**Section 217.770 Early Reduction Credits for Budget EGUs**

If a budget EGU reduces its NOx emission rate as required by the applicable provisions of subsection (c) of this Section in the 2001, 2002, or 2003 control period, for use in the 2004 control period, or later control periods authorized by USEPA, the account representative may request early reduction credits (ERCs) for such reductions, and the Agency will allocate ERCs to the budget EGU in accordance with the following:

a) Each budget EGU for which the account representative requests any ERCs under subsection (d) of this Section shall monitor NOx emissions in accordance with 40 CFR 96, subpart H, as incorporated by reference in Section 217.104 of this Part, starting with the control period prior to the control period for which ERCs will first be requested and for each control period for which ERCs will be requested. For example, if ERCs are requested for reductions made in the 2001 control period, the budget EGU must have implemented the applicable monitoring for the 2000 control period. The unit's monitoring system availability shall be not less than 90% during the control period prior to the control period in which the NOx emissions reduction is made and the unit must be in compliance with any applicable State or federal emissions or emissions-related requirements.

b) The NOx emission rate and heat input under subsections (c) through (e) of this Section shall be determined in accordance with 40 CFR 96, subpart H.

c) Each budget EGU for which ERCs are requested under subsection (d) of this Section must have reduced its NOx emission rate for each control period for which ERCs are requested, as follows:

1) For budget EGUs subject to the requirements of Title IV of the CAA and not included in a NOx averaging plan pursuant to 40 CFR 72 and 76, as incorporated by reference in Section 217.104 of this Part, at least 30% less than the NOx emission rate specified in the applicable Title IV permit or other applicable federally enforceable permit.

2) For budget EGUs subject to the requirements of Title IV of the CAA and included in a NOx averaging plan pursuant to 40 CFR 72 and 76, at least 30% less than the annual emission rate required in the NOx averaging plan in the applicable Title IV permit or other applicable federally enforceable permit.

3) For budget EGUs not subject to the requirements of Title IV of the CAA, at least 30% less than the actual NOx emissions rate (lbs/mmbtu) for the 2000 control period.

d) The account representative of a budget EGU that meets the requirements of subsections (a) through (c) of this Section may submit to the Agency a request for ERCs for a EGU based on NOx emission rate reductions made by the EGU in control periods 2001, 2002, and 2003, in accordance with subsection (c) of this Section.

1) The number of ERCs for any applicable control period shall be an amount equal to the unit's heat input for such control period multiplied by the difference between the EGU's NOx emission rate (meeting the requirements of subsection (c) of this Section for the applicable control period) and the EGU's actual NOx emission rate for the applicable control period, divided by 2000 lbs/ton, and rounded to the nearest ton.

2) Upon request of the account representative, the ERC allowance allocation for a particular EGU may be deposited in the source's general account rather than in the unit's compliance account.

3) The early reduction request must be submitted in a format specified by the Agency by:

A) November 1, 2001, for reductions made in the 2001 control period;

B) November 1, 2002, for reductions made in the 2002 control period; and

C) November 1, 2003, for reductions made in the 2003 control period.

e) In the event that the date for implementing the NOx SIP Call, May 31, 2004, is delayed, the early reduction request must be submitted in accordance with any rulemaking or guidance by USEPA on the distribution of the Compliance Supplement Pool under the NOx SIP Call (63 Fed. Reg. 57356).

f) The Agency will allocate ERCs to the budget EGUs meeting the requirements of subsections (a) through (c) of this Section and covered by ERC requests meeting the requirements of subsection (d) of this Section in accordance with the following procedures:

1) Upon receipt of each ERC request, the Agency will accept the request only if the requirements of subsections (a) through (d) of this Section are met and will make any necessary adjustment to the request to ensure that the amount of the ERCs requested meets the requirements of subsections (b) through (d) of this Section;

2) The Agency shall allocate at least 15,261 ERCs over three years, as follows:

A) If USEPA has approved this Subpart as a SIP revision, not more than one-half of the total ERC allowances for reductions made in the control period in 2001;

B) Not more than one-half of the total ERC allowances for reductions made in the control period in 2002; and

C) Any ERC allowances not allocated pursuant to subsection (f)(2)(A) or (B) of this Section, for reductions made in the control period in 2003.

3) If the number of ERC allowances requested for a reduction achieved in the control period in 2003 is less than or equal to the number of ERC allowances designated for that control period in subsection (f)(2)(A) of this Section, the Agency will allocate to each budget EGU one allowance for each accepted ERC request;

4) If the number of ERC allowances requested for a reduction achieved in the control period in 2003 is greater than the number of ERC allowances designated for that control period in subsection (f)(2)(A) of this Section, the Agency will allocate to each budget EGU allowances for accepted requests on a pro-rata basis.

g) The Agency will notify the account representative submitting an ERC request for the subsequent control period of the number of ERC allowances that will be allocated to each budget EGU for that control period as follows:

1) By March 1, 2002, for ERCs requested for and earned in the 2001 control period;

2) By March 1, 2003, for ERCs requested for and earned in the 2002 control period; and

3) By March 1, 2004, for ERCs requested for and earned in the 2003 control period.

h) By May 1, 2004, the Agency will submit to USEPA the ERC allocations made by the Agency under this Section. USEPA will record such allocations to the extent that they are consistent with the requirements of this Section.

i) ERC allowances recorded under subsection (h) of this Section may be deducted for compliance under 40 CFR 96.54, as incorporated by reference in Section 217.104 of this Part, for the control period in 2004 or such additional control periods as may be specified by USEPA. Notwithstanding 40 CFR 96.55(a), USEPA will deduct as retired any ERC allowances that are not deducted for compliance in accordance with 40 CFR 96.54 for the control period in 2004.

j) ERC allowances are treated as banked allowances in 2004 for the purposes of 40 CFR 96.55(a) and (b).

(Source: Added at 25 Ill. Reg. 128, effective December 26, 2000)