



California Municipal Utilities Association

915 L Street, Suite 1460 • Sacramento CA 95814 • 916/326-5800 • 916/326-5810 fax • www.cmua.org

February 8, 2013

Steven Cliff, Chief
Climate Change Program Evaluation Branch
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments on California's Cap & Trade Program – Proposed Public Information Sharing

Dear Mr. Cliff:

CMUA appreciates the opportunity to submit comments to the Air Resources Board (ARB) on the proposed Public Information Sharing in California's Cap & Trade Program. Many of our members participated in the January 25, 2013, workshop and will be providing comments directly to ARB staff. CMUA has a few comments related to the potential effect of some proposals on our Publicly-Owned Electric Utilities (POUs).

As you know, CMUA represents the interests of virtually all (over 40) of the State's POUs. Our members provide electricity to over one-fourth of California's citizens. Many of our members were provided free allowance allocations under the Cap & Trade program to use for compliance purposes, or to sell into the auction, on behalf of electric customers. At the January 25th workshop, the ARB staff discussed a major concern regarding market transparency; helping to avoid market collusion. The ARB may consider publishing holding account balances, auction related data, transfer data, and market transaction data to the ARB website on a regular basis. CMUA is in favor of a transparent Cap & Trade market; however, cautions that releasing too much sensitive trading data could result in market manipulation and allow market participants with significant financial resources to take advantage of participants with fewer resources but whose "net short position" was revealed by ARB.

In general, our members are concerned that if the compliance obligation, general holding and/or compliance account balances, and annual allowance retirement information for each utility is revealed on an individual basis, this would potentially make confidential market related data available to the public and increase the potential for market manipulation, particularly in the bi-lateral allowance trading market. Small cities are most likely to be price-takers in secondary allowance markets, whereas large

participants (some of which will be for-profit, non-utility entities) may be price-makers. Publishing information on an aggregated basis would alleviate these concerns.

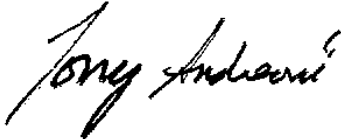
The specific comments below refer to the ARB's recent presentation materials.

1. *From slide 8, should individual POU annual allowance allocation information be shared with the general public?* With regard to the ARB's proposal to post POU annual allocation details, this was also highlighted in a slide posted later on ARB's website which proposed that near December 1, 2013, the ARB will announce the Auction Reserve Price for 2014 & the ARB will post the POU distribution of 2014 vintage allowances on the ARB website. CMUA suggests that this information should not be published. CMUA believes that there is currently a sufficient amount of information posted publicly, including information provided through the POU annual data reports under the Mandatory Reporting Regulation. Our members have a concern that too much information could create advantages for some market participants due to transparent positions, or incentivize gaming activity by entities knowing each other's future allowance needs. For example, revealing the individual positions of the two or three largest participants could enable implicit collusion.
2. *From slide 11, should the compliance balance account data be shared in the aggregate, or separated by entity?* Because of the potential for collusion mentioned above, compliance account balances should only be shared in the aggregate.
3. *Also from slide 11, should holding accounts balances be made public?* No, holding account balances (Limited Use & General) should not be publicly posted. In addition to being commercially sensitive information, the balances in Holding Accounts will be constantly in flux due to retirement of allowances, transfers, and consignments to the Cap & Trade auction. Therefore little useful information could be gained from publishing a snapshot of the Holding Account balances. In addition, these balances can change at the discretion of the holder independent of the date, and what might be "depicted" one day may be completely different the following week.
4. *From slide 13, Auction Related Data, should ARB report "both submitted and qualified bids divided by total allowances?"* CMUA members prefer that auction data be reported based on qualified bids only, excluding bids that were submitted but did not qualify.
5. *From Slide 15, should the ARB report all aggregate volume & price information?* No, this is confidentially negotiated information. Transfer prices are negotiated on an individual entity basis under a particular set of circumstances, which will provide little useful information to the public on a generalized basis. If transfer

prices are reported, ARB may cause a reduction in bi-lateral transfers (i.e., liquidity) due to counterparty concerns of price publishing. However, it may be helpful to publish aggregated transfer information and average prices.

We look forward to working with the ARB in establishing the protocol on releasing public information from the Cap & Trade program, and in working on the next round of revisions to the Cap & Trade Regulation for consideration this fall.

Sincerely,

A handwritten signature in black ink, reading "Tony Andreoni". The signature is written in a cursive, flowing style.

Tony Andreoni, P.E.
Director of Regulatory Affairs

cc: Richard Corey, Deputy Executive Officer
Edie Chang, Assistant Division Chief, Stationary Source Division
Ms. Rajinder Sahota, Manager, Cap-and-Trade Program Monitoring