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Valley Electric Association, Inc. Comments to the California Air Resources Board on the Cap and Trade Regulation Amendments Workshop

November 4, 2016

Valley Electric Association, Inc. (VEA) appreciates the opportunity to provide input to the California Air and Resources Board (ARB) on its consideration of possible amendments to the Cap and Trade regulation as discussed at the recent workshop held on October 21, 2016.

VEA has a vested interest in the solution reached by ARB and the ISO to address the EIM GHG “leakage” concern regarding proper assignment of GHG costs to resources outside of California; VEA currently incurs significant costs due to a misalignment between the current GHG accounting mechanism and its application to non-California CAISO load, such as VEA’s Nevada load.

During the workshop, ARB engaged in discussions on 1) options for addressing the EIM GHG “leakage” concern and 2) proposed changes to the carbon allowance program. The comments herein primarily focus on the former discussion and potential adverse impacts on VEA with any potential solution. VEA previously submitted comments to ARB regarding consideration of possible amendments to the Cap and Trade and Mandatory Reporting Requirements program, which contained potential remedies to ARB’s improper treatment of non-California load served through the CAISO. While those comments are not reiterated here, VEA looks forward to continuing working with ARB to address those matters as well as remedy the inappropriate treatment of VEA.

During the workshop, ARB discussed options for addressing the GHG EIM “leakage” concern. Some of the options were those recently raised by the CAISO at the latest Regional GHG technical workshop,<sup>1</sup> including a two-pass approach and a hurdle rate approach. The two-pass approach would assign the carbon obligations to resources based on incremental dispatch against a presumed baseline dispatch. Whereas the other option would apply a hurdle rate, or a predetermined additional adder, to all resources. ARB also noted potential solutions could be variations of the two-pass or hurdle rate approaches and was also open to stakeholder proposals.

Notwithstanding VEA’s broader policy objectives of seeing a multi-state GHG policy implemented, VEA has a specific concern with any pursued solution to the GHG EIM “leakage” concern as it relates to non-California load, such as VEA’s Nevada load. As currently discussed, options may either assign a residual amount of carbon obligations to California load or may

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<sup>1</sup> The ISO hosted a Regional GHG technical workshop to discuss three potential solutions to address ARB’s GHG EIM “leakage” concern. <http://www.caiso.com/Documents/Agenda-Presentation-RegionalIntegrationCaliforniaGreenhouseGasCompliance-TechnicalWorkshop.pdf>



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impose additional costs passed onto California through LMPs. Given that the goal of the adjustment is to ensure that the benefits of the resources being used to serve California load should be borne by California load under the cap and trade program, VEA believes it would be inappropriate to allocate any incremental costs through direct assignment or LMPs to VEA's *Nevada* load. Without careful treatment to exclude VEA's Nevada load from any treatment that would otherwise apply to CAISO load the GHG leakage resolution would further worsen the adverse impacts that VEA's Nevada load is experiencing since taking its service through the CAISO.

In short, VEA asks that within any proposed policy ARB ensures it aligns with the intention of the Cap-and-Trade regulation in that only California load be subject to the costs of the carbon policy.

VEA urges ARB to carefully consider the comments herein, and those iterated in VEA's previously submitted comments, and take action to ensure proper application of ARB's policies to VEA.

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