



California Energy Commission  
**Integrated Energy Policy Report Committee Workshop**

**POTENTIAL NEED FOR EMISSION REDUCTION CREDITS IN  
THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

**September 24, 2009—10:00 a.m.**

**AGENDA**

**10:00 Introduction**

Suzanne Korosec, IEPR Lead

**Opening Comments**

Commissioners Jeffrey D. Byron and James D. Boyd

**10:10 Potential Dispatchable Capacity Needs in Southern California and  
the Los Angeles Basin**

Dave Vidaver, Electricity Analysis Office, California Energy Commission

Mark Minick, Southern California Edison

Catalin Micsa, California ISO

Kenneth Silver, Los Angeles Department of Water and Power

**(Lunch Break (approx 12:10 p.m.—1:15 p.m.))**

**1:15 Assessing Los Angeles Basin Reliability Given Environmental  
Constraints**

Richard McCann, Aspen Environmental Group,

Cory Welch, Summit Blue

**2:00 PM-10 Market Conditions and Offset Availability in the South Coast Air Quality Management District**

Mohsen Nazemi, South Coast Air Quality Management District

**2:30 Developer Observations on ERC Procurement and Requirements**

Larry Kostrzewa, Edison Mission Energy

Michael Carroll, Latham and Watkins

Steve Sciortino, City of Anaheim

**3:30 Panel Discussion on ERC Procurement and Requirements**

**Moderators:**

Mike Jaske, Matthew Layton, Dave Vidaver, California Energy Commission

**Panelists:**

Michael Carroll, Latham and Watkins

Keith Johnson, California ISO

Larry Kostrzewa, Edison Mission Energy

Mark Minick, Southern California Edison

Bruce Moore, Los Angeles Department of Water and Power

Mohsen Nazemi, South Coast Air Quality Management District

Steve Sciortino, City of Anaheim

**4:45 Public Comments**

## Panel Topics:

- (1) SCAQMD rules base ERC needs on worst-month scenarios, which increase ERC requirements/MWh for peaking facilities above those for units with higher capacity factors. How do these rules compare with those in other districts? Are there alternative rules suggested by parties?
- (2) Future PM-10 ERC needs in the area under SCAQMD jurisdiction may exceed the ability of the market to supply them. If a “priority reserve” type of mechanism is deemed necessary to supply offsets to the electricity sector, how should its size be determined? What steps are necessary to demonstrate that the original (and perhaps subsequent) funding of the mechanism from internal district accounts does not violate SIP air quality requirements? How should offsets from such a mechanism be allocated across projects that are competing for a limited total of available offsets?
- (3) Is such a mechanism still necessary if offsets are available through 1304 exemptions? Does limiting access to non-market offsets to existing facilities limit competition in the market for replacement capacity (RFOs)?
- (4) One way to increase the amount of capacity that can be built under SCAQMD jurisdiction with a given number of ERCs is to reduce the permitted number of hours/amount of output that a facility can operate/produce during peak months.
  - What considerations enter into the number of permitted hours proposed and agreed to by the project developer and the district?
  - How are constraints on hours allowed under the permit evaluated by SCE in the RFO process? Do current RA requirements discourage or prevent adding “hour-limited” resources into SCE’s or others’ portfolios?
  - If permitted hours were reduced, how could associated reliability and financial risks be mitigated? Would a mechanism be desirable/necessary for force majeure? What events might be covered and how might it be administered? Could such events include spikes in wholesale market prices? Could exceedances be allowed under certain specified conditions if they were accompanied by mitigation? What entity does/should have the authority to authorize exceedances, and what steps are needed in order for this entity to be granted this authority, if not already available?