



CRS

center for
resource
solutions

August 2, 2013

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Re: Comments of Center for Resource Solutions (CRS) regarding the July 2013 Discussion Draft of the California Cap-and-Trade Regulation

Dear Members of the Board:

CRS appreciates the opportunity to comment on the July 2013 Discussion Draft of the California Cap-and-Trade regulation, presented at the July 18, 2012 Public Workshop to Discuss Proposed Amendments to the California Cap-and-Trade Program.

Our comments are limited to proposed changes in 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. And 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 FJD 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 then trading the REC 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. Please clarify whether you agree.

Please also 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 FJD per this Section. How will ARB track the REC to make sure it stays in state or whether the power is wheeled out in order to prevent double counting?

- We support changes to Sec. 95852(b)(4).

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Todd Jones', with a stylized flourish at the end.

Todd Jones
Green-e Climate Manager