July 7, 2023

Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, California 95814

RE: Joint Utilities Group Comments on Potential Amendments to the Cap-and-Trade Regulation

Dear Ms. Sahota:

The "Joint Utilities Group"[1][2][3][4][5] (JUG) appreciates the opportunity to offer comments on the Joint California-Quebec workshop hosted by the California Air Resources Board (CARB) on June 14, 2023, to discuss potential amendments to each jurisdiction's Cap-and-Trade Regulation. The JUG consists of the electricity sector's investor-owned, publicly-owned, and electric cooperative utilities in California. We look forward to working with CARB staff and stakeholders in the upcoming public process to design modifications to the Cap-and-Trade Program that will help facilitate the achievement of California's ambitious climate goals while minimizing impacts to consumers and businesses.

<u>Alignment with the Scoping Plan</u>

The JUG continues to support a well-designed Cap-and-Trade Program as an essential element of California's suite of climate policies. In order to achieve carbon neutrality by 2045 as required by SB 1279, CARB's 2022 Scoping Plan Update (SPU) lays out an ambitious pathway for decarbonizing California's economy. To help determine the extent of the Cap-and-Trade Program's role to achieve the SPU targets, the JUG supports the modeling effort proposed by CARB to consider allowance supply and demand for the joint Cap-and-Trade market under different scenarios. **Including scenarios that go out to both 2030 and 2045 will be necessary**

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[1] Pacific Gas & Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, Sacramento Municipal Utility District, Los Angeles Department of Water and Power, Turlock Irrigation District, Liberty Utilities, Bear Valley Electric Service, the Northern California Power Agency, Southern California Public Power Authority, Golden State Power Cooperative, and the California Municipal Utilities Association

[2] The Northern California Power Agency (NCPA) is a nonprofit California joint powers agency established in 1968 to construct and operate renewable and low-emitting generating facilities and assist in meeting the wholesale energy needs of its 16 members: the Cities of Alameda, Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto, Redding, Roseville, Santa Clara, Shasta Lake, and Ukiah, Plumas-Sierra Rural Electric Cooperative, Port of Oakland, San Francisco Bay Area Rapid Transit (BART), and Truckee Donner Public Utility District—collectively serving nearly 700,000 electric consumers in Central and Northern California.

[3] The Southern California Public Power Authority (SCPPA) is a joint powers agency whose members include the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District. SCPPA Members collectively serve nearly five million people throughout Southern California. Each Member owns and operates a publicly-owned electric utility governed by a board of local officials who are directly accountable to their constituents.

[4] The California Municipal Utilities Association is a statewide organization of local public agencies in California that provide electricity and water service to California consumers. CMUA membership includes publicly-owned electric utilities that operate electric distribution and transmission systems. In total, CMUA members provide approximately 25 percent of the electric load in California.

[5] Golden State Power Cooperative (GSPC) is the association representing California's rural electrical cooperatives: Anza Electric Cooperative, Plumas-Sierra Rural Electric Cooperative, and Surprise Valley Electrification Corp.

for a proper evaluation of how best to align the Cap-and-Trade program with the trajectory laid out in the SPU. The JUG also supports evaluating opportunities to align the Cap-and-Trade program's treatment of carbon capture and storage (CCS) and carbon dioxide removal (CDR) with the SPU recommendations, as well as with executive, and legislative direction on CCS and CDR.

Utility Allowance Allocation

The success of CARB's Scoping Plan will depend in large part on ensuring that clean, reliable, and affordable electricity is available to decarbonize California's economy, including the transportation, buildings, and industrial sectors. **Continued and dependable allowance allocation to electric utilities is critical to support the expansion of a clean, reliable electricity grid that is also affordable. It is imperative that electricity is accessible for all Californians and especially for our vulnerable and low-income communities.** To date, the majority of California's greenhouse gas emissions (GHG) reductions have been achieved by the electricity sector as illustrated in CARB's annual inventory report: "California Greenhouse Gas Emissions for 2000 to 2020".[5] California utilities have accomplished this through aggressive investments in new renewable energy resources, the development of low- and zero-carbon resources and divestment of high-GHG-emitting generating resources. California's electricity ratepayers bore the brunt of the cost burden for these efforts, many of which were "early actions", and will continue to bear the costs of electrifying other sectors of the economy.

Allowance allocation has helped to ease the burden on electric ratepayers. From 2013 through May 2023, the Cap-and-Trade Program has brought nearly $15 billion in utility proceeds to be used for the direct benefit of electric utility customers.[6] While some of the proceeds have yet to be spent, most of the IOU's nearly $13 billion has gone to IOU customers in the form of bill credits; these climate credits have helped offset escalating energy bills and the impact of recent price spikes that California utility customers faced. The state's publicly owned utilities and electric cooperatives have spent over $800 million between 2013 – 2021 to fund a wide range of programs that reduce GHG emissions, encourage energy efficiency, and offset increasing utility bills for vulnerable and low-income customers[7]. The JUG urges CARB to keep in mind the importance of ensuring that energy is affordable for all Californians, and the importance of these decarbonization efforts when evaluating any potential changes to allowance allocation to electric utilities.

[5] California Greenhouse Gas 2000-2020 Emissions Trends and Indicators. California Air Resources Board. https://ww2.arb.ca.gov/sites/default/files/classic/cc/inventory/2000-2020_ghg_inventory_trends.pdf
[6] https://ww2.arb.ca.gov/sites/default/files/2020-09/proceeds_summary.pdf
[7] See Figure 2b of https://ww2.arb.ca.gov/sites/default/files/cap-and-trade/allowanceallocation/edu_2013to2021useofvaluereport.pdf

Maintaining a Well-Designed Market

A well-designed Cap-and-Trade market provides regulatory certainty that encourages investment in emission reduction technologies and strategies, which is essential for achieving CA's ambitious climate goals. To continue providing this important regulatory certainty, CARB should maintain the current market design, including the ability to bank allowances, which has successfully delivered emissions reductions to date. The JUG continues to support retaining strategic market design features such as those enshrined in AB 398 including cost containment provisions (price ceiling, "speed bumps", offsets). Those design features protect consumers and encourage expansion of the market through linkage with other jurisdictions. The JUG also supports consideration in this rulemaking of mechanisms such as an emissions containment reserve or similar tools found in other well-designed markets worldwide.

EIM/EDAM GHG Accounting

The JUG appreciates that the upcoming Cap-and-Trade rulemaking will include coordination with CAISO regarding their real-time Energy Imbalance Market (EIM) and Extended Day-Ahead Market (EDAM). Some stakeholders, including members of the JUG, are exploring alternative approaches to improve market GHG emission accounting and reduce leakage. These alternate approaches rely on adopting a different interpretation of whom the "First Jurisdictional Deliverer" (FJD)[8] is for electricity delivered into California via the EIM or EDAM markets. The JUG requests CARB consider the definition of the FJD during this rulemaking process. The JUG is available to walk through this analysis with CARB and CAISO staff to show how a different FJD interpretation could open the door to improving the accuracy of GHG emissions accounting and reducing leakage. Please see the comment letter from the Los Angeles Department of Water & Power (LADWP) for additional details on this topic, specifically the implications of defining the FJD as "the immediate downstream purchaser or recipient of electricity from a non-jurisdictional electricity importer".

Conclusion

The JUG reiterates its support of a well-designed California Cap-and-Trade program that aligns with the SPU's trajectory to achieve statewide decarbonization and carbon neutrality while balancing the need to ensure a reliable and affordable electricity supply.

We look forward to working with CARB in the upcoming rulemaking on how to achieve these objectives.

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[8] The Western Climate Initiative defines FJD as "*The owner or operator of an electricity source in a Partner jurisdiction, or an electricity importer that is jurisdictional to the program authority* ***or the immediate downstream purchaser or recipient of electricity from a non-jurisdictional electricity importer"*** **[emphasis added].**