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September 19, 2016

**Submitted electronically:** <http://www.arb.ca.gov/lispub/comm/bclist.php>

California Air Resources Board  
1001 I Street  
Sacramento, California 95812

**Subject:** Amendment Consideration for the GHG Emissions and Market Based Compliance Mechanism Regulation

Thank you for the opportunity to comment on the proposed amendments to the existing Greenhouse Gas Emissions (GHG) emissions and market-based compliance mechanisms regulation. The Public Generating Pool (PGP) is composed of ten consumer-owned electric utilities in Washington and Oregon. Collectively, PGP member utilities have an aggregate utility-owned asset base of 6,000 MW that is 96% carbon-free.

The primary focus of our comments are in regards to the proposal to add a supplemental compliance obligation on Energy Imbalance Market (EIM) purchasers that serve load in California to address the carbon emissions related to the "deemed delivered" approach used in the current EIM algorithm. As predominantly carbon-free asset owners, the market signals, approach to dispatch, and ultimate compensation of carbon-free resources is an important consideration for our participation in the EIM and other ISO markets. PGP supports the proposed compliance obligation for California EIM purchasers as an interim step, but believes the underlying cause of the emission leakage needs to be addressed in the algorithm itself.

PGP commends the Air Resource Board for identifying and drawing attention to this issue. EIM market design rules and the associated algorithm are complex and can sometimes result in unintended consequences. The current EIM algorithm allows Participating Resources to establish a limit on the amount of resource output that can be considered "deemed delivered" to California. However, the current algorithm does not provide the ability for a Participating Resource to designate that the deemed delivered output is *only* from incremental dispatch above the base schedule. PGP believes the current algorithm's instruction to treat base schedules as "deemed delivered" to California enables carbon leakage and creates unique opportunities for "redispatch" and market pricing in the EIM that are not available in the day-ahead or other real-time markets.

The Air Resource Board proposal to add a supplemental carbon obligation assures payment for the carbon obligation associated with the emissions leakage, however, it does not address the underlying cause of the leakage or the disparate price signals between markets, nor will it alter EIM emissions. Instead, PGP believes the EIM algorithm should be modified to allow EIM Participating Resources to designate that only the incremental generation above their base schedules be "deemed delivered." This is necessary in order to eliminate the unintended carbon leakage and market signals.

PGP requests that any action other than modification of the EIM algorithm be pursued as an interim fix with a specified date by which a modification to the EIM algorithm would be made. While the EIM emission leakage has implications for a Regional ISO, we do not wish for the solution for the EIM to be delayed until a final approach for GHG accounting in the proposed Regional ISO is defined.

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Finally, in April we provided comments encouraging the Air Resources Board to identify and pursue the necessary changes to the GHG emissions program to make it a trading-ready program under the Clean Power Plan (CPP). The complexity of managing multiple state carbon programs under the EIM or regional ISO underscores the benefits of linking western states programs where possible. Having consistent trading ready state CPP implementation plans will facilitate least-cost carbon reductions for electric power ratepayers, align carbon price signals to generators and minimize emissions leakage. We appreciate the efforts made in this amendment process to make the California program CPP compliant and encourage you to identify and take the additional steps needed to make it trading-ready.

Sincerely,

A handwritten signature in black ink, appearing to read "Therese Hampton". The signature is fluid and cursive, with the first name being more prominent.

Therese Hampton  
Executive Director, Public Generating Pool

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