Oral Comments of the Western Power Trading Forum to the California Air Resources Board on its Consideration of Proposed Amendments to the Regulation for the Mandatory Reporting of Greenhouse Gas Emissions

October 25, 2013

Thank you, Chair Nichols and Board Members.

My name is Ellen Wolfe and I am providing comment on behalf of the Western Power Trading Forum. WPTF is a diverse organization of over 60 power marketers, generators, investment banks, public utilities and energy service providers who participate in the California power markets. We have submitted written comments, and wish to provide additional oral comments today on three issues pertaining to provisions in the regulation for reporting by Electric Power Entities.

First, WPTF welcomes the staff proposal to reinstate language that would require retention of meter data to demonstrate that electricity was generated by a specified resource *at the time that electricity is delivered to California*. Throughout the evolution of this regulation, CARB staff has consistently strived to ensure the accuracy of reported emissions. Elimination of the language requiring matching of generation to delivery would undermine this objective and result in over-counting of low-emission imports.

When electricity is scheduled for delivery from a generating resource via a NERC tag, the balancing area in which the generator is located typically commits to

provide ‘contingency reserves’. This means that in the event that a committed generator is unavailable in an hour, the host balancing area will provide energy from its’ own system to ensure that the volume of the schedule is met. In this situation, the volume of delivered electricity exceeds the volume of electricity actually produced by the generator in that hour. In recognition of this, both the California Public Utilities Commission and the California Energy Commission require that for Renewable Portfolio Standard procurement category 1 – that is direct delivery of renewable energy – only the lesser of generation or scheduled delivery may be counted toward the RPS targets.

WPTF believes that the same approach should be used under the greenhouse gas reporting program to ensure that the accounting of renewable imports under the cap and trade program will be accurate and will align with that under the RPS program. We also recommend that this approach be applied symmetrically to all imported electricity – not just renewable electricity. To do otherwise would be discriminatory to renewable generation, as it would apply a stricter standard for renewable imports than for other low emission imports. Because generation meter data is already collected and utilized for financial settlement of electricity transactions, requiring importers to retain such data to document that the imported electricity was generated by the facility at the time the power was directly delivered does not create a significant burden on generators or importers.

Our second area of comment is with respect to requirements for specification of imported electricity. WPTF considers that as a matter of principle the *owner* of a low-emission generation source should control whether electricity from that source is specified, and should appropriately capture the economic benefit of avoided greenhouse gas emissions. This principle is fundamental to the successful operation of a cap and trade system, which relies on a carbon price signal for generator dispatch and investment.

Our concern arises from the fact that this principle has not been consistently applied throughout the reporting regulation. On the one hand, proposed new language in Section 95111(a)(4) requiring "each seller to warrant the sale of specified source electricity from the source through the market path" reflects this principle because it suggests that a generation owner controls whether electricity sold is specified through the owner's willingness to warrant that sale as specified. In contrast, the definition of a "power contract" does not reflect this principle, because it inappropriately suggests that designation of a facility, unit, or ACS system *alone* is sufficient to render a transaction specified.

Under a cap and trade program, electricity prices will naturally rise to reflect embedded compliance cost of emissions from fossil generation. Low emission generation must be able to capture the value of avoided carbon compliance cost relative to higher emission generation in order to align incentives for dispatch and investment of low and zero emission resources – this is exactly the intent of a

market-based approach. For these reasons, WPTF urges the Board to fully endorse the principle that the generation owner controls whether electricity is sold as specified and direct staff to modify the regulation accordingly.

Lastly, while WPTF supports CARB's efforts to improve the regulation, we believe that many of the changes go beyond mere clarification of existing requirements, but rather change the substantive requirements for contracting of power. We appreciate that staff have further modified section 95103(h)(8) in an attempt to clarify what provisions apply for 2014. However, we remain concerned about the potential retroactive application of new requirements to existing contracts.

We therefore request the Board to direct staff to issue implementation guidance on the applicability of the regulatory changes for electricity importers and to *explicitly* ensure that proposed changes to the requirements for specified source electricity do not apply for electricity delivered pursuant to contracts executed *prior to January 1, 2014.*

Thank you.