

Comments on Regional Integration California Greenhouse Gas (“GHG”) Compliance Technical Workshop

The Industrial Customers of Northwest Utilities (“ICNU”) appreciates the opportunity to provide feedback on the California Independent System Operator’s (“ISO”) presentation at the Regional Integration California GHG Compliance Technical Workshop on October 13, 2016, including subsequent updates. ICNU is an incorporated, non-profit association of large electric consumers in the Pacific Northwest, with membership that includes large power customers of PacifiCorp and customers of several other potential new Participating Transmission Owners (“PTOs”) considering integration into the ISO. Like many stakeholders with significant interests outside of California, ICNU is considering the potential benefits of an ISO that encompasses a larger regional footprint. Thus, ICNU’s future support for a regional ISO will depend upon a determination that: 1) joining the market will result in no harm to large customers of PacifiCorp or any other potential new PTOs; and 2) any incremental benefits associated with the market are shared equitably between market participants.

As a general principle, ICNU’s position is that GHG compliance in California should have no impact on costs paid by customers in other states. In addition, the accounting for GHG mechanisms should not be designed in a manner that would inequitably deprive states like Oregon and Washington of the renewable, or low-carbon, attributes of resources located in the Northwest.

Accordingly, ICNU has some concerns, within the context of the Energy Imbalance Market (“EIM”), over how GHG costs are included as a component to locational prices in sub-regions other than California. ICNU is concerned that the methodology used in the EIM has the potential to result in uneconomic dispatch of non-California resources within a regional ISO, and thus, would appear to be imposing costs on customers outside of California.

While still in the process of reviewing the various options for modeling GHG emissions within a regional ISO, ICNU is of the initial position that GHG compliance costs may be better considered as security constraint on transfers into California. That is, as a variable cost assigned to all modeled transmission links into California, based on the carbon intensity of the transferred power. This sort of modeling would seem to better conform to the reality of how GHG compliance costs are incurred throughout the region.

In addition, following the ISO mechanism for the EIM, it appears that, for all practical purposes, an assumption would be made that only power generated from carbon-free resources would be ultimately imported into California. Notwithstanding, electrons cannot be color-coded in a manner that allows the ISO to determine which resources were physically used to import power from one transmission area into California. For that reason, ICNU does not necessarily believe it would be fair, within an integrated regional grid, if the ISO were to be allowed to selectively pick the resources that it assumes are being used to import power into its sub-region. Rather, ICNU is of the initial opinion that a regional market should assume that any power transferred into California from another sub-region should possess a carbon intensity that is the average of all resources within the originating sub-region.

In the Pacific Northwest, customers have invested over many years in low-carbon and renewable sources of power. The concern is that any assumption regarding which resources are used to support transfers into California has the potential to diminish the environmental attributes of power used to serve customers in the Northwest. If the ISO assumes that only carbon-free resources are being used to support transfers into California, then Northwest customers may be left with only the high-carbon resources and a portfolio with a higher-carbon intensity, merely as a byproduct of the accounting mechanisms used by the ISO. Accordingly, from ICNU's perspective, assuming an average carbon intensity on all transfers between sub-regions would initially appear to better protect Northwest customers from being deprived of the environmental attributes in a regional ISO, as well as better match the actual physics of how power flows between sub-regions.

ICNU appreciates this opportunity to provide feedback, and looks forward to further discussion on this matter, as the ISO develops a straw proposal in the coming months.