

September 14, 2016

**Comments of the Independent Energy Producers Association on
CARB's Proposed Amendments to the
California Cap on Greenhouse Gas Emissions and
Market-Based Compliance Mechanisms**

The Independent Energy Producers Association (IEP) submits these comments on the California Air Resources Board (CARB) *Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms* ("Proposed Amendments"), released August 2, 2016. IEP's brief comments below focus on (1) adding a definition of "affected electricity generating unit" to the regulation; in addition to (2) ensuring that CARB's greenhouse gas emissions accounting is transparent, accurate and avoids resource shuffling and double counting.

CARB's Regulations Should Define "Affected Electricity Generating Unit": The proposed amendments frequently reference the term "affected electricity generating unit," particularly those amendments that address compliance with the Federal Clean Power Plan (CPP) in Section 95859. However, as far as IEP can tell, the proposed regulation does not contain a definition of "affected electricity generating unit" (EGU). While IEP understands that affected EGUs are defined in more detail in the Federal CPP, and other related CARB documents, it would be helpful to have "affected electricity generating unit" explicitly defined in CARB's final cap-and-trade regulations. For example, CARB may want to create a place in the upfront definitions section of the cap-and-trade regulations (Section 95802) that defines what an affected EGU is, consistent with the Federal CPP. Alternatively CARB could define "affected electricity generating unit" by citing to the specific sections of the CPP that define an "affected EGU." Currently, the proposed amendments seem to cite to the CPP in general without referencing the specific sections of the CPP that define an "affected EGU". This definition is fundamental to the program design going forward and should be referenced in the definitions section of these regulations, even if duplicative of other related regulations. Accordingly, IEP recommends including a definition of "affected EGU" in Section 95802 of the Proposed Amendments.

CARB Should Ensure that GHG Emissions Reporting is Transparent, Accurate and Does Not Foster Leakage, Contract Shuffling or Double Counting. IEP has consistently advocated over the course of the cap-and-trade program for accuracy and transparency in GHG emissions accounting. In-state generators are subject to CARB's cap-and-trade program; they are directly reporting emissions out of the stack; and, they have a corresponding compliance obligation for each covered metric ton of CO₂ equivalent. Consistent standards must also apply to those that are importing power to serve California load otherwise California risks employing a market that fosters leakage and resource shuffling.

IEP supports CARB including changes in these proposed amendments to more accurately account for GHG emissions from out-of-state resources. For example, CARB is proposing a new

methodology to account for GHG emissions associated with electricity coming through the Energy Imbalance Market (EIM) to more accurately account for emissions from resources that are used to serve California's load. While IEP is not taking a position on the precision of the proposed methodology itself, IEP appreciates CARB's attempt to correct the current protocols and to ensure that all resources serving California load face similar and fair GHG compliance standards. To do otherwise ensures that in-state generators are at an extreme disadvantage in comparison to their out-of-state competitors. IEP supports modifying these methodologies where appropriate to ensure that there is a level and fair playing field between in-state and out-of-state resources and to confirm that reported emissions are representative of actual emissions. In pursuing these methodology changes, IEP recommends that the CARB keep the principles of accuracy, transparency, and emissions leakage minimization in mind.

IEP appreciates the opportunity to comment on the CARB's *Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms*.

Respectfully Submitted,



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