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February 8, 2013

RE: January 25, 2013 Workshop on Public Information

To Dr. Steven Cliff:

San Diego Gas and Electric Company (SDG&E) appreciates the opportunity to submit these written comments concerning the proposed public posting of information regarding the cap-and-trade program, the topic of the January 25, 2013 workshop. SDG&E supports posting aggregate information from the auctions and quarterly aggregate information on the amount of allowances in compliance and holding accounts by vintage. In addition, we support the posting of information about all individual offset projects that have been approved by ARB and any related invalidation information.

SDG&E, however, does not support the posting of any individual account information or transaction information during the period when the compliance instruments are actively trading. Further, since information differentiating the type of contract is optional, CITSS allowance transaction data would not yield useful information and, if provided on an aggregate basis, would require cautionary notes about usefulness. Finally, the concerns raised in the workshop were not of a magnitude sufficient to require a significant change in the cap-and-trade regulation.

Compliance Account Data

Section 95921 (e) of the Cap and Trade Regulation, (the “Regulation”), aims to “protect confidential information.” The regulation requires the Accounts Administrator to release “information on the quantity and serial numbers of compliance instruments contained in compliance accounts in a timely manner.” SDG&E interprets this protection of confidential information to mean that individual

entity compliance information will not be released during the time the compliance instruments are actively being traded. Posting of such information in real time would, instead, disadvantage large entities by partially disclosing their net position if they have not engaged in any forward transactions. As such, public reporting of individuals' compliance account information should be conducted no more frequently than annually, and should only occur at the November surrender deadline for vintages of the prior year or earlier.

Instead of the public posting of individual information, public reporting of aggregated compliance accounts would not reveal confidential information while still providing useful information for the stakeholders interested in progress toward compliance in general. For this reason, SDG&E supports the public reporting of compliance account volumes on an aggregated basis. It would be appropriate to release the aggregated quantity of compliance instruments by vintage on a quarterly basis, the same frequency as auctions. By posting aggregated data, useful information is disseminated while confidentiality is preserved.

Holding Account Data

The cap-and-trade regulation provides for the confidentiality of the quantity of allowances in holding accounts including limited use holding accounts. SDG&E supports keeping the regulation as is. Posting individual compliance account information in real time would disadvantage entities who have not engaged in forward transactions -- which tend to be smaller entities and CPUC-regulated entities -- by exposing their net position to market participants. Further, publishing such information could make tacit collusion or explicit collusion among interested parties much easier to accomplish. As such, this information should remain confidential and only available to ARB and its retained monitoring entities -- the Market Monitor and the Emissions Market Assessment Committee.

Public reporting in real time of the aggregated quantity of allowances in holding accounts would not be particularly useful information, but could be publicly reported in aggregate on a quarterly basis with compliance account information, so stakeholders would know the total quantity of allowances and offsets that have been purchased in total.

CITSS Transaction Data

Although price is a required field in the CITSS transfer process, price alone does not provide useful information without knowing whether the trade was a spot transaction or a forward transaction. Because of the nuances of forward transactions, a reported price could be misleading. By utilizing transfer data in the field “Type of Contract,” to categorize different deal types, spot transactions would be worthwhile to report. However, since this field is optionally reported, it is not clear that those transactions that are reported as a spot price are representative of all spot transactions. Reporting would be skewed by some market participants’ reporting practices.

The main argument for ARB requiring prices to be part of public reporting is to provide some additional price transparency to California’s cap-and-trade market. But the market already has a large amount of price transparency from reported auction results each quarter as well as broker and exchange quotes that are published daily. ARB’s auctions have been through rigorous testing, and auction results are always reviewed and certified; so when settlement prices are released, they provide the transparent information needed. Exchanges are in the business of trading and price reporting similar to what they have been doing in many other markets for years. Those prices are the same as would be reported in CITSS. Only bilateral trades, offsets, and forward contract prices would be additionally reported in CITSS. But these transactions most often have unique characteristics that make the price hard to interpret. For example, if the trade is the first year of a seven year forward contract, it may have a levelized price well above current market-clearing spot transactions. Given the larger size of the cap-and-trade program with auctions and exchanges, the reporting of prices from CITSS will not produce additional useful information for the market.

SDG&E recommends no price data from CITSS, individual transaction data or aggregated data, should be posted for public viewing. If ARB feels it must publish prices from CITSS, SDG&E recommends aggregate prices be reported and a cautionary note be applied to the published data. No change is necessary to the cap-and-trade regulation if aggregate prices are reported.

Submitted by Tamara Rasberry on behalf of SDG&E

Date: February 8, 2013