

## Comments submitted by NextEra Energy Resources<sup>1</sup> in Response to the California Air Resources Board’s Workshop, “Overview of a California Cap-and-Trade Market”, and Specifically the Section on Auction Design Principles

The following comments of NextEra Energy Resources (formerly FPL Energy) are respectfully submitted to the California Air Resources Board (CARB) in response to request for auction design principles during the CARB workshop March 23, 2009 “Overview of a California Cap-and-Trade Market”. NextEra Energy Resource (NextEra) is specifically providing comments on the section covering auction design principles. In general, it is the observation of NextEra that the Regional Greenhouse Gas Initiative (RGGI) auction has been a success and CARB and WCI should duplicate their basic auction design. The following is an outline of NextEra’s preferred auction design principles.

### NextEra’s Auction Design Principles

**1. One auction should be held for all regional allowances.**

Joint and uniform auctions should be held to sell same vintage allowances from all states within the region. Single-state auctions should be strongly discouraged. The commodity (same vintage allowances) should be identical regardless of the state of origin.

**2. Use a familiar, understandable auction format.**

A familiar auction type that is easy to understand should be used. NextEra recommends a single-round, sealed bid, uniform price auction (like RGGI). Auction types should not change from one auction to the next.

**3. Separate auctions should be held for each vintage.**

Separate auctions should be held for each vintage year with future allowances made available up to 4 years in advance.

**4. Auction participants should be limited to regulated entities.**

Only those entities that are subject to the WCI regulations should be allowed to bid in the regional auction. All other participants should be allowed to participate in the secondary market. This is NextEra’s preference; however, RGGI did not restrict auction participation. NextEra feels this restriction ensures entities with a compliance obligation will have the first opportunity to purchase the allowance they need to meet that compliance obligation.

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<sup>11</sup> NextEra Energy Resources, LLC and its affiliates FPL Group, Inc., Florida Power & Light Company, FPL Group Capital, Inc., each have subsidiaries and other affiliates with names that include FPL and NextEra Energy Resources, NextEra and similar references. For convenience and simplicity, NextEra, FPL Group, FPL and FPL Group Capital, as well as terms like Corporation, Company, our, we and its, are sometimes used as abbreviated references to specific subsidiaries, affiliates or groups of subsidiaries or affiliates. The precise meaning depends on the context.

**5. Auctions should be held quarterly.**

Quarterly auctions allow entities to obtain allowances in coordination with the need for associated generation. For frequent auctions could add too much complexity for both participating and facilitating entities. Quarterly Auctions are working fine in RGGI.

**6. Any reserve price should be transparent.**

If a reserve price is used, it should be transparent and publicly announced prior to the auction. RGGI uses a reserve price but has failed to supply the justification for that price. The price is published well in advance of the auction.

**7. Allowance prices should be made public.**

Clearing prices and the number of allowances sold should be released within 24 hours after each auction.

**8. Unsold allowances should be rolled into next auction.**

Any unsold allowances should be made available in the next auction and not retired or held in a contingency bank.

**9. Bids should be binding contracts.**

Bids should be considered binding contracts. Any breaches of contract should be met with strong sanctions up to, and including, prohibition from bidding in future auctions.

**10. Strong market monitoring is required.**

There should be strong market monitoring to prevent collusion.

As a participant in the RGGI auctions, NextEra would welcome any inquiries from CARB on either the function of the RGGI auctions or potential minor improvements to the program we feel are warranted. Overall the RGGI auctions are functioning well and CARB should use RGGI as a platform from which to construct the WCI auctions. If you have any questions regarding these comments, please feel free to contact me directly or contact Diane Fellman, NextEra Energy Resources, Director, Western Region, Regulatory Affairs (415) 703-6000.

Thank you,

(signed copy on file)

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