



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

October 26, 2023

**Filed Via Web Portal:** <https://ww2.arb.ca.gov/public-comments/california-public-workshop-potential-amendments-cap-and-trade-regulation-0>

**To: California Air Resources Board**

**Re: Comments on CARB's Potential Amendments to the Cap-and-Trade Regulation**

The Bonneville Power Administration (BPA) appreciates the opportunity to provide comments on the California Air Resources Board's (CARB) potential amendments to the cap-and-trade regulation presented at CARB's October 5, 2023 public workshop. BPA is a federal power marketing administration located in the Pacific Northwest. BPA sells surplus power to California and is registered with CARB as an Asset Controlling Supplier (ACS). BPA is a participant in the California Independent System Operator's (CAISO) energy imbalance market (EIM) and has been actively engaged in the CAISO's Extended Day Ahead Market (EDAM) stakeholder process. In addition, nearly fifty percent of the power BPA markets is sold into the state of Washington and BPA purchases balancing power from trading partners in Washington. BPA is interested in finding harmonized solutions between California's cap-and-trade program and Washington's cap-and-invest program. BPA is providing comments on several of the topics that CARB presented on in the October 5 workshop.

### **1) Outstanding emissions calculation for deemed resources from the CAISO**

BPA appreciates CARB's efforts to refine the EIM Outstanding Emissions calculation based on recent updates to the EIM and EDAM GHG accounting design. However, BPA believes CARB should take a step back and define what *does not* constitute leakage to provide direction to the CAISO on market design that would meet requirements of California's cap-and-trade program. BPA suggests that CARB host a workshop to discuss this further with interested parties.

In the context of an organized market, BPA believes the risk of emissions leakage should be minimal where: 1) there is a pre-arranged contractual commitment to load in a state or 2) for resource amounts that are surplus to an individual entity's load obligations and other contractual commitments.

With regard to the potential changes to the outstanding emission calculation that CARB presented, BPA requests that CARB clarify if the proposed calculation is intended to be a summation of the calculation for each participating resource that was deemed to the state. BPA understands CARB's calculation to identify that when amounts from a resource are attributed to California below the resource's base schedule (EIM) or energy schedule (EDAM) then CARB believes there is secondary dispatch occurring and thus emissions leakage. BPA believes this assessment would need to be calculated on a resource-by-resource basis, and then summed up for all resources that the market deemed to California. This is important because there may be surplus power available for an individual resource that can be attributed to the state at any given time, while at an aggregated level for all participating resources outside the state there may not be surplus power (or vice versa).

BPA also suggests CARB enable a pathway for attributing unspecified source power from a market to California. With additional states enacting carbon pricing programs and clean energy mandates, the demand for clean energy across the West is increasing. At the same time, efforts by markets to limit secondary dispatch will result in a decreased supply of clean resources available to meet load in California. BPA foresees the possibility that this will at times result in lack of available specified resources to meet load in California. This is a possibility that the CAISO foresaw as well, hence the CAISO's market design relaxes secondary dispatch constraints where it might pose reliability or pricing risks. Rather than relax secondary dispatch constraints, BPA believes deeming unspecified source power attributable to California would be more appropriate and at times also the more cost-effective outcome for load in California.

## **2) Unspecified Emission Factor**

As part of this rulemaking, BPA recommends that CARB consider updates to the unspecified emission factor for power imported into California via both the bilateral market and an organized market. There have been several fossil fuel generators that have retired and significant renewables development since the Western Climate Initiative developed and CARB adopted the currently utilized default emission factor over a decade ago.

## **3) Reciprocity with Washington**

BPA encourages CARB to work with the Washington Department of Ecology to minimize double counting of emissions and carbon costs. BPA supports an approach similar to the Quebec cap-and-trade approach versus relying on the other jurisdiction (Washington) to take action.

BPA seeks clarification in terms of how this would apply to emissions from sources located in the state of Washington that are included in BPA's ACS reporting and emissions factor.

For example, if BPA were to purchase from a generator located in Washington, that generator would incur carbon costs under Washington's program that would be borne by BPA in the purchase price for that power. Following the logic of the Quebec approach, BPA would then include that purchase and emissions in its ACS reporting and emissions factor. Would CARB then provide a volume of free allowances to BPA to cover emissions included in BPA's ACS emission factor that resulted from that Washington purchase for any sales to California?

#### **4) RPS adjustment**

BPA supports phase-out of the RPS adjustment. BPA believes emissions accounting programs should be based on fuel mix. RECs were not devised to represent emissions characteristics, rather they were created to represent generation from eligible renewable resources as defined by the state. Different states have different definitions of what qualifies as a REC-eligible renewable and what is embodied in a REC. Consequently, the use of RECs as a form of determining or adjusting compliance under emissions accounting programs creates confusion and inconsistency across electricity markets and state emissions reporting and accounting programs.

BPA appreciates the opportunity to comment and looks forward to continued information on potential updates to CARB's cap-and-trade program. Please feel free to contact me at 503.230.4358 if you have any questions on BPA's comments.

Thank you,



Alisa Kaseweter  
Climate Change Specialist  
Intergovernmental Affairs  
Bonneville Power Administration  
[alkaseweter@bpa.gov](mailto:alkaseweter@bpa.gov)  
503.230.4358