  - *Cost impact = Locational Marginal Price (LMP)*
  - *Emission impact = Locational Marginal Emission Rate (LMER)*
- Locational marginal emission rate (**LMER**) can be calculated for every node on the grid at a given time

$$MER_{node} = \frac{\Delta(CO_2)_{system}}{\Delta(Demand)_{node}}$$

Change in system $CO_2$ emissions for an incremental MW of load at
1. given location; and
2. given time

# LMER reflect nodal impact on emission

LMER calculation for a sample system



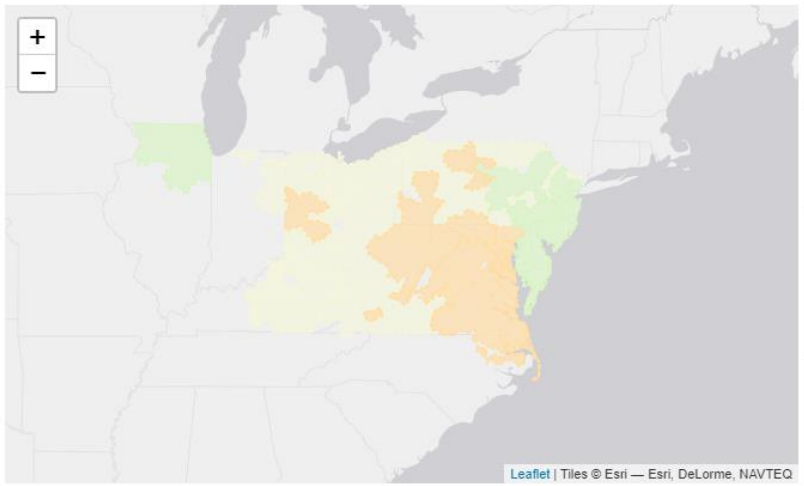

- Total cost = 38*41
  - *$1,558*
  - *$29.96/MWh*
- Total emission = 41 *400
  - *16,400 kg-$CO_2$*
  - *315.4 kg-$CO_2$/MWh*

Increase 1 MW load at C requires
Decrease generation at B by 1 MW
Increase generation at A by 2 MW

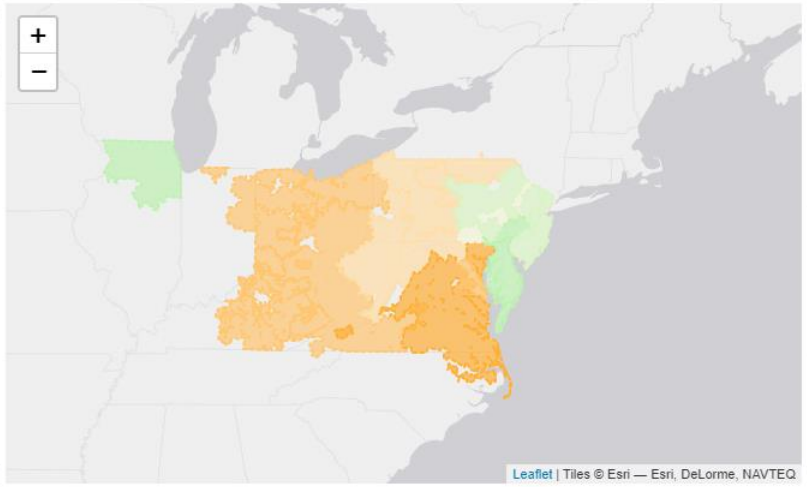
| Node | LMP ($/MWh) | LMER (kg-$CO_2$/MWh) | Avg Emission (kg-$CO_2$/MWh) |
|---|---|---|---|
| A | 38 | 400 | 315.4 |
| B | 0 | 0 | |
| C | 76 | 800 | |

# PJM LMER shows significant locational difference

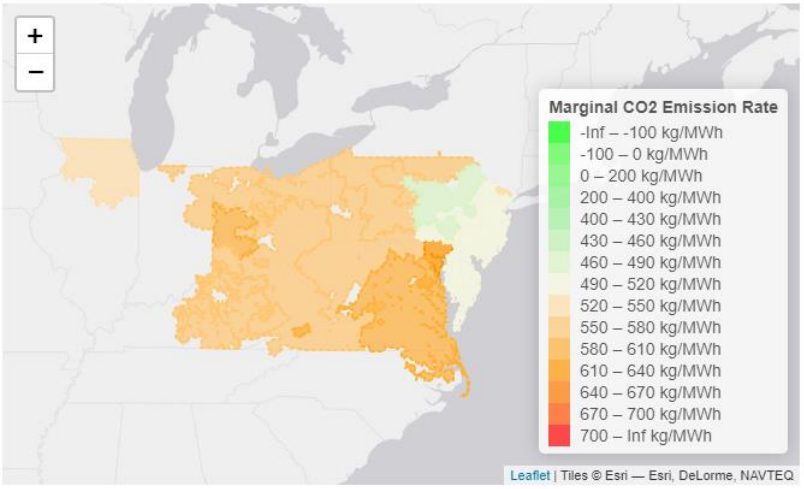
Winter 23 (Jan ~ Feb)

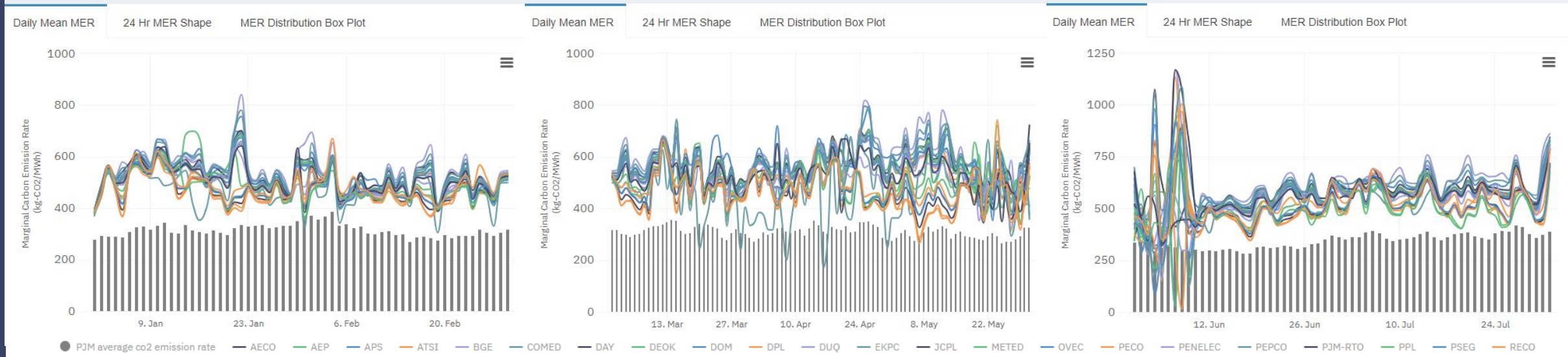



Spring 23 (Mar ~ May)




Summer 23* (June ~ Jul 31st)



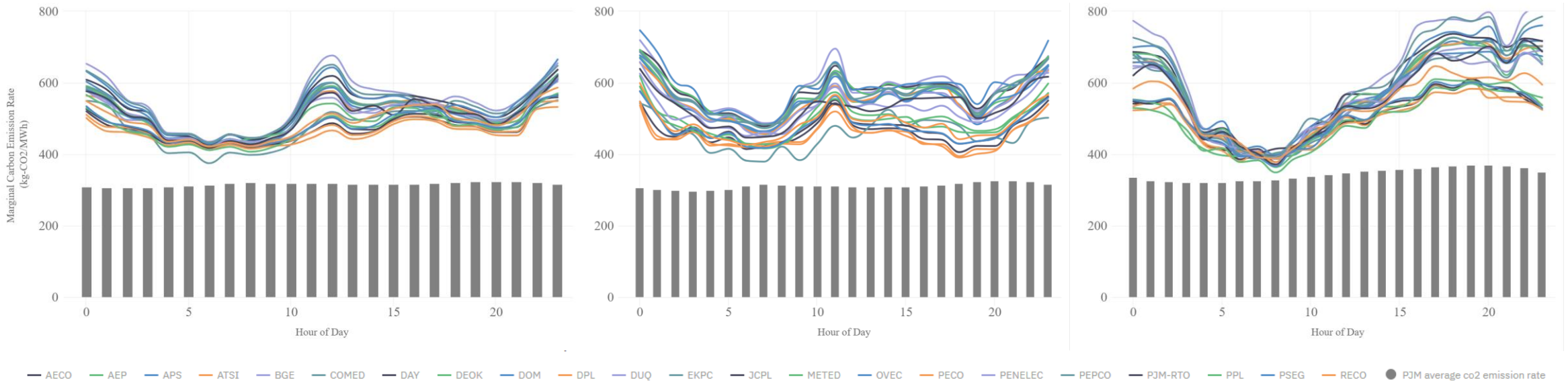

*Source: PJM data miner*

# PJM LMER exhibits material hour by hour variation

Winter 23 (Jan ~ Feb)

Spring 23 (Mar ~ May)

Summer 23* (June ~ Jul 31st)




*Source: PJM data miner*

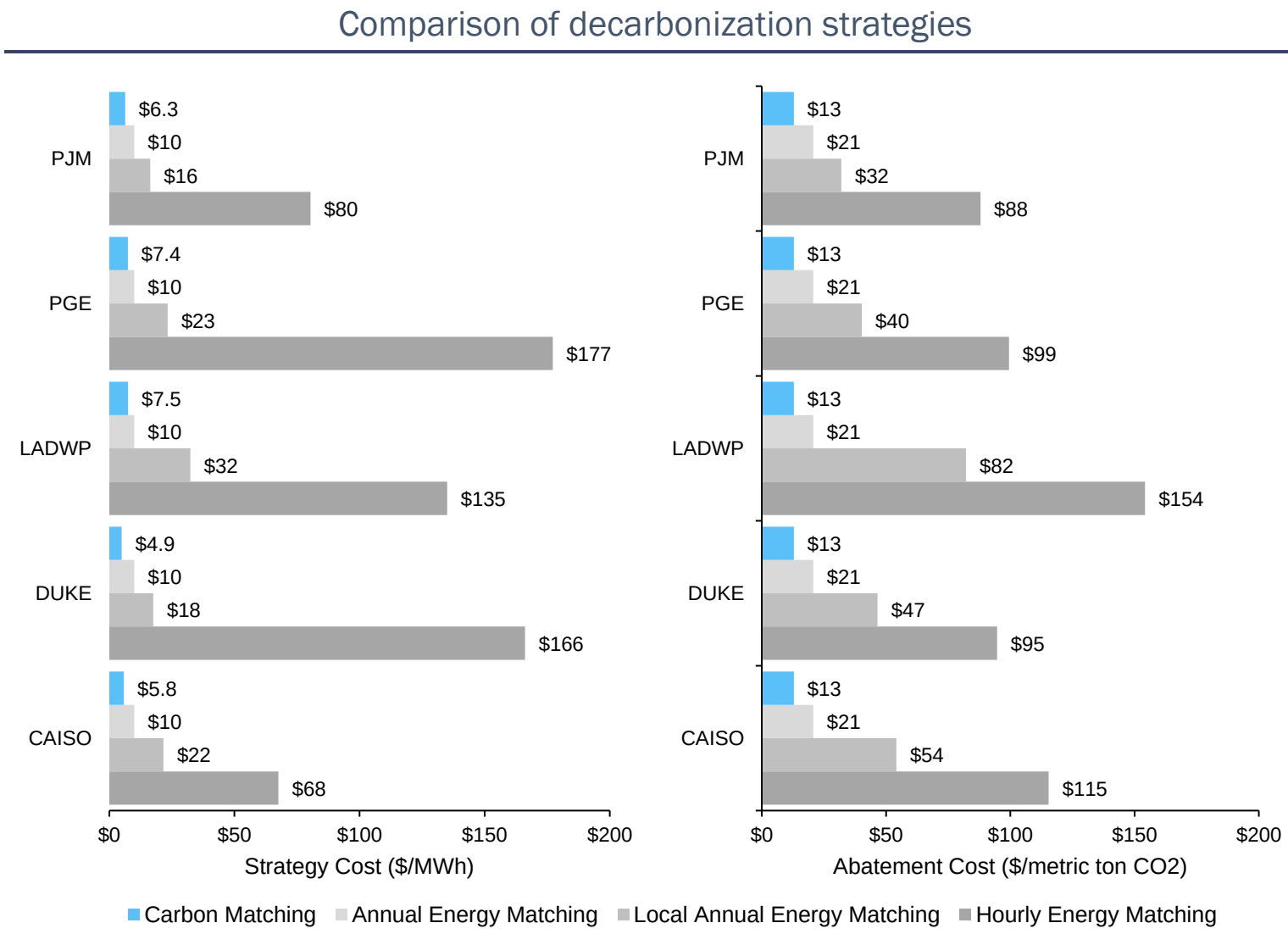
# Going Beyond MWh

How LMER can advance grid decarbonization

# Going beyond MWh

- LMER can help buyers optimize site selection and maximize amount of carbon displaced per $ invested in clean energy projects
- LMER can provide signal for load/DER and storage to
- LMER can assign carbon impact to transmission assets, therefore allow corporate sustainability capital to take part

# LMER can maximize carbon impact of RE investments

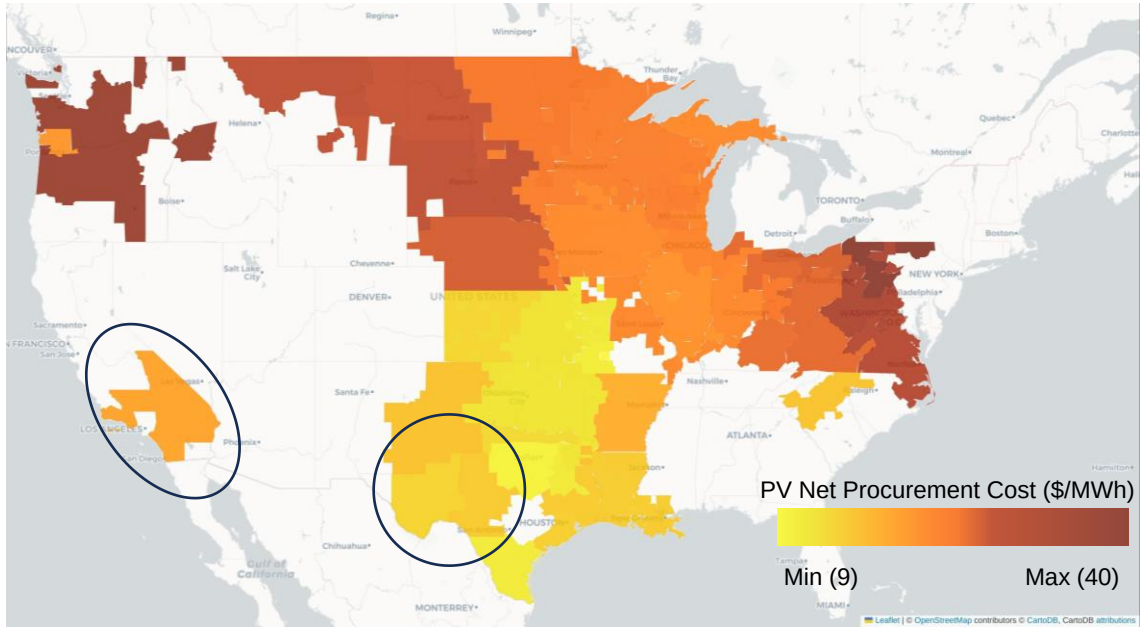



- Translate MWh into carbon impact
- Avoid local matching constraint
  - *Expensive*
- Target areas and projects that have the maximum carbon displacement
  - *Low abatement cost*
  - *High carbon ROI*

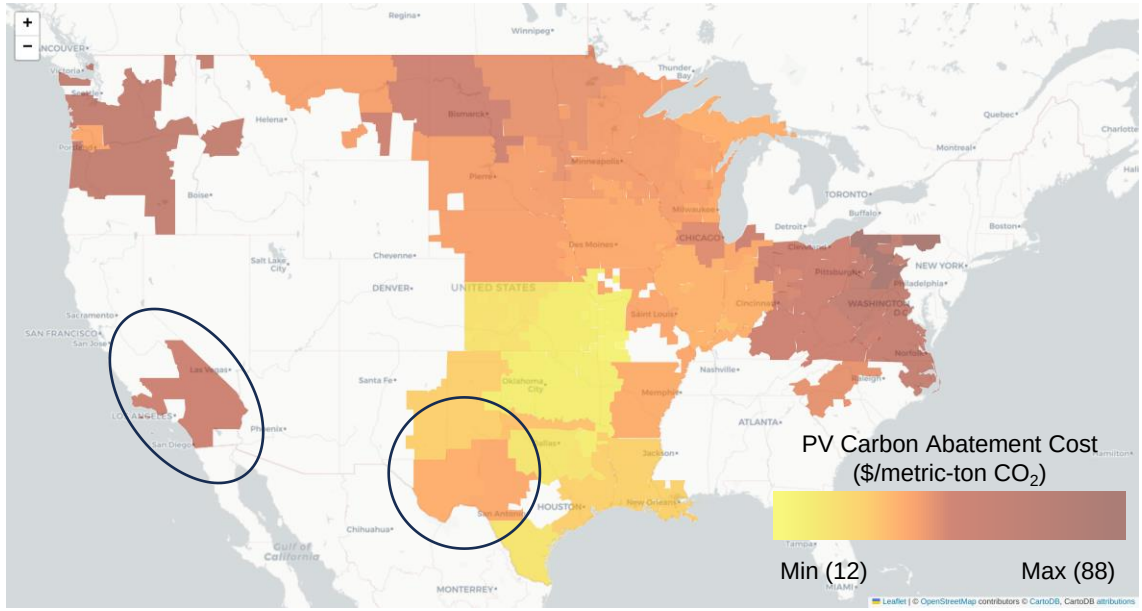
*Source: TCR Path to Carbon Neutrality White Paper, June 2023*

# LMER tracks carbon impact

PV Net Procurement Cost ($/MWh)




PV Carbon Abatement Cost ($/'000 kg-$CO_2$)




- LMER reflect transmission congestion and local gen mix
  - *CAISO: reasonable PPA, but low displacement potential*
  - *ERCOT: low PPA, frequent congestion*

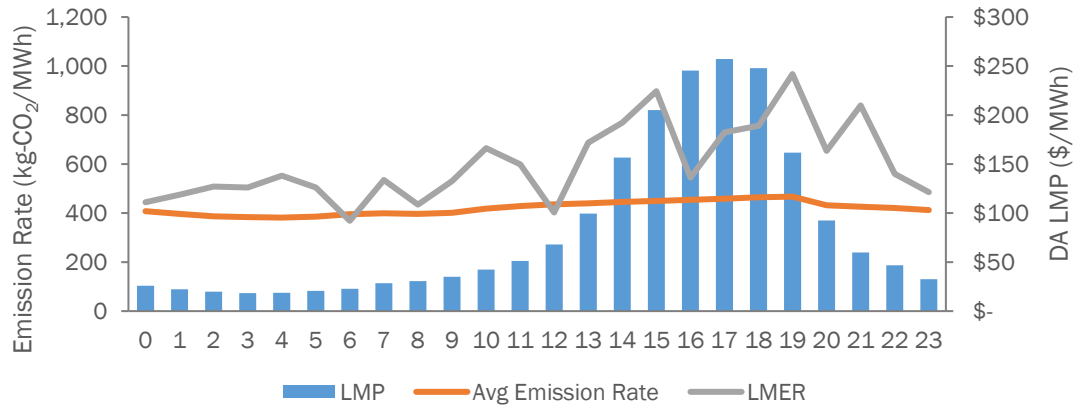
*Source: TCR Path to Carbon Neutrality White Paper, June 2023*

Emissions First Partnership

# LMER provides signal for DR and storage to reduce emission

- Most demand response and storage assets are used for revenue generation /peak reduction with little regard for carbon emission
  - *A retrospective study found that 80% of ERCOT's utility battery projects were carbon positive*[1]
- LMER can provide better signal for DE and ES to reduce carbon emission
  - *Direct emission signal*
  - *More pronounced variation than average emission = encourages more cycling*

PSEG LMP and emission rates (2023 JUL 27th)[2]




Sample 10MW/40MWh battery performance

| | Emission Footprint ($kg\text{-}CO_2$) | Energy Revenue ($) | Carbon Abatement Cost ($/kg-$CO_2$) |
|---|---|---|---|
| Revenue Maximizing | - 8,585 | $ 8,777 | $ - 1.02 |
| Emission minimizing using average emission | - 5,779 | $ - 6,947 | $ 1.2 |
| Emission minimizing using LMER | **- 19,444** | $ 1,333 | $ - 0.07 |

*Source: 1. Tierra Climate White Paper, Aug 2023; 2. PJM data miner*

# Energy Storage Solutions Consortium (ESSC)

Meta

REsurety

BROAD REACH POWER

tierra CLIMATE

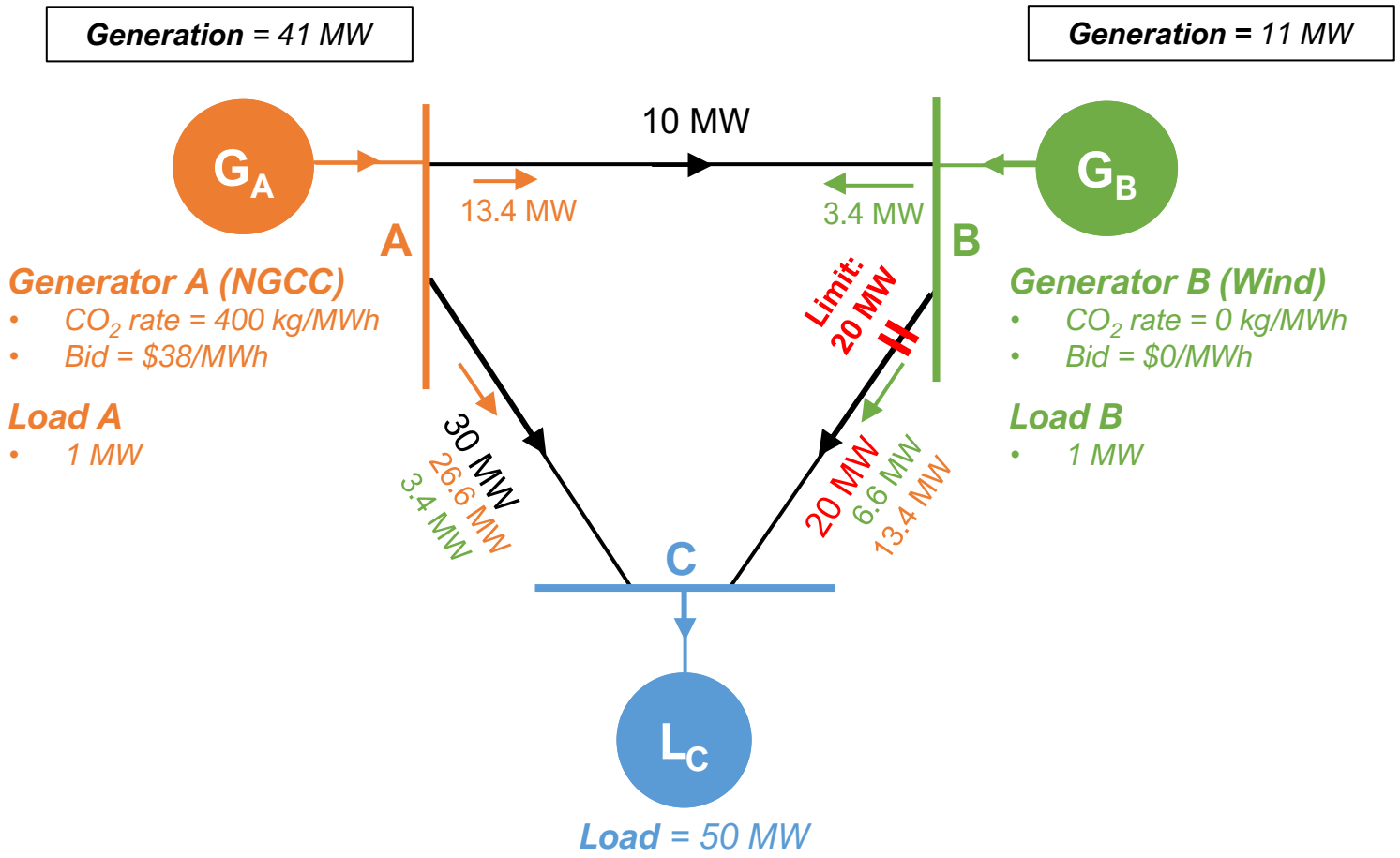
# Transmission is key to energy transition, but…

- Transmission has received virtually no attention in corporate voluntary CE procurement
  - *It does not produce RECs*
  - *No way to account for emission benefit of transmission assets*

- A greener grid will not happen unless we improve transmission, we need:
  - *New lines*
  - *Grid Enhancing Technologies*

# LMER reflect nodal impact on emission

LMER calculation for a sample system




- Increasing line B-C limit by 1MW would reduce system emission by
  - *1,200 kg*

| Node | LMP ($/MWh) | LMER (kg-$CO_2$/MWh) | Avg Emission (kg-$CO_2$/MWh) |
|---|---|---|---|
| A | 38 | 400 | 315.4 |
| B | 0 | 0 | |
| C | 76 | 800 | |

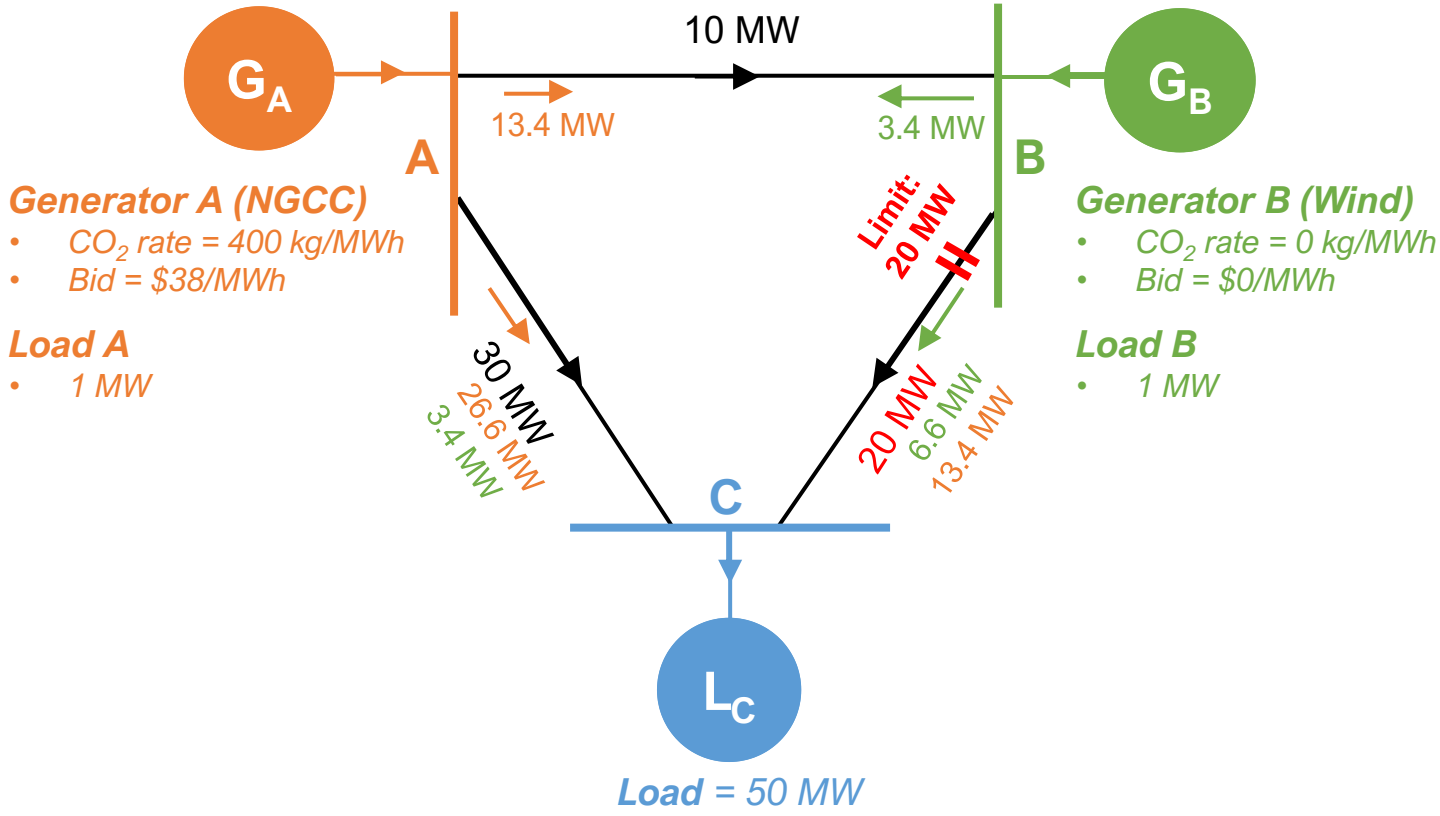
Increase 1 MW load at C requires
Decrease generation at B by 1 MW
Increase generation at A by 2 MW

# LMER provides a way to allocate system emission to each asset on the network, including transmission assets

## Average emission accounting

| | Generation (MW) | Plant Emission Rate (kg-$CO_2$/MWh) | Scope 1 Emission (kg-$CO_2$) |
|---|---|---|---|
| Generator A | 41 | 400 | 16,400 |
| Generator B | 11 | 0 | 0 |
| Total Scope 1 | | | **16,400** |

| | Load | Grid Avg Emission Rate (kg-$CO_2$/MWh) | Scope 2 Emission (kg-$CO_2$) |
|---|---|---|---|
| Load A | 1 | 315.4 | 315 |
| Load B | 1 | 315.4 | 315 |
| Load C | 50 | 315.4 | 15,770 |
| Total Scope 2 | | | **16,400** |



# Recap

- LMER provides a transparent and reliable way to report granular emission date
  - *Nodal*
  - *Hourly/sub-hourly*

- LMER provides a new way to re-distribute system emission to every asset on the grid

- LMER provides the right information for advancing grid decarbonization:
  - *Improve renewable project selection for maximizing carbon displacement*
  - *Optimize demand response (DR) and energy storage (ES) operation to reduce emission*
  - *Provide carbon impact value for non-generation assets, especially transmission.*

# THANK YOU

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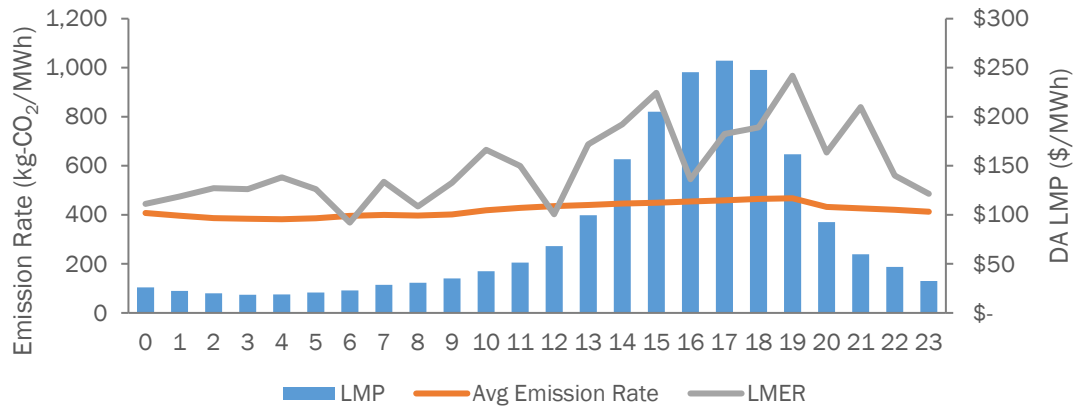
# Simple optimization of 10MW/40MWh battery operation

## PSEG LMP and emission rates (2023 JUL 27th)[2]




## Simple Optimization Performance

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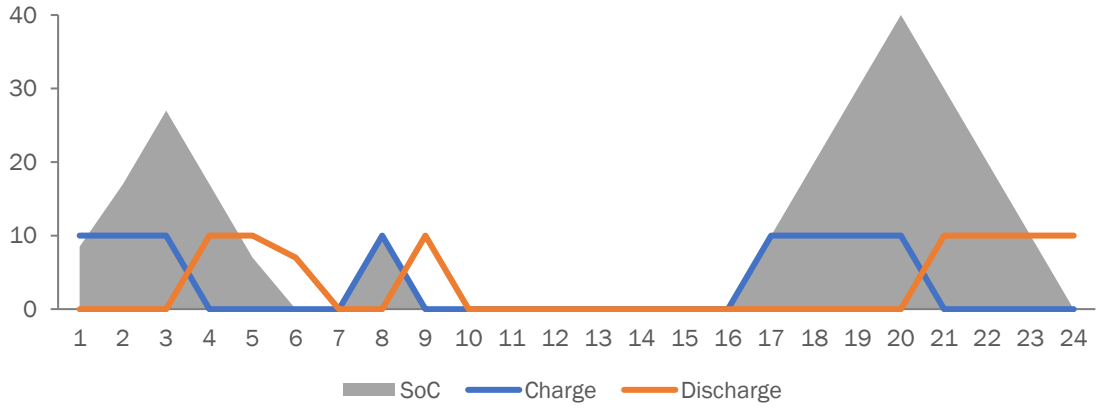
## Emission Minimizing (Avg Emission)




## Emission Minimizing (LMER)