

**Comments of the Western Power Trading Forum
To the California Air Resources Board
On Public Information Sharing**

February 8, 2013

Clare Breidenich
WPTF GHG Committee Director
Email: cbreidenich@aciem.us

The Western Power Trading Forum¹ (WPTF) appreciates the opportunity to provide input to the California Air Resources Board (CARB) on information to be made public under the California Cap and Trade Program.

WPTF recognizes the value of providing timely, accurate and 'symmetric' information to carbon market participants and other stakeholders in the cap and trade program. To this end, we support the proposal by staff to create a dedicated page on the CARB website to share public information at pre-arranged times and to use an email list-serve to notify stakeholders of the pending publication of information releases, in order to ensure that all interested parties may access the information at the same time.

However, we take issue with the premise that the publication of more information is necessarily better than less. In WPTF's view publication of certain information, in particular information on the account holdings of individual entities, is inappropriate due to the business confidential nature of that information, and could result in misuse by other participants seeking a commercial advantage.

We provide detailed comments on the appropriateness of publishing various information types below.

Allocation information: Information on aggregate annual allocation to industrial sectors and individual allocation to electric utilities is already public under the regulation. CARB staff proposes additionally to publish annual information on the determination by each publicly owned utility on the proportion of its allocation consigned to each auction and the proportion moved to compliance accounts. WPTF supports this proposal, as it will provide useful information to the market on the supply of allowances available. Additionally, WPTF recommends that CARB similarly publish information, in advance of each auction, on the proportion of each Investor-Owned Utilities allocation that is consigned to that auction. All allocation information should be compiled and published on the designated webpage.

Compliance obligation information: CARB's current practice is to publish annual verified emissions data for each covered facility and electric power entity under the cap and trade program on its website. Staff proposes additionally to publish annual emissions data for individual entities registered with the Compliance Instrument Tracking System Service (CITSS). WPTF considers that accurate and timely information on emissions subject to the cap and trade program is critical for accurate analysis of supply and demand in the carbon market. Given the fact that cap and trade compliance obligations are tied to covered

¹ WPTF is a diverse organization comprising power marketers, generators, investment banks, public utilities and energy service providers, whose common interest is the development of competitive electricity markets in the West. WPTF has over 60 members participating in power markets within California, western states, as well as other markets across the United States.

entities, rather than individual facilities, WPTF supports publication of emissions by covered entity. These emissions reports should clearly distinguish compliance emissions (i.e. those emissions that result in a carbon obligation under the cap and trade program) from total emissions. Additionally, we recommend that CARB clearly publish total annual emissions by individual sectors covered by the cap and trade program. Emissions data should be published as soon as possible after verification.

CITSS Registration Information: The regulation currently provides for publication of CITSS entity information, but not information on individual users of CITSS accounts (i.e. account representatives). Staff proposes that in the case that a voluntary associated entity is an individual, the name of that individual would be published, but notes that this would require a change to the regulation. Staff also proposes to publish the names of registered entities on its website and update monthly.

WPTF does not object to publication of the names of individual registered as voluntary associated entities nor to the publication and regular update of names of registered entities. However, under no circumstances should the names of individual users associated with covered entity accounts or voluntary associated entities that are not individuals be published.

CITSS Account Information: WPTF understands that, in response to concerns raised by the Environmental Justice Community regarding information on the compliance of covered entities under the cap and trade program, CARB staff proposes to publish information on the quantity of units held in entity compliance accounts, and seeks feedback on the frequency of this publication. CARB is also considering whether to publish information on quantity of units in entity holding accounts.

WPTF strongly opposes publication of information on units in individual compliance and holding accounts. Publication of information on the quantity of units held by an entity in its holding and compliance accounts would allow other entities to deduce whether that entity market position is 'long' or 'short' relative to its anticipated compliance obligation. While information on whether the overall market is long or short relative to demand (total emissions) is useful, knowledge of an individual entity's market position could convey commercial advantage or negotiating leverage to other market participants. In recognition of the sensitivity of this information, entity account information is not published under the European Emission Trading Program.²

CARB recognizes that the public has a legitimate interest in the compliance of covered entities with the cap and trade program, and would support publication of some

² See Annex XIV, at http://ec.europa.eu/clima/news/docs/reg_reg_amendment_en.pdf

information pertaining to retirement (see comments under “Compliance Information” below). However, because moving a unit to a compliance account is a separate and distinct step from retiring a unit, information on units in the compliance account will not be a reliable indicator of an entity’s compliance. This is due to the fact that a) the regulation allows an entity to move units to their compliance account in advance of and in excess of their compliance obligation, and b) the compliance account holds units *available* for compliance – not units applied for compliance. Thus, there will not be a correspondence between units in the compliance account and an entity’s compliance obligation. Actual retirement of units to cover entities’ emissions is a discrete step conducted by CARB, following determination of each entity’s compliance obligation.

WPTF supports the publication of aggregated information on quantities of compliance instruments in all entity compliance and holding accounts, but urges that CARB keep information on individual holding and compliance accounts confidential. As section 95921(e)(4) of the regulation refers to compliance accounts in the plural, we believe that publication of aggregated compliance account information is consistent with the regulation and would not require a rule change.

Compliance Information: As noted above, WPTF recognizes that the public has a legitimate interest in information about the compliance of covered entities with the cap and trade program. WPTF supports publication of information, following completion of each compliance interval, on the aggregate quantity of instruments, by instrument type and vintage, that have been moved from entity holding accounts to the retirement count. We would also support publication of information on each entity’s compliance status following each compliance interval. We believe that publication of this information is sufficient to address the public interest in transparency regarding program compliance, but avoids disclosure of commercially sensitive information on market activity of individual entities.

Auction Information: The availability of timely and accurate information on auction clearing prices and volumes is essential to participants in the carbon market. WPTF appreciates the effort of CARB staff to publish auction summary information within 5 days of the first auction on November 14th. Unfortunately, as we now know, that summary information was inaccurate in that it was inappropriately based on all submitted bids, rather than qualified bids only. As a result, the initial summary information grossly overstated auction demand. The publication of a revised auction summary on December 6th, rectified the bid numbers, but caused additional confusion because it provided no explanation for the unqualified bids. This explanation was not known until two weeks later when information on the Southern California Edison bid error became public.

The effect on this incorrect information on the market can be seen by comparing carbon prices going into the auction, and following the release of auction information and later

corrections. Prior to the auction, forward allowance price were low, then moved upward after initial auction results were released, due to market perceptions of high demand. Following release of the corrected auction results, prices dropped off slightly (25 – 35 cents) in inter-day trading, but dropped significantly (over \$1) following press coverage of the Southern California Edison bidding error.

In order to avoid price fluctuations caused by dissemination of erroneous auction information in the future, WPTF recommends that CARB restrict publication of auction summary statistics to qualified bids. This may require additional time, but we believe that the value of correct information outweighs the cost of a small delay in publication.

Transaction Information: CARB staff have identified four options for publication of transaction information: 1) All individual transactions without account names or numbers, including reported prices 2) aggregate volume and price information only, 3) transactions that were reported as ‘spot’ only (note that reporting of contract type and venue are optional in CITSS) and 4) value in volumes for which a zero price is reported. CARB also seeks stakeholder feedback on the value of collecting and reporting optional self-reported data.

WPTF does not oppose publication of bulk information on individual transactions (option 1) or aggregated information (option 2) on a frequent basis, provide that identification of individual account names is kept confidential. Option 3 concerns us, because it would publish information that is optionally reported, and as such, will not be representative of the entire market. We also oppose option 4, because we have no confidence in the accuracy of reported price information. As WPTF has noted in previous submissions, the physical transfer of compliance instruments that is reflected in CITSS may be the final outcome of multiple forward buy and sell transactions. In these cases, the price reported by the entity may reflect the final transaction, an average of all transactions price, or some other representative value. Because the CITSS system will not capture information on forward transactions, price information collected and published from CITSS will be incomplete and most likely inaccurate; better price information is available from the carbon exchanges. For this reason, we discourage CARB from publishing reported transaction price information, or information that is filtered based on reported prices.

Offset Project Information: WPTF supports the staff proposal to publish information on offsets issued by project type and vintage on a designated page of the CARB website. We also support publication of information on the invalidation periods for various project types, and information on any the quantity, vintage and vintage of any invalidated units.