



## CCX Advisory 2007-01

TO: CCX Members

FROM: William Boyk  
Senior Vice President – Exchange Operations

DATE: January 16, 2007

RE: **Phase II Electricity Purchase Conversion Methodology**

CCX has adopted a new Electricity Purchase conversion methodology for the **Phase II program**. The new methodology will apply to U.S. and Canada electricity purchases. The Phase II rules require CCX to use either the national or an applicable regional electricity emission factor, or both under a specific scenario, for each Member that has opted-in its electricity purchases on the basis of the following criteria.

1. For Members operating within a single region as defined by the National American Electric Reliability Council (NERC), CCX will use the applicable regional conversion factor in determining the CFIs to be allocated based on a Member's annual objective for electricity purchases and the annual CFI requirement for the Committee approved electricity purchases.
2. For Members operating in multiple NERC regions, CCX will use the applicable national conversion factor in determining the annual CFIs to be allocated based on a Member's annual objective for electricity purchases and the annual CFI requirement for the Committee approved electricity purchases.
3. When a facility is divested or closed that would result in a Member's remaining facilities to be within a single NERC region, CCX will use the applicable national conversion factor in determining the CFIs to be allocated based on a Member's annual objective for electricity purchases and the annual CFI requirement for the Committee approved electricity purchases for the year in which the divestiture or closure occurred. The following year, CCX will use the applicable regional conversion factor.
4. When a facility is acquired that would result in a Member having operations in multiple NERC regions, CCX will use the applicable national conversion factor in determining the CFIs to be allocated based on a Member's annual objective for electricity purchases and the annual CFI requirement for the Committee approved electricity purchases in the year of the facility acquisition.
5. If a Member has contracted to procure "clean" power subsequent to the CCX baseline period and only operates in a single NERC region, CCX will apply the "low-emitting" facility emission factor to the reported quantity of "clean" power contracted and will determine the net benefit of switching to "clean" power by converting an equivalent level of the annual electricity purchases objective into emissions using the regional emission factor and netting this result against the converted "clean" power. The applicable regional emission factor will

be applied to the remaining electricity purchases (non-“clean”) and the remaining annual electricity purchases objective.

6. If a Member has contracted for “clean” power and operates in multiple NERC regions, CCX will apply the “low-emitting” facility emission factor to the reported quantity of “clean” power contracted and will determine the net benefit of switching to “clean” power by converting an equivalent level of the annual electricity purchases objective into emissions using the applicable regional emission factor and netting this result against the converted “clean” power. The applicable national conversion factor will be applied to the remaining electricity purchases (non-“clean”) and the remaining annual electricity purchases objective.

The applicable rules are attached and will be available through the Registry Account system in the near future.

CCX will be providing in the next few weeks an updated “CCX Emissions and Electricity Purchases Reporting Form” for the 2006 program year. The form will include sections for providing information regarding contracting for “clean” power and identifying whether electricity usage is in a single or multiple NERC regions.

For the 2006 Program Year:

1. Phase I Members that have opted-in electricity purchases will have their MWh converted to CO<sub>2</sub> metric tons for the 2006 program year in the same manner as previous program years.
2. Phase II-only Members that will begin their participation with the 2006 program year, and that have opted-in electricity purchases, will have their MWh converted to CO<sub>2</sub> metric tons in accordance with the new rules.

Questions pertaining to this advisory may be addressed to the above at 312.554.1019, [bboyk@chicagoclimateexchange.com](mailto:bboyk@chicagoclimateexchange.com) or to Fran Kenck, Vice President - Compliance at 312.229.5162, [fkenck@chicagoclimateexchange.com](mailto:fkenck@chicagoclimateexchange.com).

#### **4.10.1.2 Electricity Purchases Conversion Factors**

Each CCX Member who elects the Opt-in will be issued Exchange Allowances annually when the Member's annual actual electricity purchases are below the quantity associated with the applicable Electricity Purchase Reduction Schedule.

##### **4.10.1.2.1 Phase I Electricity Purchases Conversion Factors**

Members will be issued Exchange Allowances (XAs) at the rates listed in Table 4.3a (unless alternative, case-specific electricity purchase conversion factors are approved by the Environmental Compliance Committee) for each megawatt-hour by which actual electricity purchases are below the reduction schedule, subject to the limitations provide in Section 4.10.2. The vintage of such XAs shall correspond to the year in which the Member's annual actual electricity purchases are below the quantity associated with the Electricity Purchase Reduction Schedule.

Table 4.3a Phase I Electricity Purchase Conversion Table

Location of Facilities Included in Electricity Purchase Opt-in Program	CO2 Metric Tons per Megawatt-hour
U.S.	.61
Canada	.20
Mexico	.59

##### **4.10.1.2.2 Phase II Electricity Conversion Factors**

For Phase II, CCX Members in specified circumstances will be required to apply regional electricity purchase emission factors to determine the quantity of XAs to be issued or surrendered in the annual compliance process. Members for whom such specified circumstances are not applicable will continue to have their annual XA issuance (or surrender) quantities calculated using the national emission factors listed in Table 4.3a (unless alternative, case-specific electricity purchase conversion factors are approved by the Environmental Compliance Committee) for each megawatt-hour by which actual electricity purchases are below (or above) the reduction schedule, subject to the limitations provide in Section 4.10.2. The vintage of such XAs shall correspond to the year in which the Member's annual actual electricity purchases are below the quantity associated with the Electricity Purchase Reduction Schedule.

Applicable circumstances that will require CCX Members to have regional emission factors applied to their Electricity Opt-in Calculations are:

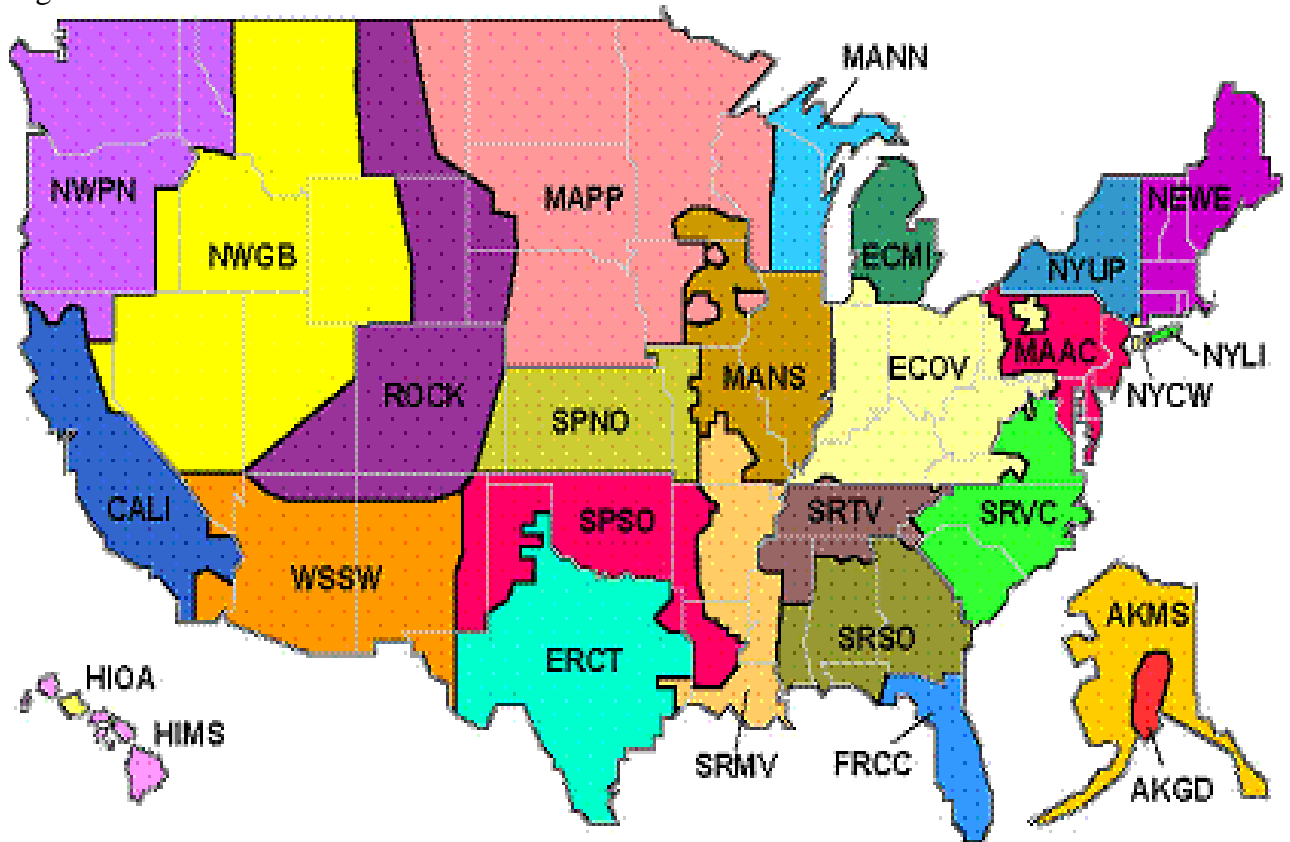
1. If a CCX Member that opts-in electricity purchases includes in its CCX commitment facilities located solely in one NERC region (see Table 4.3b and Figure 4.1 below), that Member will have its annual XA position for electricity purchases calculated through use of the NERC region emission factor applicable to the location of those facilities.
2. If a CCX Member undertakes contractual procurement of dedicated "clean" electric power, the net reduction in electricity-related emissions shall be

calculated for such contracts using the emission factors of the NERC region in which such contractual purchases are made.

**Table 4.3b Electricity Purchase Conversion Table by NERC Region: CCX CO<sub>2</sub> emission factors applied for Members who opt-in electricity purchases and employ regional factors**

NERC Region	NERC sub-regions in the region	Region-level electricity emission factor (metric tons CO <sub>2</sub> /mwh)
ASCC	all Alaska	.49
ECAR	ECMI, ECOV	.82
ERCOT	ERCT	.64
FRCC	FRCC	.63
HICC	All Hawaii	.78
MAAC	MAAC	.50
MAIN	MANN, MANS	.68
MAPP	MAPP	.83
NPCC	NYLI, NYCW, NEWE, NYUP	.51
SERC	SRMV, SRSO, SRTV, SRVC	.62
SPP	SPNO, SPSO	.89
WECC	CALI, NWGB, NWP, ROCK, WSSW	.51

Figure 4.1



#### **4.10.1.2.2.1 Facility Divestiture or Closure Resulting in Operations Within a Single NERC Region**

When a facility is divested or closed that would result in a Member's remaining facilities to be located within a single NERC region, CCX will use the applicable national conversion factor in determining the XAs to be allocated for the year in which the divestiture or closure occurred. The following year, CCX will use the applicable NERC regional conversion factor.

#### **4.10.1.2.2.2 Facility Acquisition Resulting in Operations in Multiple NERC Regions**

When a facility is acquired that would result in a Member having operations in multiple NERC regions, CCX will use the applicable national conversion factor in determining the XAs to be allocated in the year of the facility acquisition.

#### **4.10.1.2.2.3 Contract for "Clean" Power When Operating in a Single NERC Region**

If a Member has contracted to procure "clean" power subsequent to the CCX baseline period and the Member only operates in a single NERC region, CCX will apply the contracted "low-emitting" facility emission factor to the reported quantity of "clean" power contracted and will determine the net benefit (e.g. XA allocation) of switching to "clean" power by converting an equivalent level of the annual electricity purchases objective into emissions using the regional emission factor and netting this result against the converted "clean" power. The applicable regional emission factor will be applied to the remaining electricity purchases (non-"clean") and the remaining annual electricity purchases objective.

#### **4.10.1.2.2.4 Contract for "Clean" Power When Operating in Multiple NERC Regions**

If a Member has contracted for "clean" power and operates in multiple NERC regions, CCX will apply the "low-emitting" facility emission factor to the reported quantity of "clean" power contracted and will determine the net benefit (e.g. XA allocation) of switching to "clean" power by converting an equivalent level of the annual electricity purchases objective into emissions using the applicable regional emission factor and netting this result against the converted "clean" power. The applicable national conversion factor will be applied to the remaining electricity purchases (non-"clean") and the remaining annual electricity purchases objective.