

## California Energy Markets ~ July Updates

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### Cal-ISO Grapples With Renewables Glut in the Queue

Cal-ISO is looking at ways to deal with 71,000 MW of renewable generation in its interconnection queue, which is more than three times the additional renewables capacity needed to meet California's 33 percent renewable-energy target. Cal-ISO is concerned about getting a "reasonable" estimate of generation projects likely to proceed in a certain area, as assuming all the renewable generation in the queue would be built would trigger the need for several transmission upgrades.

### CPUC Hints at Broad Changes to Energy-Efficiency Program Administration, Incentives

CPUC commissioners plan to take a fresh look at who would run efficiency programs and how such programs would be incentivized, if at all. The discussion comes as the CPUC sets measurement values to use in calculating efficiency savings from the 2010-2012 program cycle. Also this week, the commission tweaked rules on the California Solar Initiative to allow more virtual net metering and approved a San Diego Gas & Electric plan for a tax-equity investment in a Montana wind farm; and set policies for electric vehicles.

### San Francisco CCA Plans Summer 2012 Launch With All-Green Energy

The San Francisco Public Utilities Commission has sketched an ambitious plan to launch its community-choice aggregation program next summer with a resource mix that meets the state's definition of 100 percent renewable. SFPUC staff is banking on the notion that San Francisco residents will want to be part of the CCA-and will be willing to pay higher rates-if the power procured is much greener than energy offered by incumbent utility Pacific Gas & Electric

### CARB Sets Allowance Allocations for Utilities

The California Air Resources Board has proposed a number of changes to the state's cap-and-trade rule, including a one-year extension for the start of the compliance obligation, and specific details on how carbon allowances would be distributed to electric utilities. The proposal provides for the free dispersal of 716 million allowances to electric utilities from 2013 to 2020, with investor-owned utilities and the Los Angeles Department of Water & Power receiving the vast majority. CARB also provides a mechanism to account for voluntary renewable-energy purchases and has suggested revisions to the mandatory GHG reporting regulation applicable to power companies.

### A Busy Month for CARB and Its Proposed Cap-and-Trade Program

June was certainly an interesting month for those following the progression of California's Global Warming Solutions Act ("AB 32"), which requires that California cut greenhouse gas ("GHG") emissions to 1990 levels by 2020. The "linchpin" of AB 32 is a proposed cap-and-trade program, a market-based approach to reducing GHG emissions in which the California Air Resources Board ("ARB") sets a collective cap on GHG emissions and then allows under and over-polluters to buy and sell credits among themselves. However, recent judicial and agency developments have altered the cap-and-trade landscape. At the very least, the cap-and-trade program, if it survives judicial review, will not begin in earnest until 2013 (instead of the planned January 1, 2012 start date).

## Free Cap-and-Trade System Beats Carbon Tax, Study Finds

As governments try to figure out the best way to get carbon polluters to invest in and produce cleaner energy, two scenarios continue to come forward: cap and trade vs. carbon tax. A new study suggests that a free and uninhibited cap-and-trade system is the best way to go. The authors argue such a system will “trigger adoption of clean technologies at a considerably lower level of carbon prices” as compared with a tax system. In addition, the study concludes that the higher risk and volatility of an unhindered market “are likely to induce suppliers to take early action to hedge against carbon risks.”



The study appears in The Energy Journal.

Here’s how the authors came up with their conclusion: Yihsu Chen of UC Merced and Chung-Li Tseng of New South Wales created a scenario in which a small firm that owns a coal-fired power plant considers investing in a clean technology to provide electricity for its customers. In this case, the authors chose a natural gas-fired power plant. The authors then asked, which scenario – a cap-and-trade or a tax system – would provide a better incentive to go forward with clean energy?

Using a variety of models and contingencies, the authors found that cap and trade provided the best incentive.

Cap and trade, or emissions trading, is a market-based system in which the government sets a limit, or cap, on the amount of pollutants an industry, manufacturer or other entity can emit.

To read more on this topic and this article in its entirety please go to:  
<http://californiawatch.org/dailyreport/free-cap-and-trade-system-beats-carbon-tax-study-finds-11395>

## GOVERNOR MOONBEAM Has BIG PLANS FOR CALIFORNIA SUN

The feisty 73-year-old who brings a former seminarian’s zeal to environmentalism sees green jobs reinvigorating the economy and restoring California’s position as world leader in clean energy.

Never mind budget gaps, technology gaps or the political gap that will come as the state legislature’s champion of alternative energy is termed out of office.

“I didn’t get my name Governor Moonbeam for nothing! I earned it, by advocating ideas that were not popular,” said Brown, who earned the nickname Governor “Moonbeam” three decades ago when he wanted California to buy a satellite.

Returning to the top state office this year, Brown already has signed a law requiring that the state get a third of its electricity from solar, wind and the like by 2020. He called it just a start. That’s the top goal in the United States in terms of raw power, although by 2030 tiny Hawaii is shooting for 40 percent, a number that resonates with Brown.

“I think 40 percent, at reasonable cost, is well within our grasp in the near future,” he said in a statement on the 33 percent goal, called the Renewable Portfolio Standard (RPS).

His administration is studying how realistic the higher target would be, as well as a parallel, overlapping effort to plaster the state with small arrays of solar panels that could sit anywhere from prison land to the sides of the California aqueduct. Together these small arrays would account for nearly 20 percent of electricity, if Brown’s goals are met.

By contrast, the U.S. Congress has yet to consider a national clean energy standard favored by President Barack Obama. The Republican-led House of Representatives has opposed most of Obama’s environmental pushes as job killers, leaving California, the 8th largest economy in the world, in the U.S. vanguard.