

REVISED

SPECIFIC QUESTIONS WITHIN TOPICS FOR DEVELOPING A CARBON ALLOCATION STANDARD

1. **CONFIRM THAT THE INITIAL SCOPE IS CO₂ EMISSIONS FROM ELECTRICITY LOAD SERVING ENTITIES (LSE)** *(NOVEMBER)*

2. **DETERMINE ACCOUNTING PROCEDURE** *(DECEMBER)*
 - a) Determine if the current emissions reporting scheme for PacifiCorp and PGE is expandable and adequate for load-based cap-and-trade system
 - b) Is there an alternate scheme for tracking emissions and would it be superior for a load-based cap-and-trade system?
 - c) Estimate the 1990 electric emissions.
 - d) Should the 2009 cap for electric emissions for the state be set based on recent emissions, if so emissions from which year(s)?
 - c) How would the standard address leakage issues (e.g. sale of power plants and changes in contracts) related to the power that utilities sell in the state?
 - d) How would a bundled or unbundled renewable energy credits (REC, or tag) purchased or sold by an LSE be accounted for?
 - e) How does one avoid legal issues associated with interstate commerce?
 - f) How can multi-state utility emissions and cost impacts best be accounted for.

3. **DETERMINE HOW TO SET A BASELINE FOR FREE ALLOCATIONS TO LSES** *(DECEMBER AND JANUARY)*
 - a) What is the appropriate base year for the baseline?
 - i) A specific year
 - ii) An average of years
 - iii) Which year(s)
 - b) How should the amount of allocation be determined?
 - i) Recent emissions,
 - ii) Recent MWh,
 - iii) Credit based on a combination of MWh and emissions,
 - iv) If a combination, at what percentages?
 - c) Should a baseline account for early reductions? Prior to what year? What would early reductions mean, given the uniform public purchase charge for two of three IOUs and reliance on BPA for most COUs?

4. **DETERMINE HOW TO DISTRIBUTE ALLOWANCES (FREE AND AUCTIONED)** *(DECEMBER AND JANUARY)*
 - a) What allowance distribution system should be used?
 - i) Auction?
 - ii) Free allocation (grandfathering)?
 - iii) A combination of auction and free allocation? At what percentages
 - iv) Should the percentage of free allocations change over time?

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- b) If an auction is used how would the proceeds be distributed?
 - i) To the Energy Trust of Oregon
 - ii) To another organization
 - iii) By the Legislature
 - iv) Costs to administer distribution, tracking and compliance system
 - v) Combination of approaches

5. DETERMINE ADJUSTMENTS OF BASELINES (JANUARY)

- a) Should there be provisions to allow for the adjustment of an LSE's baseline. (This is not the uniform decline in allowances that the state issues.)?
- b) Should there be an adjustment to allocations to account for new large single loads or loss of large single loads?
 - i) What would constitute a new large single load and would it vary by size of LSE?
 - ii) Should an allowance reserve be established for new large single loads or should allowances for new large single loads come from the pool of allowances as needed?
 - How large would a reserve be?
 - At what rate (metric tons per MWh) would allowances be distributed to cover the emissions of a new large single load?
 - Would there be an annual limit of allowances for new large single loads?
 - Would allowances for a reserve come from the free allowances, the auctioned allowances, or from the total pool of allowances
- c) If a self-generator or ESS closes, what happens to allocations?
- d) What would happen to allocations with transfer of loads between LSEs?
- e) Does there need to be a special allocation for completely new self-generating customers that are not associated with an existing utility?

6. DETERMINE WHAT LEVEL OF SELF-GENERATION CONSTITUTES AN LSE. (JANUARY)

- a) Determine threshold for including self-generators.

7. DETERMINE STRUCTURE AND PROCESS FOR TRACKING COMPLIANCE OF LSEs, INCLUDING ALLOWANCE TRADING (FEBRUARY)

Compliance

- a) How would the state establish and maintain CO₂ allowance accounts?
- b) What procedures are needed for allowance and emission reporting and recording of transfers?
- c) Define record keeping requirements.
- d) Define reporting requirements and procedures and annual schedule.
- e) Would allowances be surrendered annually or over a longer reporting period?
- f) Define penalty provisions for LSEs that fail to meet requirements.

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- g) Define the administrative fees (if applicable) and how ongoing administration of the program would be conducted.
- h) Define the program audit schedule and scope if applicable.

Trading

- i) Would trading of allowances among LSEs be allowed?
 - ii) Would trading of allowances be tracked by the state other than when allowances are surrendered or retired?
 - iii) Can non-LSEs buy and retire allowances?
 - iv) Would the state track trading of offsets before the offsets are surrendered or retired?
 - v) Should a system be designed to incorporate features compatible with a regional emissions trading mechanism between Oregon, Washington and California?
 - vi) Between the West Coast and Eastern states?
- 8 DETERMINE ROLE OF FLEXIBILITY MECHANISMS, E.G. BANKING, BORROWING, CIRCUIT BREAKER, ETC. (MARCH)**

Banking

- a) Should the carbon allocation standard system allow for the banking of allowances year to year?
- b) If so should there be any limit on banking?
 - i) Temporal (shelf life)?
 - ii) Quantity (a limit on total banked allowances or on a percentage of the baseline allocation)?

Borrowing

- c) Should the use of future year allocations (allowance borrowing) be permitted?
- d) Would borrowing work with circuit breaker concept?

Circuit Breaker

- e) Should a "circuit breaker" allow for market price spikes for allowances or other unanticipated and transient pressures?
- f) Would a circuit breaker provide additional allowances (breaking the cap) or a pause in the declining rate of issuing allowances?
- g) What is an appropriate circuit breaker: A cost per ton of allowances? Or a quantity of excess allowances issued for a non-compliance fee? Or something else? For whatever mechanism, what is the numerical trigger.
- h) Should a circuit breaker also account for over achievement? If reductions were happening on a faster than anticipated schedule, should the cap be lowered faster?

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9. DETERMINE RATE OF DECLINE OF THE CAP AND ALLOCATIONS TO 2020; AND IDENTIFY BENEFITS OF CAP AND TRADE SYSTEM

(APRIL)

- a) Should there be an initial period when the cap and allocations do not decline?
- b) Once the cap and allocations start to decline, should there be a linear decline to the 2020 target?
- c) Would the rate of decline account for existing resource commitments of LSEs and the cost/rate impacts of termination of facilities or modification of facilities for compliance?
 - i) How would the rate of decline take this into account?
 - ii) Would there be different compliance curves for LSEs based on their resource mixes?
 - iii) Would a circuit breaker acceptably accommodate exceptional costs related to resource commitments?
- d) How would Oregon benefit from reducing its CO₂ emissions from the electricity sector?
 - iv) What are the economic benefits of increased efficiency?
 - v) What are the system reliability benefits of greater efficiency?
 - vi) What are the economic less volatile fuel supplies?
 - vii) What are the benefits to the transmission system from meeting demand and reducing load growth through efficiency?
 - viii) What are the economic benefits of keeping jobs and revenue in the state?

10. DETERMINE ROLL-OUT FROM LSEs TO OTHER SOURCES OF FOSSIL CO₂ OR OTHER GREENHOUSE GASES

(JUNE)

- a) How would a cap be applied to natural gas and petroleum sources or to large industrial users of fossil fuels?
- b) Should compliance curves be identical for all suppliers or different to reflect different supplier circumstances?
- c) Should other significant non-energy emitters of GHG (e.g. industrial emissions) be incorporated into this mechanism, or would they require a different one?
- d) How would switching of end uses between different fuels or suppliers be handled?
- e) How would switching between electricity to natural gas users be handled if only electricity had a cap? If both electricity and natural gas utilities faced caps?
- f) Should the allocation standard system include "Opt In" provisions for companies that not covered but that may want to participate voluntarily? Under what conditions?

11. DETERMINE ROLE OF OFFSETS

(JUNE)

- a) Would offsets be allowed in lieu of allowances?

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- b) If allowed, what types of offsets: Emission Reductions? Sequestration? Avoided Emissions?
- c) If offsets are allowed, would they be limited to sectors not within the cap (e.g. if the cap only affects the electricity sector, would offsets be limited to reductions in direct use of fossil fuels)? What if the sector will be capped in a future scheme?
- d) Would offsets be limited by type?
- e) Would there be a limit on vintage of offsets?
- f) Would the amount of offsets that are allowed be limited as a percentage of an LSE's free allowances or its emissions??
- g) Would offsets be allowed for other GHG or only CO₂? Which ones?
- h) Would retiring an unbundled REC be an offset?
- i) How would offsets be verified before the state accepted them as comparable to an allowance?
- j) How would an LSE submit an offset for compliance?
- k) Should there be limits on where offsets come from? Would offsets be allowed from inside the state or outside the state?
- l) For out of state offsets, would they only be allowed from other states that have a comparable GHG limit?
- m) How would the cap-and-trade system interact with other CO₂ regulatory requirements, e.g. Oregon and Washington CO₂ siting standards for new energy facilities? Can verified, retired offsets be counted in calculating the emissions from a regulated generator?
- n) Under a load based cap and trade system, is it possible for an single entity (business or home) to reduce emissions from electricity in a way that creates offsets, i.e. is it possible to show additionality for non-regulated entities within a capped, load-based system? Could there be an electricity offset in Oregon separate from the capped system?

12. DETERMINE POSSIBLE ROLES FOR A RENEWABLE PORTFOLIO STANDARD (*JUNE*)

- a) Would there be limits on which types of renewable resources were eligible?
- b) Would there be separate targets for resources or sub-resource technologies within each category)
- c) Would there be limits based on vintage (only projects built after a specific year)
- d) How would an RPS be described?
 - i) Absolute capacity or energy
 - ii) Percent of load
 - iii) Percent of load growth
- e) What would be the timing of targets (deferred until a time when loads have grown or fixed targets for specific years)
- f) What would be the compliance paths: whether to require bundled power purchases or whether to allow renewable energy certificates or "green tags")
- g) Would there be price or cost caps (absolute or pegged to shifting market values)
- h) What would be the covered entities if it were separate from the load-based cap-and-trade system (all utilities, ESS, self-generators)?
- i) Would the RPS count in- and out-of-state plants or in-state only?

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- j) Would an RPS allow banking (carryover from over-compliance years to future years and true-up provisions)?
- k) How would Renewable Energy Credits under an RPS statute (Green Tags) interact with CO₂ allowances in accounting
- l) How would an RPS interact with a renewable energy feed-in tariff or PURPA qualifying facilities laws and rules?
- m) How would an RPS interaction with PGE's and PacifiCorp's participation in the public purpose charge for energy efficiency and renewables? How can we credit the appropriate utilities and ratepayers for the contributions of non-utility participants such as the Energy Trust of Oregon?
- n) How would an RPS interact with Consumer Protection /Misrepresentation Electricity Marketing Requirements (if applicable) such as the "Environmental Marketing Guidelines for Electricity"¹?
- o) Would renewable energy financed through utility green pricing programs count toward RPS compliance (company-based system) or would it be excluded (product-based system)?
- p) How would an RPS interact with the BPA conservation rate credit?
- q) How would an RPS be incorporated into the integrated resource plans required by the Oregon PUC?

13. DRAFT PROPOSAL

(JULY)

¹ National Association of Attorneys General. "Environmental Marketing Guidelines for Electricity," Environmental Marketing Subcommittee of the Energy Deregulation Working Group, December 1999.