



October 22, 2018

Clerk of the Board
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Submitted online

Re: American Wind Energy Association (AWEA) California Comments on September 4, 2018 Amendments to the Cap-and-Trade Rulemaking.

Dear Clerk:

AWEA California¹ provides the following provides the following comments in response to the California Air Resources Board’s (“ARB”) September 4, 2018 Notice of Proposed Amendments to the Cap-and-Trade Regulation. AWEA California strongly supports the ARB’s efforts to fight climate change, and as a general matter, supports the State’s Cap-and-Trade program.

SUMMARY

These comments focus on potential changes to the Energy Imbalance Market (“EIM”) language in the Cap-and-Trade rules. AWEA California appreciates the ARB’s efforts to address this challenging and complicated issue. During the pre-rulemaking phase of this proceeding, AWEA California expressed concerns with potential amendments that would have placed a Cap-and-Trade compliance obligation on scheduling coordinators of zero emitting resources.² AWEA California greatly appreciates the ARB’s receptiveness to its pre-rulemaking comments and supports the ARB’s efforts to understand the technical implications of various methodologies for assessing and assigning the “outstanding emissions obligation” of “secondary dispatch”. While AWEA California understands that the “EIM Purchaser” definition (i.e., as proposed on September 4) may be subject to further change, these comments express concerns with an unintended, “as-applied” aspect of the EIM Purchaser definition. As discussed below, AWEA California recommends revising the “EIM Purchaser” definition to avoid a scenario

¹ Members of AWEA California include global leaders in utility-scale wind energy development, ownership, and operations. Many members also develop and own other energy infrastructure such as transmission lines, utility-scale solar, and energy storage. AWEA California is unanimous in its commitment to the need for—and widespread economic benefits derived from—a diverse and balanced resource portfolio in California that reliably and affordably meet state energy demands and environmental goals. We strive to direct the economic and environmental benefits of utility-scale wind energy to California.

² See March 27, 2018 AWEA California comments, available at: <https://www.arb.ca.gov/lists/com-attach/40-ct-3-2-18-wkshp-ws-UWBcYIRIVjYCNOQy.pdf>



where a zero-emission resource operating in California could be assigned a portion of the “outstanding emissions obligation.”

DISCUSSION

AWEA California has actively participated in the California Independent System Operator’s (“CAISO”) stakeholder initiative to develop a long-term “secondary dispatch” solution to replace the current solution that the ARB scoped into the 2016-2017 Cap-and-Trade Rulemaking. Through CAISO EIM -GHG stakeholder initiative, the ISO has reviewed several potential long-term solutions to identify and address emissions associated with “secondary dispatch.” The CAISO has defined “secondary dispatch” to mean:

[A] concern that the EIM GHG design is not fully capturing the impact to the atmosphere that occurs in connection with EIM transfers to serve CAISO load. Briefly, this concern relates to CAISO dispatches of EIM participating resources to serve CAISO load based on minimizing total costs of energy and GHG bid adders. The CAISO’s least-cost dispatch can have the effect of attributing transfers to serve CAISO load to lower-emitting EIM participating resources because these resources face fewer or no costs to comply with ARB’s regulations. In some instances, higher-emitting resources will need “to backfill” this dispatch to serve EIM load outside of the CAISO. The CAISO refers to this phenomenon as secondary dispatch.³

In the September 4, 2018 Proposed Amendments, the ARB would remove the “bridge-solution” and replace it with an emissions obligation that would be assigned to “EIM Purchasers.” EIM Purchaser is defined in the Mandatory Reporting Regulation to mean: “an entity that purchases electricity through the EIM either to serve California load or to deliver or sell the purchased electricity to an entity, or on behalf of an entity, serving California load.”⁴ In the Initial Statement of Reasons for the Cap-and-Trade Regulation, the ARB acknowledges that “[u]nder the proposed definition of EIM Purchaser, scheduling coordinators for electricity generators located in California with negative imbalances may also be considered EIM Purchasers, if they are serving those imbalances through imported electricity in EIM.”⁵

³ See CAISO February 16, 2018 Second Revised Draft Final Proposal, available at: <http://www.caiso.com/Documents/SecondRevisedDraftFinalProposal-EnergyImbalanceMarketGreenhouseGasEnhancements.pdf>

⁴ See Proposed 17 Cal. Code Reg. Sec. 95102 (September 4, 2018 Proposed Amendments), available at: <https://www.arb.ca.gov/regact/2018/ghg2018/proregorder.pdf>

⁵ See 2018 Cap-and-Trade ISOR, available at: <https://www.arb.ca.gov/regact/2018/capandtrade18/ct18isor.pdf>



AWEA California is concerned that the September 4, 2108 proposal for the “EIM Purchaser obligation” could inappropriately place the “outstanding GHG emissions obligation” of “secondary dispatch” in the EIM on clean generation resources, such as wind, solar and hydro, operating inside of California. If implemented, the current proposal would create a situation where zero-emitting facilities operating inside of California are assigned a cap-and-trade compliance obligation when they have negative imbalances associated with their generation facilities. The uncertainty associated with having to participate in the Cap-and-Trade program as a clean energy resource would be most difficult to manage for clean energy resources that also act as their own Scheduling Coordinator and/or do not have contractual terms to address the cap-and-trade obligation that would be imposed by this proposed rulemaking.⁶ Some of the Scheduling Coordinators for these resources are not already regulated under the Program and would potentially be subject to an after-the-fact assessment of cap-and-trade costs; they may not be able to be compensated for those costs under their contractual provisions. This outcome is not consistent with the signals the Cap-and-Trade program should send to encourage clean resources and their participation in the wholesale electricity markets. Additionally, AWEA California is concerned that it would be difficult for the ARB to assess when, and to what extent, negative imbalances are associated with EIM imports into California and to energy supplied to each generator. Thus, the proposed rulemaking would not result in any appreciable difference in the Cap-And-Trade program beyond the “bridge solution” that is in place today, but could place a new compliance obligation, with the associated financial obligations, on wind, solar and other clean generation sources in California.

Due to the additional time needed to adopt a durable secondary dispatch solution that has broad stakeholder support, the ARB should rely on the current interim bridge solution” through the 2020 emissions year. AWEA California also appreciates that the ARB does not wish to simply collect secondary dispatch information through the MRR and then remove a corresponding amount of allowances from the state cap-and-trade budget. AWEA California believes that on balance, it is more important to take the time needed to resolve these complex issues before implementing a solution that could have negative impacts on this important market. AWEA California looks forward to working with the ARB in implementing a solution to address the ARB’s concerns regarding secondary dispatch.

Respectfully submitted,

/s/

Danielle Osborn Mills
Director
AWEA California

⁶ See AWEA California March 1, 2018 Comments in EIM Stakeholder Initiative, available at: <http://www.caiso.com/Documents/ACCCComments-EIMGHGEnhancements-SecondRevisedDraftFinalProposal.pdf>