



SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
1160 NICOLE COURT
GLENORA, CA 91740
(626) 793-9364 – FAX: (626) 793-9461
www.scppa.org

ANAHEIM • AZUSA • BANNING • BURBANK • CERRITOS
COLTON • GLENDALE • LOS ANGELES • PASADENA
RIVERSIDE • VERNON • IMPERIAL IRRIGATION DISTRICT

March 11, 2016 | Submitted Electronically

Ms. Rajinder Sahota
California Air Resources Board
1001 I Street
Sacramento, CA 95184

RE: SCPPA Comments on February 24, 2016 Public Workshop Regarding Potential Revisions to ARB's Mandatory Report Regulation and the Cap-and-Trade Regulation; Clean Power Plan Implementation

Thank you for the opportunity to provide these comments on the February 24, 2016 workshop staff presentations. The primary focus of the workshop was to solicit high level-comments to the amendment concepts in conjunction with post-2020 policy planning and integration with the federal Clean Power Plan (CPP) to both the Cap-and-Trade (C&T) Regulation and the Mandatory Reporting Regulation (MRR).

The Southern California Public Power Authority (SCPPA) is a joint powers agency whose members include the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District. Each Member owns and operates a publicly owned electric utility governed by a board of local officials. Our Members collectively serve nearly five million people in Southern California.

SCPPA and its Members support the Air Resources Board's (ARB) continued efforts to improve the existing GHG regulatory regime during the post-2020 policy update process. Most of the proposals presented were not specific enough to comment on directly or with in-depth specificity to our members; the comments below reflect an initial review. SCPPA strongly recommends more detailed discussions with stakeholders and looks forward to continued focus by ARB staff and management on the impact of these proposals and any policy alternatives. It is critically important to the success of the program that ARB staff share actual proposed regulatory text for stakeholder input prior to the formal release of 45-day language, and to shed more light on staff deliberations in determining policy positions.

These comments follow the order of the workshop presentation and are not reflective of SCPPA priorities.

Potential Mandatory Reporting Rule Regulatory Updates

General Revisions and Timeline

SCPPA supports MRR clarifications towards improving the rule's effectiveness and enforceability. It would be difficult at this time to offer detailed comments on the high-level workshop presentation. SCPPA strongly recommends that ARB release potential amendment language for stakeholders as an informal discussion draft prior to formally releasing 45-day language for limited review. Such action will enable stakeholders to provide more detailed comments to ensure the effectiveness and the achievability of the proposed regulatory amendments as early in the regulatory process as is reasonably possible.

Accelerating the Verification Deadline

This proposal would have significant impacts on both regulated entities and the verification bodies themselves. Changing the verification deadline from September 1 to August 1 will, as has already been acknowledged, have a ripple effect throughout the reporting process. While we understand staff's desire to better support C&T allocation

timelines, the benefits here must significantly outweigh the possible detriment to a variety of stakeholders. We are unconvinced that they would for the following reasons:

- At the workshop, it was stated that reporters and verifiers could simply use the time leading up to the verification deadline more effectively, while encouraging earlier report submittals. Our Members' have instead found that the complexity associated with providing electricity to millions of California consumers requires a maximum amount of time afforded under the existing MRR reporting deadline to ensure accurate reporting.
- There is a limited pool of certified verifiers available to reporting entities. This is even further constrained by timing use-of constraints in the existing regulation – which requires a regular turn-over of verifiers, necessitating *more time*, on a routine and indefinite cycle, to educate a new set of verifiers. SCPPA strongly urges ARB to obtain feedback from third party verifiers both on the impact such a change may impose and hindrances it may create to expanding the number of verifiers available. This dwindling pool of verifiers already portends problems with ARB's proposal to accelerate the reporting timeline. Indeed, based on SCPPA's 2015 Request for Proposals, to develop a "master list" of ARB-certified verifiers for our Members to use – in an effort to help streamline government reporting processes, *less than half* of the existing ARB-certified verifiers submitted proposals.
- The amount of MRR-related verification work will increase going forward. It must in order to achieve California's newly-adopted policies to increase the Renewables Portfolio Standard from 33% to 50% by 2030 while requiring a commensurate 40% reduction in greenhouse gas emissions by 2030 as well. These complementary policies will prompt an accelerated transformation of the State's already-complex energy generation and transmission systems; therefore, assuming that associated emissions reporting can be effectively accomplished under an accelerated timeframe with even more projects coming on-line seems imprudent.

SCPPA recommends that ARB re-evaluate existing restrictions on the use of verifiers, in addition to more actively recruiting, training, and certifying the number of verifiers available to reporting entities going forward. Doing so will be critically important to ensuring the success of the C&T and MRR programs. SCPPA further recommends that ARB evaluate the potential benefits of utilizing national or international protocols as a basis for training, certification, and to expand the pool of verifiers. ARB's recent workshop on Low Carbon Fuel Standard verification seemed to be heading in that direction.

Electric Power Entities

Staff proposed seven changes including four proposed clarifications, two efforts to work with CAISO on the Energy Imbalance Market and market expansion, and one on the RPS Adjustment. SCPPA is supportive of regulatory clarifications and the removal of ambiguities, but additional details are needed prior to our being able to make substantive comments. Electrical entity reporting is extremely complicated; any changes made to base requirements must have the specific language fully vetted with stakeholders to ensure achievability and efficiency prior to any proposal being released as a 45-day packet. Even minor changes can impact SCPPA Members differently depending on their size, balancing authority area, and electrical generating make-up. Given the aggressive regulatory schedule and lack of additional scheduled workshops on this specific topic to date, SCPPA recommends ARB informally propose actual language changes as soon as possible and convene a technical working group of stakeholders to discuss more thoroughly.

The lack of substantive coverage regarding the RPS Adjustment was disappointing. CARB staff's recommendation of modifying and limiting the functionality of the RPS Adjustment remains a significant issue for SCPPA Members (and the industry as a whole). It is an extremely important policy in the C&T Program that will have significant ramifications to the success of the RPS Program – the former of which cannot succeed without the latter. ***The RPS Adjustment helps ensure the affordability of renewables for Californians*** by avoiding duplicative costs. ***Modifying the RPS Adjustment would send the wrong signal to other Western states*** that California will penalize regional cooperation efforts – one of the fundamental goals of the federal Clean Power Plan. As such, consistent implementation of the RPS Adjustment provisions is critically important to the program's success. We believe the staff challenges previously noted can be reasonably and mutually addressed to ensure its continued and necessary role in reducing GHG emissions from the electricity sector, especially as investments in renewables

increase across California and the broader Western electricity market. It is simply unreasonable to assume that a 50% RPS can be achieved by building all renewable projects within the State of California (particularly when trying to reach a lower 33% RPS has already prompted some counties to pass local ordinances *banning development of utility-scale renewable projects*). The numerous informative discussions on this topic highlight a need for a workable solution. SCPPA looks forward to additional detailed policy and technical discussions on this issue prior to the release of the 45-day regulatory package.

Other Proposed Verification Changes

Staff's proposal to streamline processes to support the earlier August 1 verification deadline may benefit the program and could be supportable by SCPPA – but, again, it is difficult to comment without additional details. One area that SCPPA has some concern about is the staff proposal requiring reporting entities to certify reports at least seven days prior to the verification deadline. This additional interim deadline could cause unnecessary restrictions on the process without providing equivalent benefits. Also, the idea of an interim deadline should only be forwarded if the actual verification deadline is altered. Please refer to concerns stated above.

Amendments to Mandatory Reporting and Cap-and-Trade Regulations for Alignment with Clean Power Plan

State Measures Plan

SCPPA has concerns that major policy decisions are being made without adequate information regarding their impacts being presented to stakeholders as ARB's sister agencies, and the Governor's office, aggressively pursue an expanded Western regional energy market. SCPPA appreciates the administrative efficiency that a State Measures Plan can have with California's already existing regulatory structure. But it is not the only option available. SCPPA, along with the informal "Joint Utilities Group" (JUG) submitted comments to ARB in October 2015 recommending that a final decision on the State's approach be based on completed modeling and additional information that would be shared with stakeholders – particularly now that additional time has been made available to evaluate these extraordinarily complex issues with the Supreme Court's ruling. Furthermore, this additional work has yet to be shared with the stakeholders, including SCPPA and the JUG. Likewise, it was suggested that ARB explore opportunities to link with jurisdictions implementing a mass-based CPP strategy, but the presentation explicitly noted that California is not in formal discussions with any other states.

Proposed Cap-and-Trade Regulation Amendments to Align with Clean Power Plan

Compliance Periods

The staff proposed post-2020 compliance schedule will create additional complications for regulated parties, especially within the electricity sector. Having successive compliance periods starting in 2017 of 3-2-2-3-2-2 years may have unforeseen market impacts. Additionally reducing the compliance period by one year will increase the likelihood that available hydropower will impact the C&T market more dramatically. SCPPA recommends ARB thoroughly evaluate these complexities and market issues such that more information is available to stakeholders.

Having a federal CPP compliance period reporting deadline in July, while maintaining a C&T reporting deadline in August or September and a full compliance demonstration in November only further complicates the existing program. Additional details on exactly what data would be needed, and by when, should be provided to stakeholders. SCPPA encourages ARB to work with the U.S. Environmental Protection Agency on a less complicated and more uniform solution to this issue, particularly in light of the option in the Clean Power Plan to submit a final plan in 2018 as opposed to 2016. Taking the time to work out these technical details now will help to ensure the future success of California's compliance efforts.

Federal Backstop

The staff proposal for a set aside of 10 million allowances as protection against missing the CPP glide path and targets does not seem to ensure compliance with the CPP. While this appears to be a simple and straightforward solution to the backstop, it is unclear if this mechanism prevents affected EGUs from paying twice for reductions and

allowances. Further, the proposal does not provide any detail as to how the state would potentially adjust its emissions glidepath to ensure that the interim targets are met and then maintained as of 2030. As stated previously, more detail is needed in order for us to provide comments.

Leakage Prevention

SCPPA believes that including a “new source complement” would provide California additional headroom to avoid triggering the federal backstop provisions, because California’s mass-based limit would be increased to reflect new EGUs. To prevent leakage of emissions and account for the increased incremental emissions associated with projected new sources, EPA provides states both mass-based targets and mass new source complement mechanisms. The reason cited by ARB—staff’s belief that it is not necessary because “uniform incentives” already are in place—does not take into account the full impact of new sources on the program.

SCPPA questions why ARB would not propose the new source complement to help demonstrate compliance with the goals of the CPP as 1) California already includes new sources in the C&T program, 2) U.S. EPA allows the use the new source complement, and 3) inclusion of this would better ensure that the backstop is not triggered.

Regulatory Schedule

SCPPA strongly recommends that stakeholders be provided actual regulatory language to review as discussion drafts before the formal release of 45-day language. The proposed regulatory schedule is aggressive and may not provide adequate time for stakeholders to fully review, analyze, and understand the changes being proposed. Once adopted, these regulations will guide the sector for more than a decade and impact infrastructure decisions that will last a generation. It is vitally important that any proposed changes are fully transparent and well-understood by stakeholders and regulatory agencies alike prior to being adopted. Many of the concepts presented at the workshop were just that: concepts.

Details become increasingly important with a program that only grows more complicated over time. We have seen many instances where minor or major disagreements have arisen over what was intended or how the regulations were drafted. SCPPA believes that the next implementation phase of the program will be much smoother if additional time is taken now to ensure clear regulatory language and intent. In addition, a more transparent process for sharing ARB staff’s analysis of stakeholder comments would help in finding common ground. We cannot propose alternative solutions without clearly understanding staff’s concerns with previously-submitted recommendations.

Thank you for your time and consideration. SCPPA welcomes opportunities for continued collaboration to ensure that the regulations ultimately put forth effective and fair regulatory programs.

Respectfully submitted,



Tanya DeRivi
Director of Government Affairs



Sarah Taheri
Energy Analyst, Government Affairs

Cc: Craig Segall, ARB
Mary Jane Coombs, ARB
Brienne Aguila, ARB
Patrick Gaffney, ARB