CalWEA

California Wind Energy Association

January 11, 2016

California Air Resources Board
1001 I Street
Sacramento, CA 95812-2828

Re: Comments following December 14, 2015, Public Workshop on CA Plan for Compliance with the Clean Power Plan and Potential 2016 Amendments to the Cap-and-Trade Program Relating to Electric Sector Emissions

I. INTRODUCTION AND SUMMARY

The California Wind Energy Association (CalWEA) appreciated the December 14, 2015, workshop discussion regarding the ARB's development of its Clean Power Plan compliance proposal for California and related amendments to the electricity sector of the ARB's Cap-and-Trade Regulations. We offer the following thoughts related to the treatment of electricity from renewable energy facilities that may be imported into California's electricity system, or directly interconnected to an expanded Western grid serving California under different possible Western carbon market constructs.

CalWEA is a trade association supported by wind energy project owners and developers serving the California market, both from locations within the state and regionally.

In summary, our comments are as follows:

- Substantial benefits to California ratepayers will accrue from tapping Western regional renewable resources to supply the state's renewable electricity needs and help achieve its carbon goals;
- To ensure that these benefits can be captured, the ARB should continue to make the RPS Adjustment available until an accounting system is developed that can comprehensively track renewables and associated attributes on the Western grid;
- The ARB should consider whether to seek the expansion of the WREGIS accounting system such that it can function like the PJM's GATS system, so that accounting deficiencies do not prevent the use of low-cost renewables in achieving our carbon-reduction goals.

II. COMMENTS

1. Substantial Benefits to California Ratepayers Will Accrue from Tapping Western Regional Renewable Resources to Supply the State's Renewable Electricity Needs And Carbon Goals

A recent study by PacifiCorp and CAISO[1] demonstrates that enabling access to high-quality, low-cost wind resources in the WECC region can significantly reduce the cost of achieving California's 50% RPS goal. Specifically, it found that up to $691 million in annual benefits to California ratepayers could accrue by 2030 by accessing out-of-state wind energy – 77% of the benefits from a CAISO-PacifiCorp merger under the high-benefits case (which assumes federal and state environmental policy developments). These savings are due, in part, because regional wind will reduce the marginal curtailment faced by new solar PV projects by one-third by 2030.[2] (Similar results could have been achieved utilizing in-state wind resources, but local and federal land-use decisions have unfortunately largely precluded this option.[3])

Note that the PacifiCorp-CAISO study presumed that out-of-state renewables must be delivered with new transmission lines. However, if the CAISO-PacifiCorp merger goes forward, renewable energy direct deliveries to the newly established Western ISO could be made over existing lines or with limited upgrades to existing lines, as well as RPS Product Content Category 2 (a.k.a. "Bucket 2") import transactions.

2. To Ensure that These Benefits Can be Captured, the ARB Should Improve the "RPS Adjustment" and Seek to Establish an Accounting System that Can Properly Track Renewables on the Western Grid

Should the CAISO and PacifiCorp merge their balancing authority areas to create a Western ISO, it would enable some out-of-state renewable resources to directly interconnect to the electrical system serving California. This would convert some Bucket 2 imports into direct deliveries, thus obviating the need for the "RPS Adjustment" in these instances. However, unless and until the Western ISO expands to cover the entire WECC region, there will still be renewable resources in the WECC region that cannot directly interconnect to the Western ISO and thus will need to seek RPS Bucket 2 status by arranging for "firmed and shaped" imports into the expanded Western ISO.

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[1] PacifiCorp, CAISO, "Regional Coordination in the West: Benefits of PacifiCorp and California ISO Integration" (Table 3), October 2015. (Available at: https://www.caiso.com/Documents/StudyBenefits-PacifiCorp-ISOIntegration.pdf.)

[2] *Ibid.*

[3] See Nancy Rader and Michael Gerrard, "Wind Energy is Being Unfairly Held Back in California," *Sacramento Bee* (November 2, 2015). (Available at: http://www.sacbee.com/opinion/op-ed/soapbox/article42298299.html#storylink=cpy.)

Therefore, so that utilities and their ratepayers can continue to obtain the economic benefits from Bucket 2 resources as anticipated in SB 350, it is critical that the ARB continue to make the RPS Adjustment available for these resources, at least in the interim until an improved tracking system can be developed to track these and other resources. While CalWEA agrees it is essential to guard against double-counting of emission benefits from Bucket 2 transactions, there are several possible options for improving the RPS Adjustment, many of which were shared at the October 2, 2015, ARB workshop. CalWEA agrees with those that suggested at the December 14, 2015, workshop that it is prudent for ARB to convene a joint workshop including CPUC and CEC so that the RPS and Cap-and-Trade programs can be effectively coordinated, preserving the integrity of each respective program.

Further, and possibly of much greater importance, it will be essential to develop an accounting system to ensure that there is no double-counting of renewable resources among the Clean Power Plans developed and implemented by the various Western states. If all states in the WECC develop and use the same mass-based carbon accounting system, accounting discrepancies should be resolved. But we cannot, at this point, predict that outcome, and that outcome may not be known for several years. Moreover, the ultimate outcome may not be a uniform mass-based system, given the possibility that not all Western states may participate in California's likely mass-based cap-and-trade system. Since California operates within an interconnected Western electrical grid, it is very important that the ARB consider the need for a more robust Western accounting system for electricity than presently exists under the Western Renewable Energy Generation Information System (WREGIS).

3. **The ARB Should Consider Whether to Seek the Expansion of WREGIS Such That it Can Function Like the PJM's GATS System**

While the WREGIS system tracks only renewable energy generation, PJM's GATS tracks all generation sources, including the source's owner, location, fuel source, air emissions rate, eligibility for state environmental programs and other relevant information.[4] Therefore, GATS can provide generation owners, electric suppliers and states with a tool to validate environmental claims. According to PJM:

> The certificates, the accounting system and a separate market for certificates can support diverse state policy initiatives and market needs. For instance, as adjoining states adopt comparable public policies, certificates can be traded across state and regional boundaries…. Electricity suppliers can use the system

[4] *See* http://www.epa.state.il.us/air/climatechange/documents/subgroups/power-energy/gats-fact-sheet.pdf

to track their total emissions and to buy low-emission certificates to offset their high-emission generation in order to comply with emissions standards.[5]

With disjointed carbon markets across multiple Western states, this type of system may be needed to accurately track and provide credit for renewable and other generation sources. Without such a system, the benefits of low-cost regional wind resources could potentially be lost.

III. CONCLUSION

If long-term assurance can be provided for proper tracking of interstate transactions, there would be less cause for concern over an interim solution for Bucket 2 resources, such as the investor-owned utilities have proposed.[6] CalWEA is perplexed at the suggestion, stated on the fifth slide of the ARB's RPS Adjustment presentation that "the purpose of the RPS program … [is] distinct from Cap-and-Trade Program's role to provide cost-effective GHG emissions reductions." The RPS has always been one of the pillars of achieving AB 32's carbon-reduction goals. Therefore, it is essential that we not let accounting deficiencies stand in the way of accessing low-cost means of achieving our carbon-reduction goals.

We look forward to exploring these issues with the ARB in the coming months.

Sincerely,

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[5] *Ibid.*

[6] See PG&E, SDG&E and SCE letter to the ARB dated October 19, 2015; available at: http://www.arb.ca.gov/lists/com-attach/17-ct2016amendments-ws-VD1cNVMnVlpXMgdo.pdf.