Comments of the Western Power Trading Forum

to the California Air Resources Board

on Potential Changes to the Cap-and -rade Program

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The Western Power Trading Forum[1] (WPTF) welcomes this opportunity to provide input to the California Air Resources Board (CARB) on its consideration of amendments to the cap-and-trade program. While our comments below address only issues raised at the July 27th workshop, we request that CARB provide additional information on the scope of the upcoming rulemaking. Specifically, WPTF seeks clarity with respect to CARB's intention regarding changes necessary to accommodate launch of the California Independent System Operator's Extended Day Ahead Market.

Adjustment to program caps for the 2025-2030 period.

WPTF appreciates the information provided by CARB staff at the July 27th workshop regarding the range of possible total adjustments to the cumulative 2021-2030 program budget, and options for achieving these adjustments through reductions in the annual caps for 2025 -2030. We do not take a position on the level of cumulative program budget reductions, but instead support an approach that ensures predictably of allowance supply and avoids allowance prices shocks. To this end, we urge CARB to adopt any changes to the 2025-2030 budgets as soon as possible.

WPTF also noted with interest the fact at there are currently 156 million allowances in the Allowance Price Containment Reserve that were carved out of the 2021-2030 program caps, and 77.7 million allowances held in the Price Ceiling Allowance Account. We do not provide any comments at this time about whether the reduction in program budgets should be effectuate by removing allowances solely from the supply available to the market, i.e. the amount allocated to covered entities and auctioned, or in part from the APCR or price ceiling supply. However, we support a thorough economic analysis and comparison of the relative allowance price impacts of reducing the allowance supply in the various pools. Additionally, we recommend that CARB consult with former members of the Emissions Market Assessment Committee on the impacts of these approaches.

WPTF also cautions CARB regarding the extent to which the supply of banked allowances should be factored into decisions about the overall reduction in 2025-2030 program caps, as this banked supply may be important to mitigate allowance price spikes that may occur due to the cap reductions.

Disposition of allowances

WPTF also wishes to comment on possible changes to the allocation of allowances to various pools for the 2025-2030 period.

WPTF continues to support free allocation of allowances to electric utilities for ratepayer benefit, in conjunction with oversight by CARB and the California Public Utilities Commission on use of allowance value. However, all utilities that participate in any of the CAISO-operated organized markets should be required to consign their freely allocated allowances to auction. WPTF does not consider this to be a matter of market transparency, but rather as necessary to ensure that utilities bid their owned and contracted generation competitively into those markets. Given, as CARB noted

[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 80 members participating in power markets within California and elsewhere across the United States.

that POUs and cooperatives are not currently required to consign allowances to auction, but that most do, this requirement would not be burdensome to those utilities.

With respect to CARB'S proposal to allocate allowances directly to energy-intensive, trade-exposed industries (EITEs) to offset their costs for electricity consumption, WPTF conditionally supports this proposal, provided that EITEs are required to consign those allowance to auctions so that they are available to entities with compliance obligations.

Lastly, WPTF recommends that CARB eliminate the Voluntary Renewable Energy (VRE) provisions after 2024. Based on the information that staff provided regarding the extent to which entities have accessed the VRE set-aside (only 1.9 million of the VRE's 7 million allowances have been retired), there is clearly not much demand for these provisions.