

DRAFT
Establishment of Export Capacity Market

Description

Establishing an export capacity market is one strategy for allocating export capacity at the Central Valley Project (CVP) and State Water Project (SWP) Delta pumping facilities. During certain times of year, excess capacity exists at these pumps. This capacity could be available to purchase for water transfers, additional export, or for environmental purposes. Entities transferring water through the Delta could purchase capacity to facilitate these exports, southern California users could purchase capacity to obtain greater supplies, and resources agencies or nonprofit groups could purchase capacity to prevent further pumping and allow more water to flow out of the Delta. An institutional framework could be established to buy and sell this excess export capacity. The money generated by the market could be used to fund Delta habitat improvements.

This category includes the following actions:

- establish procedures for allocation of export capacity,
- establish an institution to allocate export capacity,
- coordinate water transfers and export capacity, and
- market export capacity for environmental benefits.

Purpose

An export capacity market could provide a regulatory mechanism for establishing the value of additional exports relative to possible environmental effects caused by the incremental pumping above CVP and SWP demands. An export capacity market (or rules governing the use of export capacity) would be created to allow the maximum use of Delta export capacity that would result in a minimum of anticipated environmental effects. Conversely, exports could be reduced during periods that would result in the greatest environmental effects. An export capacity market could ensure that balance between water supply and environmental benefits was achieved with a maximum level of benefits for both purposes (i.e., win-win approach).

Constraints

The determination of the amount of export capacity available to market transactions may be very difficult. Changes in project operation rules, water rights law, and existing water quality standards may be necessary to provide the market with the flexibility needed to balance environmental

and water supply needs. The market may, if not properly constructed, result in increased exports from the Delta and environmental impacts associated with increased entrainment and decreased outflow.

Linkage to Other CALFED Action Categories

Because the creation of an export capacity market would require determination of the amount and timing of export capacity to sell, implementation of actions in this category may need to be accompanied by establishment of an institution for long-term water management, increased rates of diversion capacity, Delta inflow/outflow/export management, and improvement of through-Delta conveyance.