Joint Utilities Group Cost Containment Proposals

Air Resources Board Cost Containment Workshop
June 25

The Joint Utilities Group includes San Diego Gas and Electric, Pacific Gas and Electric, Los Angeles Department of Water and Power, Sacramento Municipal Utility District, City of Anaheim, The California Municipal Utility Association, The Northern California Power Agency, Southern California Public Power Agency, Southern California Edison, Turlock Irrigation District and PacifiCorp.

Three Key Elements of Cost Containment

- A robust cost containment approach would utilize a combination of approaches to ensure success.
  1. Measures to take effect now to reduce the likelihood of prices rising above the APCR.
  2. Measures that, when triggered, quickly alter compliance instrument market dynamics to constrain upward pressure on prices.
  3. Measures that, when triggered, would keep allowance prices at the third tier of the APCR regardless of current demand.

Measures should be implemented now to reduce the likelihood of prices rising above the APCR.

- Allow compliance entities to carry over unused portion of the 8% offset restriction.
- Exempt California offset projects from the 8% limit.
- Address constraints imposed by the holding limit.
- Redistribute allowances to allow for one additional auction per compliance period.
  - To be held between Sept. 1 and Nov. 1

Measures could be implemented to take effect when a specific trigger event occurs.

- Unused offset proposal:
  - Redistribute 8% offset use opportunity for unused share. (Coordinate with a carryover mechanism)
- Compliance account proposal:
  - Allow entities to transfer CCAs from their compliance account to holding account.
- Limited borrowing proposal:
  - Allow retirement of CCAs with vintage from the current year and following year. (Not applicable post 2020)
- Offset geography and start date proposal:
  - Approve compliance grade offsets throughout North America.
  - Change the offset project commencement date to an earlier date.

Mechanisms must be developed to ensure that regulated parties have access to CCAs at the APCR price.

- Upon depletion of the APCR, the Executive Officer will make additional allowances available through the APCR.
- Funds from this sale would be used to reduce emissions via mechanisms such as:
  – Retirement of high quality offsets not otherwise available to California C&T regulated entities.
  – Retirement of allowances from emission trading programs outside of WCI linked jurisdictions.
  – Invest in emission reductions in sectors not covered by the California C&T.