



Valley Electric Association, Inc.

A Touchstone Energy® Cooperative 

August 11, 2011

Claudia Orlando
California Air Resources Board
1001 "I" Street
P.O. Box 2815
Sacramento, CA 95812

RE: Regulation Clarification Sought Regarding Nevada Load Served Through CAISO

Dear Ms. Orlando:

Valley Electric Association, Inc. (“Valley Electric”) is pleased to present these comments to the California Air Resources Board (“CARB”) in response to CARB’s July 2011 proposed greenhouse gas cap-and-trade and mandatory greenhouse gas reporting regulations (“July Proposal”) as they pertain to load physically located outside of California but served through the CAISO.

Background to Valley Electric’s Interest in CARB’s Cap and Trade Policy Proposal

Valley Electric is a Nevada cooperative corporation that provides retail electric service to members in its service area, primarily in Nevada. Valley Electric is working with the California Independent System Operator (CAISO) to place its operations under CAISO control. The CAISO and Valley Electric have executed a memorandum of understanding¹ specifying the

¹ Available at <http://www.caiso.com/Documents/CaliforniaISOandValleyElectricMemorandumofUnderstanding.pdf>.

guiding principles for this transition and laying out a timeline under which Valley Electric's CAISO operations as a participating transmission owner, utility distribution company, and load serving entity would begin on January 1, 2013.

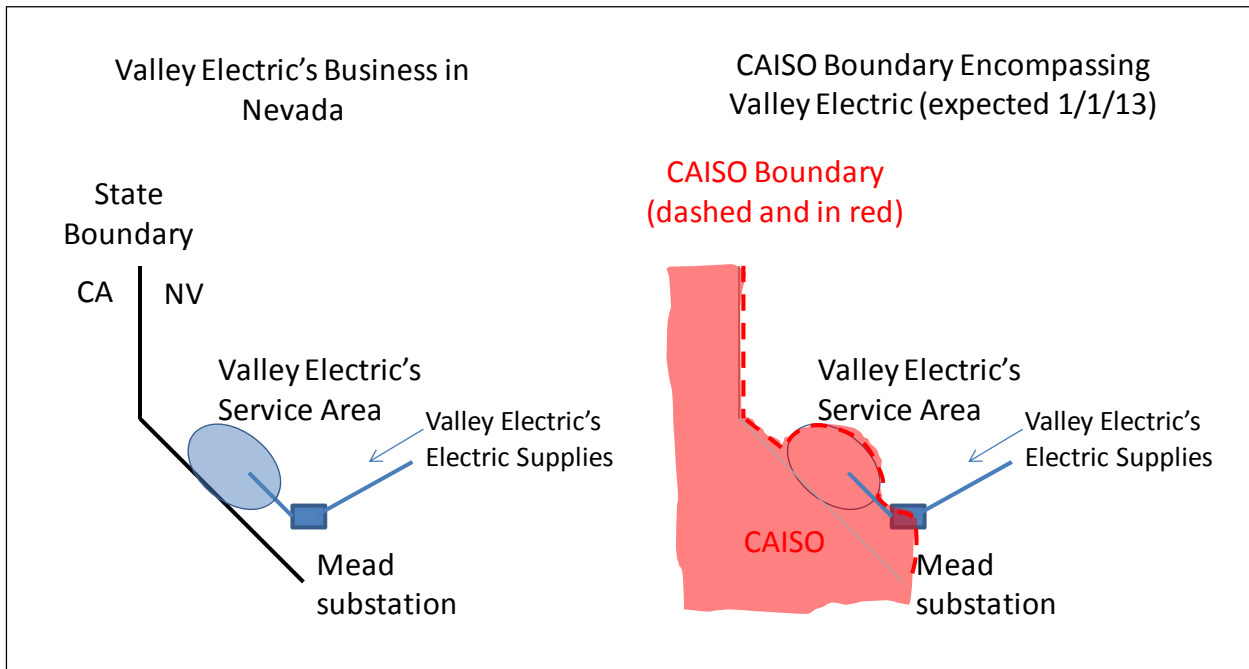
Valley Electric is interested in participating in CARB's policy development process to ensure that CARB's cap-and-trade program policies and implementation practices do not inadvertently create a carbon obligation for Valley Electric's Nevada load as a result of Valley Electric's load being served through the CAISO. Valley Electric's concerns regarding the implementation may be generally characterized as the need ensure proper treatment of electric entities that serve load both within and outside of California.

A brief description of Valley Electric's delivery approach can serve as context for the comments that follow. Valley Electric serves customers in both Nevada and California, although the vast majority of Valley Electric's customers are located in Nevada.² Valley Electric owns no electric generating resources. To serve its Nevada load, Valley Electric contracts for electricity supplies at the Mead substation, a major electricity delivery point located in Nevada. Valley Electric transmits this electricity across its transmission system within Nevada and to its Nevada load customers. To accommodate the small amount of customers Valley Electric serves in California, Valley Electric obtains power from Southern California Edison (SCE). In the same fashion, Valley Electric provides power to SCE for a small amount of SCE's load located in Nevada. To account for this exchange, Valley Electric and SCE have entered into an exchange agreement. Valley Electric currently participates in California GHG-related compliance activities for its California load, currently referencing the carbon mix of SCE's portion of Valley Electric's California load. Valley Electric will continue to report in this fashion, or will take other required compliance actions for its California load when the cap-and-trade program is implemented. The balance of these comments, however, focuses upon the cap-and-trade policies as they pertain to Valley Electric's load in *Nevada*.

² Approximately 26 million kWh are sold by Valley Electric in California, with almost 500 million kWh being sold by Valley Electric in Nevada.

Once Valley Electric is a CAISO participant, the CAISO will operate the Valley Electric transmission system. Valley Electric’s sources will then appear as imports to the CAISO, and its electricity supplies will be delivered by the CAISO to Valley Electric’s load within the CAISO balancing area authority (BAA).³ Figure 1 illustrates the configuration before and after Valley joins the CAISO.

Figure 1 - Valley Electric State and CAISO Configuration



The July Proposal clearly limits carbon obligations for imports to electricity serving California load

The July Proposal states the applicability of the cap-and-trade program stating that (1) electric cap-and-trade applicability is limited to entities that generate electricity within California⁴ and to Electricity Importers,⁵ which are those that hold title to imported electricity⁶; and that (2)

³ Valley Electric is currently in NV Energy’s BAA.

⁴ §95811(b)(1).

⁵ §95811(b)(2). Note that whereas “importers” is not capitalized in §95811(b)(2), Valley Electric assumes CARB to intend this reference to refer to “Electricity Importers,” as defined in §95802(a)(1).

Imported electricity is limited to “electricity generated outside the state of California and delivered to serve load inside California.”⁷ As a result, the July Proposal clearly intends to place a carbon obligation on imported electricity that serves load *within* California.

The intended use of e-tags for accounting creates uncertainty for Valley’s load located outside of California

The July Proposal reflects CARB’s intent to use the e-tags as a means of accounting for energy imported into and sinking within California. For example, the Electricity Importer definition states that, “For electricity delivered between balancing authority areas, the entity that holds title to delivered electricity is identified on the NERC E-tag as the purchasing-selling entity (PSE) on the tag’s physical path, with the point of receipt located outside the state of California, and the point of delivery located inside the state of California.”⁸

The use of the tags as currently represented in the July Proposal, however, creates ambiguity and risk for Valley Electric. The ambiguity arises because the sink-identifying information on e-tags may not distinguish between points of delivery within the CAISO BAA that are in or outside of California. The goal of these comments is to assure affected electricity providers that that distinction between California and non California load will be made. Valley Electric expects that this can be accomplished by a combination of changes to the regulations and more detailed specification of the use of e-tags for carbon accounting purposes. This specification may be made in the regulation or be otherwise codified.

Traditionally e-tags used for energy deliveries to the CAISO have simply specified “CAISO” as the point of delivery. Without a further specification of the location of the energy deliveries, it will not be possible to implement the rules as stated in the July Proposal.

⁶ §95802(a)(84); Note that in the definition of Electricity [I]mporters, “imported electricity” is not capitalized. Valley Electric assumes that CARB intends this usage to be defined as given in the definition of “Imported electricity” in §95802(a)(131).

⁷ §95802(a)(84).

⁸ *Id.*

Resolution requires refinement of e-tagging practices or use of additional verifying information

The solution to regulation applicability issue identified above can be of two forms.

- (1) The e-tags used in the CAISO scheduling processes must be able to identify delivery points more specifically than simply “CAISO”. E-tag points of delivery such as “CAISO – Valley NV” could provide the necessary specificity.
- (2) E-tags that specify only CAISO as a delivery point would have to be conjoined with other entity information that could be used to determine the quantity of electricity that was imported into the CAISO for non-California load. For example, metering information collected by the CAISO could serve this purpose.

Valley Electric expects the optimal solution could be identified through discussions between affected electric parties, the CAISO and CARB. Valley Electric requests that CARB hold such discussions before finalizing its carbon regulations. Valley Electric also suggests below some language that acknowledges in the published regulations the need for further refinement of delivery point information.

Requested Clarifications to the July Proposal

Valley Electric recommends the following clarifications to July Proposal to clarify treatment of multi-state BAA load such as Valley Electric’s.

1. Recognize that additional data may be necessary.

Valley Electric requests that CARB explicitly recognize the intent to distinguish between load that sinks in the state of California versus that which does not by indicating that further information may be necessary as follows.

Revise the definition of “Electricity Importers” as shown (underlined text indicates proposed insertions).

“...For electricity delivered between balancing authority areas, the entity that holds title to delivered electricity is identified on the NERC E-tag as the purchasing-selling entity (PSE) on the tag’s physical path, with the point of receipt located outside the state of California, and the point of delivery (as specified within the e-tag or through additional information as needed) located inside the state of California. ...”

Further, revise the definition of “imported electricity” as shown (underlined text indicates proposed insertions).

“...Imported electricity includes electricity delivered from a point of receipt located outside the state of California, to the first point of delivery inside the state of California, having a final point of delivery in the state of California. Imported electricity includes electricity imported into the state of California over a multi-jurisdictional retail provider’s transmission and distribution system, or electricity imported into California over a balancing authority’s transmission and distribution system. Imported electricity includes electricity that is a result of cogeneration outside of California. Imported electricity does not include electricity wheeled through California, which is electricity that is delivered into the state of California with final point of delivery outside the state of California.”

2. Clarify use of defined terms.

By further making consistent capitalization and the use of defined terms CARB’s cap-and-trade programs will more clearly define that the cap-and-trade policies are limited to electricity imported to serve California load. Valley Electric recommends the following changes.

- a. Revise the terms “Electricity importer”, and “electricity importer” to be “Electricity Importer” throughout the regulations.
- b. Revise the terms “imported electricity” with “Imported electricity,” and consider replacing “electricity” with “Electricity” throughout the regulations.

Valley Electric appreciates the opportunity to offer these comments and looks forward to working with CARB, the CAISO, and other interested parties to further clarify the policies.

Respectfully submitted,

/s/ *Curt R. Ledford, Esq.*

General Counsel

VALLEY ELECTRIC ASSOCIATION, INC.