SOUTHERN CALIFORNIA EDISON

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April 28, 2017

Richard Corey
Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95812-2828

RE: Southern California Edison Comments on the Cap-and-Trade 15-Day Modifications

Mr. Corey,

Southern California Edison (SCE) respectfully submits this letter, on behalf of customer interests, to the California Air Resources Board (ARB) regarding staff's methods for post-2020 allowance allocation to electric distribution utilities (EDUs) and market design, as presented in the 15-Day Modifications posted April 13, 2017[1]. In addition to this letter, SCE has signed on to a Joint-Utility Group (JUG) letter regarding the changes proposed in this regulatory package.

SCE supports a well-designed Cap-and-Trade program to help the state achieve its post-2020 GHG goals. A well-designed Cap-and-Trade Program can help keep total program costs down while achieving our state's environmental targets. The flexibility of a market mechanism will be increasingly important as our state drives towards deeper emission reductions. The regulatory extension of the program post-2020 is critically important and SCE supports ARB efforts to seek extension this year.

SCE supports the proposed allowance allocation methodology to electric distribution utilities for the protection of customers, as found in these 15-day modifications[2]. Board approval of the proposed allocation methodology will help ensure that the cost of the State's climate policies will not unduly impact California households, and will further enable EDUs to continue investing in cleaner electricity resources, providing critical support to help the State meet its ambitious climate goals at an affordable cost. This proposed methodology recognizes the current and ongoing policy drivers achieving emission reductions in the electric sector in a way that improves upon previous proposals.

ARB should continue to remove disincentives for increased electrification in Transportation and other end-uses through the allowance allocation process. In order to meet the State's emission reduction goals in 2030 and 2050, electrification needs to be cost effective and remain a low cost alternative fuel for transportation and other end uses. SCE strongly supports the state's electrification goals and the need for ARB staff to continue its work on a methodology for allocating allowances due to increased electrification. As the state continues toward its long-term climate targets, the emissions intensity of delivered electricity will continue to fall, making it an ever more attractive option as an end-use fuel. Electricity's role in powering transportation systems, industrial boilers, and building heating are just a few examples of the applications that may increase the emissions attributable to SCE (due to the

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[1] https://www.arb.ca.gov/regact/2016/capandtrade16/2nd15daytext.pdf

[2] Section 95892

nature of ARB's current accounting system) but would result in clear emission reductions from a societal perspective. In addition, electrification in transportation and other sectors will yield substantial net reductions in criteria pollutants that will be needed for attaining ambient air quality standards under the federal Clean Air Act. SCE looks forward to discussing options to quantify these cross-sectoral effects and determine a reasonable method for delivering allowances to utilities where they are warranted, in a future rulemaking.

ARB should use the lowest Allowance Price Containment Reserve (APCR) price tier in 2020 as the foundation for the revised APCR structure[3]. SCE agrees with other utilities that suggest ARB should use the current lowest tier of the ARCR as the foundation for the post-2020 design of this important cost containment mechanism. Removing access to a supply of additional allowances at lower prices in the presence of a price spike can have the effect of raising compliance costs at the precise moment we should be attempting to contain them.

SCE supports the clarification that CAISO Energy Imbalance Market transactions do not constitute resource shuffling[4]. This regulatory change makes clear that the results of the CAISO dispatch model do not constitute resource shuffling, which in turn helps to ensure that the benefits of EIM participation can continue to be realized and that market participation continues to be encouraged.

In conclusion, all of the proposals contained in this letter can help control the costs borne by utility customers while enabling Cap-and-Trade to deliver the emission reductions necessary to achieve the state's long-term climate goals. Cost containment can increase the effectiveness of California's Cap-and-Trade program and demonstrate leadership to jurisdictions considering their own climate policies. SCE appreciates staff availability for continued dialogue on the proposed changes to the Cap-and-Trade Program. Thank you for your time, and consideration of the comments presented in this letter.

Sincerely,

Dawn Wilson

Dawn Wilson
Director, Environmental Policy and Affairs

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[3] Section 95913
[4] Section 95852(b)(1)(B)