

Challenges and Recommendations

- Legal Risks

- 111(d) versus 112 (or NAAQS)
- source versus system
- creditability issues (state plan, regulated source)

- Policy Challenges

- federal-state relationship
 - state/regional energy system authority
 - early action credit and recognition of state initiatives
 - state planning issues (timing and resources)
 - electric system reliability
- economic risks and opportunities
 - regulated source compliance and economic risk
 - ratepayer risk
- environmental risk and opportunities

Set “source-based” GHG carbon intensity standards for fuel and technology subcategories

- within the fence
- without redefining the source

Establish state and source credit protocols for:

- unit retirements
- fuel switching and co-firing
- renewable generation investment
- end-use energy efficiency
- transmission enhancements
- energy storage

Incorporate EPA SIP road map & credit criteria.

Implement a staged planning process:

- presumptive equivalency for significant state early action (ends/means-based)
- menu approach for states to select one or more building blocks, including:
 - model ABT rule for EGUs
 - credit protocols
 - safety valve – ACP (ceiling price compliance payment alternative to fund state energy initiatives)
- periodic true-up and plan updates

Periodic evaluations and updates

- BSER
- Credit supply and impact on EGU compliance market; update credit protocols appropriately
- ACP/energy fund/reserve