

## **Proposed Regulatory Changes to the AB 32 Cost of Implementation Fee --Electricity--**

After consideration of comments received on the May draft regulation and discussions with stakeholders, ARB staff is proposing to revise the May draft regulation as it pertains to electricity. These changes are intended to provide more consistent treatment of in-state and imported electricity. The proposed changes are summarized below.

- **Applicability (Point of Regulation)**
  - Treat both in-state and imported electricity the same. The fee would no longer apply to fuels used for in-state electricity generation. Instead, it would apply directly to electricity that power plants deliver to the California transmission and distribution system. This “first deliverer” approach means that in-state deliveries from electricity generating facilities at the bus bar (where the facility connects to the California system) would be treated the same as imported electricity delivered at the first connection to the California grid.
  - Cogeneration facilities would be treated as industrial facilities, with fees assessed through their fuels or on their emissions, but not on their electricity.
  - The fee would not be charged on electricity from any facility that either emitted less than 2,500 MTCO<sub>2</sub>e during the reporting year, or has less than 1 megawatt of capacity.
  - Fees would still be charged on fuels (emissions from combusting fuel) from coal, natural gas, coke, and refinery gas, when the fuels are used for cogeneration or any use other than electricity generation.
  
- **Fee Calculation and Liability**
  - Fee would be based on the amount (MWh) of electricity delivered to the California transmission and distribution system.
    - Fee rate per MWh for each specified source and for unspecified sources is the product of an emission factor and the Common Carbon Cost.
    - For each specified source, including power plants both in California and out of state, an emission factor is calculated using the methodology proposed for imported electricity in the May 8, 2009 version of the regulation.
    - For electricity from unspecified sources, the default emission factor is 0.5 MTCO<sub>2</sub> per MWh, unchanged from the regulation presented at the June 25, 2009 Board Hearing.
  
- **Reporting**
  - First deliverers report MWh delivered during the reporting year.
  - Report directly to ARB using the mandatory reporting tool

- Report all data currently required by the mandatory reporting regulation.
- Electricity generating facilities in California are added to the group of entities, that will be directly subject to the fee regulation.