CRS center for resource solutions

April 4, 2014

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments of Center for Resource Solutions regarding March 21, 2014 Proposed Changes to the California Cap-and-Trade Regulation

Center for Resource Solutions (CRS) appreciates the opportunity to provide comments on the proposed changes to the California Cap-and-Trade regulation. Thank you for addressing many of the comments we submitted in October 2013 during the previous comment period. There is one major area of our comments that was not addressed, and we wish to bring it to the attention of the ARB as it considers final updates to the regulation.

The current draft retains a change originally presented in the September 2013 revisions of the document, which relates to the criterion for electricity importers to claim a compliance obligation for delivered electricity based on a specified source emissions factor in Sec. 95852(b)(3)(D). This change was from "RECs must be retired" to "REC serial numbers must be reported". This change appears to be appropriate only provided that:

1) The importer is not itself delivering to load, and
2) The REC stays in state and the electricity is not wheeled out of state as zero emissions electricity.

If the importer is delivering directly to end users, including for the RPS, then retirement of the REC should be required to prevent double counting.

If the REC is traded out of state by the importer, an in-state LSE, or other entity after the REC has been reported by the importer (to avoid a compliance obligation), then there is double counting. The electricity imported with the REC entered the state as renewable with no requirement to retire allowances, but when the REC is consumed for out of state load the electricity with which it was imported should no longer be treated as renewable, and the electricity should have emissions associated with it (required to buy allowances). The REC is the means to track and claim the renewable nature of the electricity, and if the REC is not used for California load then the electricity imported can only be identified as system power.

Only in the case that the importer is not delivering to load and simply using the REC to prove that the electricity was delivered into the state without emissions (avoiding compliance obligations) and when the REC is exclusively traded and used in state is "reporting" sufficient. The in-state LSE isn't regulated for imports, so there wouldn't be double counting of the REC under the cap-and-trade in this case.

We suggest that the language of the Sec. 95852(b)(3)(D) be amended further to include the underlined text: "If RECs were created for the electricity generated and reported pursuant to MRR, then the REC serial numbers must be reported and verified pursuant to MRR and shown to be used in California."

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CRS also seeks clarification on the following points:

- Please clarify how double counting will be avoided if the REC is sold out of state or power is wheeled out of state as zero emissions after "reporting" by the importer per Sec. 95852(b)(3)(D). How will ARB track the REC to make sure it stays in state and, in the case that the power is wheeled out of state, how will ARB prevent double counting? WREGIS may be of use for this purpose, if there is a way to indicate on the REC that it was reported with imported electricity (without retiring it).
- Please also clarify when this reporting will occur, and when the serial numbers will be posted publically. We suggest that public posting of serial numbers occur (or that these serial numbers be otherwise made publically available) in as close to real time as possible. If there is a time lag, there may be several other parties that transact the REC before it is made known that it only has GHG value if used within California.

Please feel to contact us with any questions or feedback about these comments, or if we can otherwise be of assistance.

Sincerely,

Alex Pennock

Alex Pennock
Green-e Energy Manager