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Clerk of the Board  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

**Re: Comments of the California Municipal Utilities Association on the Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms**

The California Municipal Utilities Association (“CMUA”) respectfully submits the following comments on the proposed amendments to the California Cap on Greenhouse Gas Emissions (“GHG”) and Market-Based Compliance Mechanisms Regulation, released on November 15, 2018.

CMUA recognizes that crafting a regulatory solution to the stated concern regarding Energy Imbalance Market (“EIM”) outstanding emissions is a complex and difficult task. Even before the advent of the California Independent System Operator’s (“CAISO’s”) market and the commencement of the EIM, sales into California caused changes in how resources were utilized in other parts of the West.

CMUA has expressed several concerns with the general approach reflected in the 45-day language, and most of those concerns are applicable to the 15-day language as well. First, CMUA members are participants in the CAISO’s real time market and as such will be exposed to additional costs as electric distribution utilities (“EDUs”). In addition, the Sacramento Municipal Utility District (“SMUD”) through the Balancing Authority of Northern California (“BANC”), as well as the Los Angeles Department of Water and Power (“LADWP”), have signaled their intent to become EIM Entities and have executed relevant agreements with the California ISO to effectuate this choice. SMUD/BANC’s participation in EIM is set to go live in April 2019, with LADWP scheduled to commence EIM participation in 2020. Thus, public power has a direct stake in the proper resolution of this matter.

Despite active management of their own portfolios, the market behavior of the individual EDUs will have little bearing on their exposure to this additional cost as proposed under the 15-day language. This is for two reasons. First, in many cases, load imbalances are largely out of the control of the individual entity. Second, the cost allocation is proposed to be on a *load ratio share*, which has no likely relationship to the *actual* imbalances caused by the EDU. A fundamental tenet of sound policy is that it should provide the appropriate incentives to modify behavior and tracks cost causation principles. The proposal contained in the 15-day language does not comport with those principles.

CMUA also objects to the failure of the regulatory proposal to account for the demonstrated emissions reductions that have accompanied EIM. The CAISO’s reports indicate that the optimization of resources through the CAISO has lowered overall emissions and reduced

curtailment of renewable generation. CMUA is dismayed that the proposed regulation fails to take into account these benefits while increasing obligations for California EDUs to retire allowances for emissions over which they have no control.

Finally, the mechanism for identifying the Outstanding Emissions was just approved and implemented at CAISO. There is almost no operational history or data to review to understand the magnitude of the outstanding emissions and the impact on California EDUs.

For all of the above reasons, CMUA urges the Board to retain the current “bridging solution” and take the time to gather experience and data before assessing whether a change is needed to account for Outstanding Emissions.

Respectfully submitted,

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