BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Implement the Commission's Procurement Incentive Framework and to Examine the Integration of Greenhouse Gas Emissions Standards into Procurement Policies	)	Rulemaking 06-04-009 (Filed April 13, 2006)

California Energy Commission Docket #07-OIIP-01

WESTERN RESOURCE ADVOCATES' ADMENDMENTS TO OCTOBER 31, 2007 COMMENTS

In its Comments submitted October 31, 2007, Western Resource Advocates (WRA) attached an Exhibit entitled "CO_2RC – An Alternative Load-Based CO_2 Cap & Trade for the West." Two corrections should be made to that Exhibit. They are:

1) On page 11, Table 3, Row C in the State B column should be changed from "16,500" to "1,650."

2) On page 12, footnote 28, the words "non-WCI" should be replaced with "wholesale market," and the following words should be added to the end of the footnote: "and the CO_2RCs they would have otherwise received could be distributed to LSE's within the WCI."

Corrected copies of pages 11 and 12 are being filed along with these Amendments.

Respectfully submitted,

WESTERN RESOURCE ADVOCATES

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TABLE 3

	State A	State B	State C
(A) Load-based CO_2 emissions in base year[20]	18,000 tonnes	16,500 tonnes	6,500 tonnes
(B) CO_2RCs awarded in base year[21]	2,000 CO_2RCs	13,500 CO_2RCs	3,500 CO_2RCs
(C) Add'l CO_2RCs req'd for 10% reduction in States A&B[22]	1,800 CO_2RCs	1,650 CO_2RCs	0 CO_2RCs
(D)Add'l CO_2RCs in A & B to absorb State C amounts[23]	1,400 CO_2RCs	2,100 CO_2RCs	(3,500) CO_2RCs
(E)Total target yr CO_2RCs req'd by States A,B & C [24]	5,200 CO_2RCs	17,250 CO_2RCs	0 CO_2RCs
(F) Effective target year CO_2 emissions after CO_2RC redistribution [25]	14,800 tonnes	12,750 tonnes	10,000 tonnes
(G) Effective target year CO_2 reduction after CO_2RC redistribution [26]	3,200 tonnes	3,750 tonnes	(3,500) tonnes
(H) Total target year CO2 reduction [27]	3,450 tonnes		

An obvious concern with the previous example is that WCI states may need to purchase substantial CO_2RCs from non-WCI generators in order to assure genuine emission reductions. This creates what many could view as an unjustified wealth transfer from WCI to non-WCI states – for example, a generator with an emission rate of 400 tonnes per GWh, serving native retail load in a non-WCI state, nevertheless receives 600

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[20] From Table 2 lines (d) and (e)
[21] ((b) x 1000) - A
[22] For States A & B = (0.1x A)
[23] For States A & B = (b)/50 x 3,500
[24] B+C+D
[25] ((b) x 1000) – E
[26] A-F
[27] Sum of G

CO_2RCs per GWh – which must be purchased by LSEs of participating states. In the example in Tables 2 and 3, this issue shows up as the CO_2RCs associated with 5 GWhs per year served by "owned" generation in State C, i.e. 2,500 CO_2RCs. This generation is dedicated to State C's customers, and requiring WCI customers to purchase these CO_2RCs may be unnecessary and unfair.

One way to mitigate this impact is to not award any CO_2RCs to generation dedicated to non-WCI loads. This does not eliminate all inequities of a system without full participation, but could mitigate much of it. In the example shown by the Tables, refusing CO_2RCs to generation dedicated to non-WCI loads means that instead of absorbing 3,500 C CO_2RCs from State C, States A and B would absorb only 1,000 CO_2RCs.[28] A further way to address this concern is to sell CO_2RCs to non-WCI generators at a price high enough to allow the proceeds to ease consumer impacts. As WCI policymakers more closely examine the emissions profiles for generation dedicated to WCI and non-WCI loads, they will better be able to decide to what extent non-WCI generator CO_2RCs should be restricted or sold.

5) How the CO_2RC method accommodates energy efficiency and offsets

One advantage of the CO_2RC method is the ease with which it accommodates energy efficiency and approved offsets. Unlike other cap & trade mechanisms that may not provide appropriate incentives for end-use efficiency,[29] the CO_2RC method provides a strong and consistent incentive to acquire efficiency by reducing an LSE's CO_2RC requirement by 1000 CO_2RCs for every GWh saved. Using the formula set out in an earlier footnote, one sees mathematically how, as an LSE's served energy (GWh_T) is reduced, the LSE's CO_2RC requirement is likewise reduced by 1000 per GWh:

$$CO_2RCs\ required = (1000 \times GWh_T) - (CO_{2B} \times (1-R)),\ \text{where}$$

GWh_T = Target year energy served
CO_{2B} = Base year CO_2 emissions
R = required % CO_2 reduction from base year

Because the "currency" of the CO_2RC method is tonnes of avoided CO_2, it can also accomodate approved offsets, which would reduce an LSE's CO_2RC requirements one for one. Moreover, as we will discuss next, this common "currency" provides an avenue for the CO_2RC method to link with other CO_2 reduction measures in other sectors of the economy, and source-based cap & trade systems from other regions and countries.

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[28] If this restriction still results in intolerable excess CO_2RCs in the WECC, CO_2RC eligibility could perhaps be restricted further by providing CO_2RCs to wholesale market generators only for CO2 reductions below base year levels, or to new generators, and the CO2RCs they would have otherwise received could be distributed to LSE's within the WCI.

[29] *MAC Report* at 50.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **Western Resource Advocates' Amendments to October 31, 2007 Comments** in R.06-04-009 to all known parties of record in this proceeding by delivering a copy via email or via U.S. mail, first class postage prepaid.

Executed in Boulder, Colorado, on the 7th day of November 2007.

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