Sempra Generation

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Mr. Kevin Kennedy, Ph.D., Assistant Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95812

Attn: Clerk of the Board

Re: Sempra Generation Comments on the Regulation for Mandatory Reporting of Greenhouse Emissions, 17 Cal. Code Regs. Secs. 95100 etc

Dear Mr. Kennedy,

The California Air Resources Board (CARB) is preparing to adopt amendments to Subchapter 10, Article 2, section 95111, title 17, California Code of Regulations, regarding mandatory reporting of GHG emissions for Electricity Generating Facilities. Sempra Generation offers the following comments on the draft final regulation for CARB's consideration in adopting the final rule and subsequent rulemaking.

Specification of GHG Emission for Out-of-State Resources

Sempra Generation is an independent power producer which operates a fleet of clean, efficient gas-fired combined cycle generators directly serving the California energy market. These resources include plants located in southern Nevada, Arizona and northern Baja Mexico, which have historically sold all but a small percentage of their output to California, and are therefore not the subject of regional emissions leakage or shuffling concerns associated with AB32 implementation[1]. A portion of the power from Sempra Generation's combined cycle plants in southern Nevada and Arizona is dynamically scheduled directly to the California Independent System Operator (CAISO), with the majority transmitted via static interchange schedules from their host balancing authority areas to the CAISO[2]. NERC E-Tags are generated for these sales as required for transactions between balancing authority areas. Sempra Generation's combined cycle plant in northern Baja, Mexico, Thermoelectrica de Mexicali (TDM) is directly connected to the California electric grid, and its power is directly scheduled into the CAISO system. As with plants located inside the CAISO control area, E-tags are not generated for sales from TDM. Power from these facilities may be imported directly by Sempra Generation or by purchasing retail providers, with each respectively being the first deliverer under AB32.

Sempra Generation's asset portfolio also includes renewable generation. Output from Sempra Generation's two existing PV solar projects in Southern Nevada (totaling 58 MWs) is sold under long term contract to a California retail provider. Output from Sempra Generation's Energia Sierra Juarez (ESJ) wind project, in development in northern Baja Mexico, would be delivered to a new point of interconnection inside the U. S. (the ECO Substation is currently under review for approval by the California Public Utilities Commission). Power from ESJ would be scheduled directly into the CAISO system, without E-tags. Output from all the renewable projects may be sold directly to California pursuant to bilateral contracts with California retail providers without requiring firming or shaping.

Sempra maintains separate project companies for each of its wholly owned projects. All power from the gas-fired power plant companies is contracted to Sempra Generation. Sempra Generation in turn contracts with California retail providers or sells power into the CAISO spot markets.

GHG emissions data from Sempra Generation's combined cycle plants in Nevada, Mexico and Arizona have been voluntarily reported through the California Climate Action Registry and

[1] In 2009, over 99% of the plant output from these resources was sold to California retail providers or the CAISO spot markets.
[2] Dynamic interchange schedules may fluctuate in magnitude throughout the operating hour every 4 seconds. Static schedules represent a fixed amount of energy scheduled to flow across an intertie between adjacent balancing authority areas for the hour.

independently verified. GHG emissions data from the combined cycle plants in Nevada and Arizona are provided under the EPA Mandatory Reporting Rule, while emissions from TDM will continue to be reported through the California Climate Action Registry.

Sempra Generation would like to ensure that output from its facilities will be treated as specified power applying plant specific emission rates and, in the case of the renewables projects, with zero GHG emissions.[3] We believe the existing regulation provides, or is intended to provide, for this result. (See e.g., Sec. 95111(g)(3) and (4)). However, to avoid future confusion, Sempra Generation requests that clarifying amendments be included in the foreseen follow-up amendments to the regulations that could be adopted after an additional 15-day notice. We believe that the purposes of AB32 are best served by encouraging and providing recognition for all lower GHG emitting sources selling power to California loads. The proposed reporting rule allows retail providers to specify plant-specific emission rates for their contracts with out-of-state generators. However, the Rule should also clearly provide independent power producers and marketers such as Sempra Generation, the option to specify their plant-specific emission rates for sales into the California market. These emission rates should be used to define the First Deliverer (FD) compliance obligation under the ARB Cap and Trade system. As contract commitments change over time, it is appropriate that these plant-specific emission rates continue to define the FD obligation for associated power sales to the California market, whether to specific retail providers, or on a spot basis through the California Independent System Operator.

In order to facilitate the use of the plant-specific emission rates in the Cap and Trade system, CARB should also clarify that GHG emission data from facilities outside the U.S. reporting and independently verified through the California Climate Action Registry may be used to defining Cap and Trade obligations for plants importing power into California that are not subject to EPA Mandatory Reporting Requirements.

[3] Sempra Generation has received CEC renewable certifications or pre-certifications for all of the renewable projects.

Thank you for considering these comments. If you should have any questions you may contact me at (619) 696-2962, or Taylor Miller at 916) 492-4248.

Sincerely,

Shawn Bailey

Cc: James Goldstein, Executive Officer
Mr. Doug Thompson, Manager, Climate Reporting Section