

PUGET SOUND ENERGY COMMENTS
REGIONAL INTEGRATION AND EIM GREENHOUSE GAS COMPLIANCE INITIATIVE
MAY 18, 2018

Puget Sound Energy (PSE) appreciates the opportunity to provide the following comments on the California Independent System Operator's (CAISO) third revised draft final proposal in the Energy Imbalance Market (EIM) greenhouse gas (GHG) enhancements initiative.

COMMENTS

1. *PSE supports CAISO's proposal to modify the GHG bid quantity rules as set forth in the third revised draft proposal.*

PSE appreciates the significant effort that CAISO has put into this initiative, and is pleased to support the CAISO's proposal to modify the GHG bid quantity rules as set forth in the third revised draft proposal. Specifically, this enhancement will limit the GHG bid quantity of an EIM participating resources to the volume between the resource's base schedule and the resource's upper economic level. PSE agrees that this enhancement will result in more accurate GHG attribution by reducing the quantity that may be attributed to base schedules that serve non-CAISO load.

2. *PSE requests that CAISO re-examine the application of its GHG framework to carbon programs in other states as set forth in Section 3.3 of the third revised draft final proposal under certain scenarios.*

In Section 3.3 of the third revised draft final proposal, CAISO suggests that the solution it has proposed is scalable to other areas that may pass a GHG compliance program. With respect to a program that only places a compliance obligation on generation located within a state or is a carbon tax, the proposal suggests that "these [compliance costs or taxes] would be reflected in [a participating resource's] energy bids similar to what is done by resources in the CAISO today." PSE notes that this approach would have a negative impact on an entity's dispatch in the event that the program exempted exports from the compliance obligation or tax. Should this scenario arise under a state GHG compliance program, PSE requests that the CAISO develop a methodology that includes a fourth component of the LMP, which would enable any entity to set a price that would only apply when that state applies a carbon price.