



California Energy Commission

AB 32: Interim Decision on Greenhouse Gas Regulation in the Electricity and Natural Gas Sectors

California Energy Commission

Business Meeting of March 12, 2008

Karen Griffin



California Energy Commission

Public Process

Apr 19, 2007	Symposium on point of regulation designs
Aug 21, 2007	Joint Commissions en banc on type and point of regulation
Jun 22, 2007	Workshop on entity-specific baselines and allocation issues-
Jun 30, 2007	Market Advisor Committee sent recommendations to Governor
Jul & Aug 2007	Comments received on natural gas issues
Aug 6, 2007	Comments and replies received point of regulation and recommendations of Market Advisory report
Nov 7, 2007	Workshop on allocation issues
Dec 3 & 17, 2007	Comments and reply comments due on allocation
Feb 8, 2008	Interim Opinion issued, received comments and replies
Mar 11, 2008	Revised Interim Opinion issued

65 stakeholder groups actively participated in the process and many more monitored



Why Recommendations are Needed Now

ARB needs them to start its process

	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov
Joint Commissions									
POR & Allocation Policy									
Modeling									
Final Decision									
ARB									
Elec/NG Public Review									
Staff Scoping Plan									
Adoption of the Scoping Plan									



Direct Program Measures

Direct regulatory requirements are foundation

- Minimum mandatory levels of energy efficiency and renewables should be required of all retail providers
 - Minimum is all cost-effective energy efficiency in electricity and natural gas sectors, to be reached by both utility and non-utility programs
 - Put mandatory minimum renewables levels in ARB scoping plan
 - Joint agencies will develop a plan for additional mandatory minimum levels of renewables



Goals of Design

- Achieve real GHG reductions, especially the problems of unspecified system purchases and imports
- Least-cost to Consumers
- Compatibility/expandability to regional or federal GHG approaches
- Accuracy and ease of reporting, tracking, and verifying GHG emission reductions
- Compatible with ongoing reforms to retail and wholesale energy markets, particularly the CAISO's market redesign



Market Design

- ARB has statutory requirements to analyze market-based approaches prior to including cap-and-trade program in scoping plan
- Recommends inclusion of electricity sector in a multi-sector cap-and-trade program
- Parallel development of regional market



Point of Regulation

- Recommends that the deliverer be the point of regulation for carbon-emitting portion of sector cap
 - Treats in-state and imports equally
 - Consistent with other sectors
 - Rewards early action
- The point of regulation does not prejudice distribution of benefits or allocation design.



Electricity Cap-and-Trade

Recommends a multi-sector cap-and-trade program, including the electricity sector, if ARB finds that AB 32 Market Measures tests can be met.

- Can produce additional emissions reductions beyond regulatory programs at lower cost
- Allows flexibility for obligated entities to seek low-cost options across economy
- Encourages investment in research and innovation for lowering emissions
- Efficiently distributes costs across all obligated entities

Role of cap-and-trade is small in early years



Allocation of Benefits: Principles

- High level principles to focus that assessment
- Some portion of emissions allowances for electricity should be auctioned
- The majority of any revenues should be recycled to electricity consumers for
 - For investments in GHG reducing energy efficiency and renewables
 - For consumer bill relief
- Next few months of proceeding will analyze proper mix of administrative allocation, bill impacts and auctioning, as well as distribution of auction proceeds/revenues



Natural Gas

- Applies to smaller end uses served by local distribution companies and infrastructure
- Mandatory minimum levels of energy efficiency
- Not included in initial cap-and-trade program:
 - Fewer options exist to reduce emissions by resource mix
 - Lower availability of low-carbon alternative sources
 - Energy efficiency is best option for reducing emissions
 - Reporting protocols are still under development
 - Preserves option for upstream regulation of natural gas at point of extraction or gathering
- Likely to recommend inclusion at a later time



Next Steps

- Will present interim opinion at ARB April 17 scenarios workshop on emissions reductions strategies
- Joint agencies will schedule next steps shortly
- Further analysis
 - Assess costs and benefits modeling of program design, allocation options, and flexible compliance
 - Determine impacts on the consumers served by different retail providers
 - Develop recommendations for flexible compliance
 - Develop recommendations for combined heat-and-power treatment