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VIA ELECTRONIC SUBMISSION

CLERK OF THE BOARD
CALIFORNIA AIR RESOURCES BOARD
1001 I STREET
SACRAMENTO, CA 95812

January 20, 2017

Re: Comments of Seattle City Light on the 15-Day Proposed Changes to the Cap-and-Trade Regulation.

Dear Chairwoman Nichols and Members of the California Air Resources Board,

Please accept these comments on behalf of Seattle City Light (City Light) in response to the California Air Resources Board (CARB)'s proposed amendments to the Cap-and-Trade Regulations, issued on December 21, 2016.

Seattle City Light provides retail electrical service to more than 415,000 residential, commercial, and industrial customers in the City of Seattle, Washington and six adjacent cities. City Light relies on hydroelectric resources for more than 90% of the energy we deliver to our customers. Meaningful action on greenhouse gas (GHG) emission reductions is a critical issue to the City of Seattle, and we are proud to be GHG neutral as an electric utility since 2005. City Light has executed an Implementation Agreement with the California Independent System Operator (CAISO) and intends to begin participating in the Energy Imbalance Market (EIM) in April 2019.

City Light recognizes the importance of accounting for the atmospheric effects of the CAISO's least cost dispatch attributable to California load, and supports CAISO's development of the two-pass market optimization as a long-term solution. The proposed two-pass optimization will result in a more accurate accounting of GHG emissions attributable to California, while also preserving the resource-specific cost and GHG attribution components within the optimization. Importantly, this approach also provides for price signals that meaningfully represent the value of low- or zero-emitting resources and/or resources located outside of California in the CAISO-administered markets.

Due to the complexity associated with implementation of the two-pass solution, City Light recognizes the need for an interim solution. City Light is cautiously supportive of CARB's proposal to account for the EIM "outstanding emissions" from EIM imports to California that are not currently accounted for in the dispatch algorithm. However, City Light requests that CARB clearly state the proposed accounting for "outstanding emissions" is an interim solution that will only be in place until CAISO's two-pass optimization is instituted. Moreover, City Light encourages collaboration between CAISO and CARB throughout the development and implementation of the two-pass solution. This collaboration is crucial for both robust GHG accounting and future market success within the state of California and across the wider West.

Additionally, City Light encourages CARB to include the EIM in the resource shuffling safe harbor. EIM resources are dispatched per the EIM algorithm. EIM entities do not determine how resources are dispatched, and should not be subject to penalties for activity that they have no control over. Thus, City Light requests that CARB revise

its proposed regulation to remove the proposed language excluding the EIM from the resource shuffling safe harbor.

Thank you for this opportunity to comment. Please do not hesitate to contact Stefanie Johnson at (206) 386-4539 or stefanie.johnson@seattle.gov for any questions or clarifications around these comments. City Light looks forward to updates on the development of the proposed solution and continued engagement on these issues.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Cromwell", written in a cursive style.

Robert W. Cromwell, Jr.
Director, Regional Affairs & Contracts