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*Submitted via CARB website*

June 26, 2009

Claudia Orlando, Air Pollution Specialist  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95812

Re: June 5, 2009 Workshop - *Including Imported Electricity in a California Cap-and-Trade Program*

Dear Ms. Orlando:

The Northern California Power Agency<sup>1</sup> (NCPA) offers these comments on the California Air Resources Board (CARB) June 5 workshop: *Including Imported Electricity in a California Cap-and-Trade Program* (Workshop). Staff noted that the purpose of the workshop was to present issues regarding the tracking and accounting of electricity imports and obligated entities. In these comments, NCPA focuses on several issues, including: (1) the need to establish regional or locational default emissions factors and (2) the need to clarify a working definition of *compliance entity* for purposes of imported power.

Emission Factors for Unspecified Power

NCPA believes that CARB should adopt regional default emissions factors as soon as possible. Regional or other locational emissions factors must be employed to ensure that electricity imports are accurately counted and that unduly restrictive default emission factors do not adversely impact the most efficient and effective operation of the electricity transmission system. The current recommendation of the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) to use an emissions performance standard of 1,100 pounds carbon dioxide per megawatt hour for all purchases between 2005 and 2008 and include a new value once one has been set by the WCI should be carefully reviewed.

Of the three emissions factors proposed by Staff during the Workshop, only the use of a marginal source emission factor with regional values for all power imported from outside of the Western Climate Initiative (WCI) partner jurisdictions would treat electricity importers fairly and provide a more accurate determination of the actual emissions associated with unspecified contracts. CARB should also include regional default emission factors for all WCI jurisdictional entities, as well, as the resource mix throughout the WCI is just as diversified as it is across the rest of the country.

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<sup>1</sup> NCPA members include the cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, and Ukiah, as well as the Bay Area Rapid Transit District, Port of Oakland, the Truckee Donner Public Utility District, and the Turlock Irrigation District, and whose Associate Members are the Plumas-Sierra Rural Electric Cooperative and the Placer County Water Agency.

To establish fair regional rates – both within and outside the WCI – CARB must consider the total generation resources located within each geographic region, as well as the total amount of generation currently being sold through unspecified contracts. Resources from facilities with 100% specified contracts not should be included in the default calculation, as those resources will not be included in any unspecified contracts. For example, if a region contains electric generation facilities that are 75% coal-fired, yet those facilities have specified contracts for the sale of 100% of the output, the calculation used to develop the default emissions factor for the region should exclude all of the coal facilities. Not only would including the coal-fired generation into the equation be an unrealistic estimation of the total emissions, but it would also have the potential to adversely impact the efficient provision of electricity resources as entities avoid unspecified contracts from within that region for fear of being assessed the higher default emission factor. Such an outcome stifles liquidity in the marketplace and provides to no real value to the environment.

Additionally, once these regional default emission factors have been set, they should remain in place for a specified period of time – perhaps throughout an entire compliance period. Only with this level of certainty would entities be able to assess not only their compliance obligation, but also participate in ancillary markets and employ cost containment tools such as hedging.

Furthermore, the adoption of specified default emission factors that are included in the calculation of the overall cap must be similarly applied throughout each compliance period. This would allow the cap to reflect the emission rate, and avoid adversely impacting compliance entities.

#### First Jurisdictional Deliverer Must be Carefully Defined

It was clear from the Workshop discussions that crucial matters regarding both the actual interpretation and application of the first jurisdictional deliverer (FJD) definition must be resolved. This must be clarified expeditiously, and before all issues regarding the accurate treatment of imported electricity into California can be addressed. In order for the State to determine the origin and properly track imported power, CARB (or even a regional regulatory oversight authority) must be able to identify the entity with the compliance obligation. While the WCI, CPUC, and CEC have all recommended the use of a “first deliverer” or “first jurisdictional deliverer” approach, there is no clear understanding of how such an approach impacts all aspects of the electricity power market. Both the WCI and the CPUC/CEC employ a straightforward definition of the FJD, however, it was evident from discussions during the workshop that determining the “first deliverer of electricity to the California [WCI] grid” is not as simple as it would appear.

Many stakeholders expressed concern that the underlying working definition of the FJD must be more fully developed. This includes determining who would be the FJD in the context of energy that is part of the California Independent System Operator’s (ISO) MRTU market. CARB should work closely with the ISO, the WCI, and the CPUC/CEC in order to formulate a clear and concise definition of how the FJD will work, and how as single definition can be applied to both the State and Regional cap-and-trade programs.

### CARB Should Use All Available Resources to Track Electricity Imports

During the Workshop, Staff presented various alternate tools for tracking electricity imports. Among the tools suggested were NERC e-tags, power contracts and settlement data, and a regional tracking system. In order to ensure that CARB has access to the most reliable data available, the Agency should not limit itself to only one means of tracking power, and rather should utilize all available mechanisms. Staff noted that a great deal of reliance was being placed on the ability to track specified power contracts through the use of e-tags; however, information found on the e-tags is simply not as universally complete as necessary to be deemed the sole tool for tracking purposes. In addition, compliance entities will be required to submit annual data to CARB as part of its mandatory reporting obligation, which can be used to cross-reference or verify information regarding imported electricity.

If CARB or the WCI were to develop a regional tracking system for all power, similar to that currently used for renewable energy resources, that tool should be made available to as many jurisdictions as possible; California (and other WCI partner jurisdictions) entities do not limit the purchase and sale of power to within a single specified region, so neither should the tracking system be limited. Data and information obtained from a more comprehensive tracking system should be more reliable, and leave fewer holes in the completeness of the information.

### The Reporting Threshold for Imported Electricity Should be Consistent with the Reporting Threshold for In-State Resources

In order to ensure that imported electricity and electricity generated from domestic resources are treated in a like manner, CARB should adopt a reporting threshold for imported power that is the same as the reporting threshold for in-state generation. To do otherwise treats similar resources in a disparate manner, which potentially risks altering market behavior away from efforts to ensure that the electricity grid is operated in the most efficient manner.

### Conclusion

NCPA appreciates the opportunity to submit these comments on the treatment of imported electricity within a cap-and-trade program, and looks forward to continuing to work with CARB Staff and stakeholders on this crucial issue. If you have any questions regarding these comments, please do not hesitate to contact the undersigned or Scott Tomashefsky at 916-781-4291 or [scott.tomashefsky@ncpa.com](mailto:scott.tomashefsky@ncpa.com).

Sincerely,  
**MCCARTHY & BERLIN, LLP**



C. Susie Berlin

**Attorneys for the Northern California Power Agency**