SOUTHERN CALIFORNIA EDISON
An EDISON INTERNATIONAL Company

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Rajinder Sahota
Deputy Executive Officer
California Air Resources Board
1001 I Street
Sacramento, CA 95814

VIA E-MAIL

Re: Comments of Southern California Edison Company on the Proposed Amendments to the Mandatory Reporting Regulation

Dear Ms. Sahota,

On January 13, 2026, the California Air Resources Board (CARB) posted its 2026 Amendments to the Mandatory Reporting Regulation (MRR proposed amendments) for public comment. In the bulletin announcing the posting, CARB noted that the regulation would be updated "to reflect the direction and process in AB 1207." Assembly Bill (AB) 1207 extends the program previously known as the Cap-and-Trade Program through 2045 and gives additional directions to CARB.[1] Southern California Edison Company (SCE) provides its response to the MRR proposed amendments below.

I. State and Legislative Mandates Direct CARB to Prioritize Electric Customer Affordability as a Core Objective of its Regulations

As an overarching matter, state and legislative mandates require that the CARB's primary objective in amending its Cap-and-Invest program's allowance revenue allocation strategy is to promote and prioritize electric utility customer affordability. To that end, SCE respectfully requests that CARB reconsider some of its proposed amendments to further mitigate the cost of Cap-and-Invest compliance and promote electric customer affordability.

[1] California Air Resources Board. (2026, January 12). Public Posting of Amendments to the Cap-and-Invest Program and Mandatory Greenhouse Gas Emissions Reporting. *[GovDelivery bulletin]*. https://content.govdelivery.com/accounts/CARB/bulletins/40400d6

In recent years, California has moved from general affordability goals to more explicit statutory mandates to improve electricity affordability and mitigate customer bill impacts associated with the clean energy transition. For example, AB 205 (2022)[2] required an income-graduated fixed charge and bill relief for low-income customers. This mandate was subsequently implemented through the California Public Utilities Commission (CPUC) Decision (D.)24-05-028, establishing tiered fixed charges and reducing volumetric rates to lower marginal electricity prices.[3]

State mandates have also directed agencies to consider using the Climate Credit as a tool to promote utility customer affordability. Governor Newsom in 2024 issued Executive Order N-5-24 declaring it "essential that electric service remains affordable, reliable, and safe for all Californians during our clean energy transition" and calling out the California Climate Credit as a tool that can be used in providing affordability.[4] The order directed the CPUC and CARB to explore "options to maximize the effectiveness of California's Climate Credit,"[5] recognizing that returning Cap-and Invest revenues to customers can offset rising electricity costs and reduce upward pressure on rates. The CPUC's response included an assessment of how the Climate Credit could be redistributed to customers that need it the most.[6]

In 2025, the Legislature enacted AB 1207 requiring CARB to consider affordability when adopting or amending regulations under the reauthorized Cap-and-Invest Program[7] and linking program design choices to minimize ratepayer impacts while meeting emissions reduction goals,[8] thus reflecting a determination that climate policy and customer affordability should advance together.

The statutes, executive orders, and mandates are clear that affordability is an important objective in the transition to clean energy, and that the Climate Credit should be utilized as a tool to promote affordability in furtherance of these objectives. Importantly, the Cap-and-Invest

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[2] California Legislature. (2022). Assembly Bill No. 205 (2021–2022 Reg. Sess.) (Energy), available at: https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220AB205

[3] CPUC Decision 24-05-028 (addressing Assembly Bill 205 requirements for electric utilities in Rulemaking 22-07-005). https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M531/K686/531686019.PDF

[4] Newsom, G. (2024, October 30). *Executive Order N-5-24: Addressing rising electricity costs and protecting ratepayers during California's clean energy transition*. Office of Governor Gavin Newsom. https://www.gov.ca.gov/wp-content/uploads/2024/10/energy-EO-10-30-24.pdf

[5] *Id*.

[6] California Public Utilities Commission. (2025, February 18). *CPUC response to Executive Order N-5-24*. https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf

[7] Health & Safety Code § 38562 (b)(7) (amended by AB 1207 to direct CARB to "[c]onsider the effect of these regulations on affordability, cost effectiveness, minimization of leakage in California, and achieving the requirements of Sections 38562.2 and 38566 and the purposes of this division.")

[8] Health & Safety Code § 38562 (b)(1)(B)(i) (amended by AB 1207 to direct CARB to "[d]esign the regulations, including distribution of emissions allowances where appropriate, in a manner that transitions support from gas corporations to electrical distribution utilities, as defined in Section 95802 of Title 17 of the California Code of Regulations, on or before January 1, 2031, to minimize ratepayer impacts and achieve the purposes of this division.")

program can play a critical role in supporting affordability through the Climate Credit, and in advancing electrification. When electricity prices are more affordable and predictable, customers are more likely to invest in electric technologies that reduce emissions over the long term. In this way, Cap-and-Invest can help address near-term affordability challenges while simultaneously removing a key barrier to electrification and emissions reduction.

CARB's proposed amendments, however, when viewed holistically, do not go far enough to advance these affordability objectives for investor-owned utility (IOU) customers. Instead, the proposed amendments would effectively reduce bill support, despite the IOUs' customers incurring the overwhelming cost of early climate action and the IOU customers' continuing commitment to carbon-reducing technologies and renewable energy. SCE requests that CARB reevaluate the proposed Cap-and-Invest amendments through the lens of electric customer affordability, as we believe the Legislature intended. SCE also requests that CARB reconsider aspects of its proposed regulation to ensure that the program can effectively reduce ratepayer impacts and support the State's electrification goals.

Specifically, SCE recommends that CARB make the following changes to the proposed amendments to preserve existing levels of Electric Distribution Utilities (EDU) allowances necessary to support electric affordability:

- Adopt the Joint Utility Group's (JUG) proposal for CARB to use the effective Renewable Portfolio Standard (RPS) in the EDU allowance allocation methodology;
- Use the 2024 Integrated Energy Policy Report (IEPR) data, instead of 2025 IEPR data, in alignment with other critical state energy plans such as California Independent System Operator's (CAISO's) Transmission Planning Process and the CPUC's Integrated Resources Plan.
- Avoid the introduction of the Extended Day Ahead Market (EDAM) into the Outstanding Emissions calculation until further data can be obtained to support the proposed EDAM methodology.
- In addition to the technical changes above, CARB should re-allocate state-owned allowances to EDUs above forecasted levels to further support electric customer affordability and encourage electrification.

All of SCE's recommendations to CARB can be found in SCE's comments on the proposed Cap-and-Invest amendments.[9] SCE provides below its recommendation on the EDAM methodology, which is specifically addressed within the MRR proposed amendments.

[9] Southern California Edison Company. (2026, March 9). *Comments of Southern California Edison Company on the proposed amendments to the California Cap-and-Invest regulation* [Public comment letter submitted to the California Air Resources Board].

A. Delay Adding the Extended Day Ahead Market to the Calculation of Outstanding Emissions

The MRR and the Cap-and-Invest Initial Statement of Reasons (ISORs) signal CARB's intent to incorporate the EDAM into the calculation of outstanding emissions from the CAISO markets. For example, in both the MRR ISOR and the Cap-and-Invest ISOR, CARB notes that "[i]n December of 2023, FERC approved the relevant portions of CAISO's EDAM tariff (FERC 2023) setting the stage for *an expected EDAM to launch in 2026*. In this rulemaking, the Proposed Amendments updates the Regulation and MRR to reflect EDAM and the changes and improvements that are being planned for the [Western Energy Imbalance Market (WEIM)]. The proposed changes ensure coverage of all imported electricity emissions and help ensure CARB is appropriately addressing GHG emissions leakage in these markets [emphasis added]."[10]

It is premature for CARB to begin accounting for the EDAM given that EDAM has yet to be implemented and data on its operations is not yet available. There is therefore a lack of a factual record to make reasonable decisions on how to address the potential for these emissions. Acting prematurely could reduce the number of allowances for IOU EDUs, harming customers by reducing the revenue available for the Climate Credit.

Under the current regulation, CARB's Executive Officer directly retires the equivalent amount of outstanding emissions from the WEIM from the EDU allowances used for Climate Credit.[11] In both the MRR and the Cap-and-Invest ISORs, CARB proposes to: 1) deduct the equivalent amount of outstanding emissions from the CAISO Markets, which now includes the EDAM and the WEIM; and 2) to expand the calculation of outstanding emissions to include both the EDAM and the WEIM.[12] If the impact of EDAM is improperly quantified in this methodology, which cannot be known at this time due to lack of EDAM data, this could create the negative and

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[10] California Air Resources Board. (2026). *Staff report: Initial statement of reasons for proposed amendments to the California Cap-and-Invest regulation* (p. 57). https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_isor.pdf; California Air Resources Board. (2026). *Staff report: Initial statement of reasons for the proposed amendments to the regulation for the mandatory reporting of greenhouse gas emissions* (pp. 21–22). https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/mrr/isor.pdf

[11] California Air Resources Board. (2021). *Regulation for the California cap on greenhouse gas emissions and market-based compliance mechanisms* (§ 95852(l)(3)) [Unofficial electronic version]. https://ww2.arb.ca.gov/sites/default/files/2021-02/ct_reg_unofficial.pdf

[12] California Air Resources Board. (2026). Staff report: Initial statement of reasons for proposed amendments to the California Cap and Invest regulation. https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_isor.pdf; California Air Resources Board. (2026). Staff report: Initial statement of reasons for the proposed amendments to the regulation for the mandatory reporting of greenhouse gas emissions. https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/mrr/isor.pdf; California Air Resources Board. (2026). *Appendix A-1: Proposed regulation order—Proposed amendments to the regulation for the California cap on greenhouse gas emissions and market-based compliance mechanisms*. https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/cap_invest/nc_app%20a-1.pdf; California Air Resources Board. (2026). *Appendix A-1: Proposed regulation order—Proposed amendments to the regulation for the mandatory reporting of greenhouse gas emissions*. https://ww2.arb.ca.gov/sites/default/files/barcu/regact/2026/mrr/app_a-1.pdf.

unintended consequence of unnecessarily reducing the Climate Credit Californians could receive.

SCE recommends that CARB does not include the EDAM in the calculation of outstanding emissions in this rulemaking, which is slated to be voted on in May 2026 (the same month that the EDAM goes live), and instead pursue the issue through a later rulemaking where we collectively will have a better sense of the scale of these emissions and can engage in an informed discussion about how to cover emissions in the program while keeping electric affordability and the benefits of regional markets in mind.

II. Technical Clarification to the Proposed Regulation.

SCE observed an error in the EDAM calculation in the MRR that mistakenly references the WEIM instead of the EDAM. The reference to WEIM should be replaced with EDAM within EDAM-specific calculations. SCE provides redline edits to the regulation in Appendix A on this matter. As noted earlier, however, SCE does not support incorporation of the EDAM into the outstanding emissions calculation at this time.

SCE appreciates CARB's consideration of its comments on the MRR Rulemaking.

Sincerely,

s/ Adam R. Smith
Adam R. Smith
Director, SCE Regulatory Relations

Appendix A - Redline Edits to MRR Proposed Regulation Order

SCE recommends CARB make the following correction to § 95111(h)(1)(B) regarding the EDAM emissions calculation on p. 152 of the MRR Proposed Regulation Order:

(B) Total California EDAM Emissions as calculated by CARB. Annually, based on each day-ahead interval, CARB will calculate the CO_2 equivalent mass emissions associated with imported electricity in EDAM using the following equation:

CO_2eEDAM = MWh below GHG counterfactual × EFunsp × TL

Where:

> CO_2eEDAM = CO_2 equivalent mass emissions from Total California EDAM electricity (MT of CO_2e).
>
> MWhbelow GHG counterfactual = Megawatt-hours of ~~WEIM~~EDAM imports used to serve California load that were below participating resources' EDAM GHG counterfactuals adjusted for net export constraints and electricity imports from committed capacity.
>
> EFunsp = Default emission factor for unspecified electricity imports in 95111(b)(1).
>
> EFunsp = 0.428 MT of CO_2e/MWh. TL = 1.02 (transmission loss correction factor) in 95111(b)(1).