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October 16, 2014

Mary D. Nichols, Chair  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812

**Re: Comments on 15-Day Changes to Proposed Amendments to the Mandatory Reporting Regulation**

Dear Ms. Nichols:

On October 2, 2014, the California Air Resources Board (CARB) released Modified Text, reflecting changes to the proposed amendments to the Mandatory Reporting Regulation (MRR), released on July 29, 2014 (hereinafter, “15-Day Changes”). As more fully explained below, M-S-R Public Power Agency (M-S-R)<sup>1</sup> supports the 15-Day Changes that (1) allows the continued use of the transmission loss factor of 1.0 if certain criteria are met; (2) modifies the proposed reporting requirements for electrical distribution utility sales into the CAISO, and (3) creates a definition for “sales into the CAISO” that accurately captures the intent of the regulation. The revised regulatory language addresses concerns raised by stakeholders in written comments on the Proposed Amendments and before the Board during the September 18 meeting, and M-S-R appreciates CARB’s responsiveness to those concerns. As discussed herein, the proposed revisions set forth in the 15-Day Changes should be approved.

**Transmission Lines Losses are Correctly Calculated at 1.0 Under Certain Conditions**

The Proposed Amendments to Section 95111(b)(2) would have mandated a single transmission loss factor of 1.02 for all specified sources, regardless of the conditions under which the electricity is delivered to California. The 15-Day Changes correctly acknowledge the fact that line losses associated with these imports may be addressed in an alternate manner, and

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<sup>1</sup> Created in 1980, the M-S-R Public Power Agency is a public agency formed by the Modesto Irrigation District, the City of Santa Clara, and the City of Redding. M-S-R is authorized to acquire, construct, maintain, and operate facilities for the generation and transmission of electric power and to enter into contractual agreements for the benefit of any of its members.

allows the reporting entity to utilize 1.0 “if the reporting entity provides documentation that demonstrates to the satisfaction of a verifier and ARB that transmission losses (1) have been accounted for, (2) are supported by a California balancing authority, or (3) are compensated by using electricity sourced from within California.” Several stakeholders, including M-S-R, presented evidence to CARB regarding the myriad ways that entities handle transmission losses, including as part of their contractual arrangements for delivery of the power to California. The proposed modifications would meet CARB’s stated intent of ensuring that line losses are accurately captured and reported, but would avoid the perverse outcome of over-reporting electricity imports. CARB should adopt the changes to section 95111(b)(2) as proposed in the 15-Day Changes.

### **Reporting Sales in the CAISO are Properly Limited**

The Proposed Amendments introduced a new requirement in Section 95111(a)(12) for non-IOU electrical distribution utilities to report sales into the CAISO. As originally proposed, the new requirement would have mandated reporting transactions beyond those needed to confirm compliance with section 95892(d)(5) of the Cap-and-Trade Regulation, and failed to define the scope of the transactions at issue. The 15-Day Changes add a definition for “electricity sold into the CAISO markets,” and clarify the scope of the reporting obligation. Specifically, the 15-Day Changes correctly (1) limit the scope of this new requirement to ensure that transactions that are “self scheduling” as defined in section 11.29 of the CAISO tariff are not included within the definition of “sales into the CAISO,” (2) create an exemption from the reporting requirement for POUs and Electrical Cooperatives that place all of their freely allocated allowances into their limited use holding accounts for consignment to auction, and (3) clarifies that the reporting applies to known sources and emission factors. These revisions, which reflect the feedback received from stakeholders, acknowledge the nuances of the CAISO markets relevant to defining “sales into the CAISO.” These changes also impose the same reporting requirements on all EDUs that place freely allocated allowances into their limited used holding accounts, and properly reflect the manner in which sales into the ISO are conducted. The 15-Day Changes that revise section 95111(a)(12) and add section 95102(a)(142) should be adopted.

## **Conclusion**

The July 29 Proposed Amendments included several changes to the Mandatory Reporting Regulation that M-S-R found unworkable in the context of the normal operations of its electric utility members. M-S-R and other stakeholders explained these problems to CARB Staff. M-S-R appreciates that the 15-Day Changes acknowledge these stakeholder concerns, and values the time the Staff took to work with stakeholders on crafting feasible solutions that both address stakeholder comments and further CARB's objective of ensuring accurate and complete reporting of GHG emissions. As such, M-S-R urges that the 15-Day Changes to the Proposed Amendments to the MRR discussed herein be adopted.

Respectfully submitted,



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**M-S-R Public Power Agency**

cc: Mary Jane Coombs  
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