CRS center for resource solutions

October 23, 2013

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments of Center for Resource Solutions (CRS) regarding Proposed Amendments to the California Cap-and-Trade Regulation

Dear Members of the Board:

Center for Resource Solutions (CRS) appreciates the opportunity to comment on the September-October 2013 regulatory draft of the California Cap-and-Trade regulation.

Our comments are limited to proposed changes to Sections 95841.1 and 95852 of the regulation.

- We request additional clarification on the change to Sec. 95841.1(a). Please clarify whether this change will affect the vintage of RECs retired per this section, and how you anticipate this will affect program administration. There are at least two ways that the rules of other programs may make this requirement difficult to enforce and/or disruptive to the voluntary renewable energy market. First, WREGIS rules on certificate issuance would, for example, issue RECs for December 2014 generation in early 2015, meaning that if those December 2014 RECs were being used toward 2014 sales and VRE retirement was requested in 2014 for those sales, the applicant could not retire such RECs in 2014. Second, many voluntary renewable energy sellers procure supply and make REC retirements early in the year after the year for which they might request VRE retirements; for example, a voluntary renewable energy seller might purchase RECs in early 2016 in order to cover sales made in 2015, and if they then requested VRE retirement for their 2015 sales, they would only be able to retire the purchased RECs in 2016. If ARB wants to year match, the date of retirement is not critical; rather the year of generation in relation to the year to which VRE retirement is applied is important.
- At Sec. 95852(b)(2)(A), for clarity, we suggest taking the language from Sec. 95852(b)(2)(B)—"substitutions of high with low" instead of "substitutions of low for high." Currently, the two sections are written differently and somewhat unclearly.
- Regarding the change to the criterion for electricity importers to claim a compliance obligation for delivered electricity based on a specified source emissions factor at Sec. 95852(b)(3)(D), from "RECs must be retired" to "REC serial numbers must be reported," this change appears to be appropriate *provided that* 1) the importer is not itself delivering to load, *and* 2) the REC stays in state and the electricity is not wheeled out of state as zero emissions electricity. If the importer is delivering directly to end users, including for the RPS, then retirement of the REC should be required to prevent double counting. If the REC is traded out of state to be used in a different system by either the importer, an in-state LSE, or other entity after the REC has been reported by the importer to avoid a compliance obligation, then *there is double counting*. Only in the case that the importer is not delivering to load and simply using the REC to prove that the electricity was delivered into the state without emissions (avoiding compliance obligations) and when the REC is exclusively traded and used in state is "reporting" sufficient. The in-state LSE isn't regulated for imports, so there wouldn't be double counting of the REC under the cap-and-trade in this case. For our comments on the RPS adjustment section of the regulation (Sec. 95852(b)(4)), see our comments further below.

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- Please clarify how double counting will be avoided if the REC is sold out of state or power is wheeled out of state as zero emissions after "reporting" by the importer per Sec. 95852(b)(3)(D). How will ARB track the REC to make sure it stays in state and, in the case that the power is wheeled out of state, how will ARB prevent double counting?
- We suggest that the language of the Sec. 95852(b)(3)(D) be amended further to include the underlined text: "If RECs were created for the electricity generated and reported pursuant to MRR, then the REC serial numbers must be reported and verified pursuant to MRR and shown to be used in California."
- Please also clarify when this reporting will occur, and when the serial numbers will be posted publically. We suggest that public posting of serial numbers occur (or that these serial numbers be otherwise made publically available) in as close to real time as possible. If there is a time lag, there may be several other parties that transact the REC before it is made known that it only has GHG value if used within California.

- We support changes to Sec. 95852(b)(4).
- We strongly encourage ARB to adopt changes to Sec. 95825(b)(4)(B) as proposed, and *not* to remove the requirement for REC retirement included in the proposed changes in favor of "reporting of REC serial numbers." Compliance with the CEC's requirements for RPS verification, including REC retirement, is the only way to prove that electricity claimed for the RPS adjustment was used for the RPS. If ARB were to change this section to remove the requirement for retirement in favor of reporting, as has been recommended by several commenters during this comment period, ARB would still need to check with the CEC to ensure retirement, but in this case there would be a significant time differential between reporting for ARB and verification by the CEC. There could in fact be multiple years between the year of RPS adjustment claim and the CEC's verification, and if it was found by the CEC that there was no retirement, it would be several years after the RPS adjustment claim was made. For these reasons, we again strongly recommend that the proposed changes to Sec. 95825(b)(4)(B) be adopted, including the requirement for REC retirement pursuant to PUC 399.25.

Please feel to contact us with any questions about these comments, or if we can otherwise be of assistance.

Sincerely,

Todd Jones
Green-e Climate Manager