**Valley Electric Association, Inc. Comments on February 24, 2016 Workshop on Amendments to the Cap and Trade Program**

**March 11, 2016**

Valley Electric Association, Inc. (VEA) appreciates the opportunity to provide comments to the Air Resources Board (ARB) on the proposed changes to the electric sector regulations following the staff’s February 24, 2016 workshop. In particular, VEA appreciates the staff’s reconsideration of the Cap and Trade Program rules in light of the regional electric market expansion. VEA offers the following comments on the EIM and potential day-ahead market impacts on the Cap and Trade Program.

VEA primarily serves Nevada load. In 2013, VEA turned the operational control of its transmission assets over to the California Independent System Operator (CAISO) and transitioned its Nevada load into the CAISO Balancing Area Authority.

With the Energy Imbalance Markets (EIMs) going into place and the possible expansion of the CAISO’s day-ahead market to the PacifiCorp region, issues associated with the CAISO service of non-California load are becoming much more visible.

Since joining the CAISO, VEA has experienced the challenges associated with serving non California load through the CAISO and under the Cap and Trade Program. The Cap and Trade Program regulations are imperfect for entities such as VEA. Quite simply, the concept of using the CAISO tags to track service to load under the Cap and Trade rules no longer works well once the CAISO service extends beyond the California borders. For example, when a third party provides energy through the CAISO to serve VEA’s Nevada load, there currently is no reporting mechanism to exempt that CAISO throughput energy from being reported as a California import under the Cap and Trade regulations.

The CAISO created a mechanism that avoids these complexities for the EIMs, but today entities like VEA are not eligible to apply those methodologies. The ARB is taking up issues of the EIMs and the regional expansion under its current rulemaking. (See slide 15 of the February 24, 2016 workshop presentation.) The CAISO also has been working on an alternative proposed GHG reporting mechanism as part of its regional expansion policies, and while the CAISO was scheduled to release its initial proposal in February, this proposal has not yet been released. VEA is concerned that the CAISO and ARB are collaborating on potential alternatives but not in a public venue where other interested parties can participate.

VEA encourages ARB to release conceptual alternatives for public discussion as soon as possible. VEA is hopeful that a California Cap and Trade policy that is more robust to non-California entities participating in the CAISO markets will emerge and is eager to begin open discussions about such policies. ARB staff has assured VEA that this policy making is the opportunity to make adjustments to policies in consideration of non-California CAISO load, and VEA urges ARB to focus on such changes within the context of public discussion as soon as possible.