

**Comments of the Western Power Trading Forum on the Renewable  
Portfolio Standard Adjustment**

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At the December 12th workshop on potential amendments to the cap and trade program, California Air Resources Board (CARB) staff articulated its ongoing concerns related to the Renewable Portfolio Standard Adjustment (RPS Adjustment). The Western Power Trading Forum<sup>1</sup> (WPTF) offers these comments regarding possible changes to the RPS adjustment provisions to address these problems.

**Eliminating the RPS Adjustment will likely be necessary in the future.**

WPTF believes that Renewable Energy Credits (RECs) should not be used for carbon accounting under a source-based cap and trade program (which California's program essentially is) because they convey avoided emission attributes, rather than actual emissions. The cap and trade generally conforms to this approach with the narrow exception of the RPS adjustment. The RPS adjustment is possible under the current regulation only because California is the only state in the west with a cap and trade program. As other states develop greenhouse gas reduction programs, including RPS programs, to comply with the Clean Power Plan, and with the anticipated regional expansion of the California Independent System Operation (CAISO), continued use of the RPS adjustment will complicate accounting of both renewable energy flows across states and carbon emissions.

For these reasons, WPTF recommends that the RPS adjustment be eliminated from the cap and trade program after 2020. Targeting the elimination of the RPS adjustment provision at that time will minimize market disruptions, because between now and then, CARB along with market participants will be working to develop a new set of cap and trade regulations to replace the regulations that expire in 2020. During those deliberations, the mechanisms necessary to replace the current RPS Adjustment can be fully vetted and incorporated into the new regulation. WPTF believes it would be possible to replace the RPS Adjustment with specific allowance allocations that would be extended to all LSEs, not just utilities.

**The RPS Adjustment should be retained until the end of the 2020 compliance period.**

WPTF supports retention of the RPS Adjustment through 2020. As evinced by comments at the December workshop, many electricity market participants have commercial arrangements in place that provide for use of the RPS adjustment based on program rules that have been in place since 2012. Because elimination of the RPS Adjustment would impact these contracts, and significantly alter compliance obligations, CARB should retain the RPS adjustment in the regulation through the timeframe of the current program.

In order to address current problems in implementing the RPS adjustment, WPTF recommends that CARB treat the reporting of REC serial numbers as a mandatory requirement for the reporting of 'null power' (electricity from a California RPS-eligible resources that is not bundled with the associated RECs) as specified and revise the MRR to enable imported null power from a California RPS-eligible resources to be reported as unspecified by Generation Providing Entities (GPEs). Indeed, this approach seems to be supported by a majority of stakeholders in their comments on the October 2, 2015 workshop. To date, the CARB staff has rejected this approach, on the grounds that AB 32 requires CARB to reduce all statewide GHG emissions, including GHG emissions from the

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<sup>1</sup> WPTF is a diverse organization comprising power marketers, generators, investment banks, public utilities and energy service providers, whose common interest is the development of competitive electricity markets in the West. WPTF has over 80 members participating in power markets within the WCI member states and provinces, as well as other markets across the United States.

generation of electricity “delivered to and consumed in California,” and therefore it must track “actual” electricity consumed in California.<sup>2</sup>

WPTF’s recommended approach would allow CARB to retain the RPS Adjustment, avoid double-counting and minimize staff resources spent addressing the ARB’s direct delivery concerns, until a different solution is implemented in the post-2020 period. Legally, nothing in AB 32 explicitly limits CARB from making this change, and CARB has the discretion to interpret AB 32 to account for RECs and procurement from Procurement Content Category 2 (“PCC 2”) deliveries. In particular, AB 32 does not state that CARB must account for “actual electricity” delivered to and consumed in California as suggested by the ARB staff at the December 14<sup>th</sup> Workshop. California Health and Safety Code Section 38530(b) requires the ARB to “Account for greenhouse gas emissions from all electricity consumed in the state, including transmission and distribution line losses from electricity generated within the state or imported from outside the state.” CARB could interpret Section 38530(b) and 38505(m) to narrow the circumstances under which null power is reported as specified, and continue to allow the RPS adjustment to be used to reduce the carbon compliance obligation incurred for bundled PCC 2 procurement.<sup>3</sup>

### Summary

Like many commenters, WPTF considers that the current problems that CARB has identified regarding reporting of the RPS adjustment and potential double-counting of renewable imports are due to conflicts in rules regarding the RPS adjustment and reporting of specified power. We see two issues here:

- The potential for inappropriate reporting of null power as specified when the importing entity does not have a specified power contract for the power (e.g. a PCC 1 contract); and
- The requirement that GPEs report imported null power as specified.

The first problem would be eliminated if CARB enforced the reporting of REC serial numbers as a *mandatory* condition for imports of California RPS eligible power to be claimed as specified. Importing entities that lack a specified power contract that provides for provision of REC serial numbers would be unable to report that power as specified. Such implementation would be consistent with section 5852(b)(3) of the cap and trade regulation, which explicitly includes reporting of REC serial numbers as a condition for claims of specified power. Similarly, GPEs that have sold off RECs as part of a PCC2 contract could avoid reporting imported null power as unspecified by not reporting the associated REC serial numbers.

WPTF believes that this approach would simplify reporting and verification of the RPS Adjustment and would prevent double counting of renewable imports. Entities that procure renewable power and resell it could prevent downstream entities that import the power into California from inappropriately reporting it as specified by withholding the associated REC serial numbers. Verifiers could cross-reference REC serial numbers associated with the RPS adjustment against any REC serial numbers reported in association with specified imported power.

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<sup>2</sup> See ARB December 14, 2015 Presentation, Slide 3, available at: <http://www.arb.ca.gov/cc/capandtrade/meetings/20151214/rpsb350.pdf>

<sup>3</sup> WPTF notes an alternative proposal whereby null power continues to be reported as specified in-line with how CARB is currently implementing requiring null power to be reported, but that would result in an additional carbon obligation for the reporting entity if that entity is not able to provide the REC serial numbers for the associated electricity. WPTF considers that such an approach would result in the same practical outcome as what we have proposed here. Therefore, WPTF would support CARB’s consideration of the alternate proposal if the WPTF proposal is not accepted.

We also encourage CARB to work closely with the California energy agencies to ensure consistency evolving RPS and cap and trade program requirements.