2194

Scenario #2: Credit Basis
Second Draft
October 26, 1998

Default Operational Rules

Accord + VAMP + AFRP (A policy call whether to include Delta AFRP in baseline rules)

Assumed Facilities/ Actions

South Delta Facilities (allows use of full pumping capacity)
JPD
Delta Wetlands
600 kaf new SOD storage.
500 kaf of SOD option contracts with agriculture, not to be called more than one year in 5. (This is a transitional tool, to be phased out as more storage is developed south of the Delta)

Sharing Rules

- Environment has control over ½ of water for SWP pumping above 6300 cfs.
- Environment has control over ½ of water moved under JPD
- Environment may utilize all available capacity in state and federal above normal operations to move water.
- Environment may grant variances to E/I ratio in order to access water for export pumps. The environment keeps all such water. (For analytical purposes, the triggers to the E/I ratio might be as given below)
- Environment controls 300 kaf of storage
- Environment controls all 500 kaf of option contracts
- Environment has rights to San Luis storage on a first spill basis
- The environment repays credits to the projects only to the extent that export reductions cannot be made up through normal operations

Criteria for Deviating from Default Rules

In practice, the environment would not be required to follow rigid rules, either for export reductions or for variances. However, in general environmental, operations would designed to reduce biological problems caused by exports. The problems are in the process of being defined by DEFT. The primary limitation on environmental operations would be the need to develop credits in advance of use.

Risk and Benefits: Comparing Credit Basis with Hard Standards

Potential risk and potential gains will generally be correlated within the DNCT operational scenarios. This approach places some risk on the environment that credits will be unavailable to deal with pressing entrainment problems because all credits have already been spent. This risk can be significantly reduced in several ways. First, if the environment is granted the ability to develop and hold more credits than it is likely to need (e.g., through storage), then it is unlikely to run out of credits at a crucial time. Second, the environment may be able to acquire credits through water purchase option contracts south of the Delta. Thus, infrastructure improvement and increased funding for purchases can reduce risk.

Risks could also be reduced by going to fixed standards, not tied to credits. That is, put into place a new set of standards based upon the best available information. The standards might include hydrological information (as is already done), but also biological triggers (e.g., salvage at the pumps). The new standards might increase or decrease export supplies, depending on how they are written. Now, there is no risk that defined biological measures will not happen. On the other hand, there is no ability to deal with biological situations not encompassed within the standards. If the standards are sufficiently strict, occasional periods of large take may be acceptable, however.

The other side of the coin is increased potential gain. By retaining flexibility on when export reductions will be required, the environment can better target the periods of greatest importance. Moreover, combined with adaptive experimentation, flexibility in the use of credits may accelerate our understand of how to modify export patterns to improve fish protection.

These two approaches: "credit basis" vs. "hardwired standards" are not mutually exclusive. We could hardwire some standards where we are sure of our ground, while retaining flexibility where we are uncertain as to the benefits to be derived from modifying operations. In this way, we might reduce risk while still retaining a high degree of real-time flexibility.