

# Stakeholder Comments Template

## EIM Greenhouse Gas Enhancement Draft Final Proposal May 24, 2017

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### Comments:

San Diego Gas & Electric (“SDG&E”) respectfully submits the following comments in response to the California Independent System Operator’s (“CAISO”) request for stakeholder input on its EIM Greenhouse Gas Enhancement, Draft Final Proposal, issued May 24, 2017. As previously indicated, SDG&E has concerns with the two-pass approach since the first pass -- where California load is served only by California resources – is entirely hypothetical. Therefore, it is impossible to know whether the delta between the first and second pass is meaningful.

Nevertheless, in the Draft Final Proposal and Workshop, CAISO indicated it is pursuing Option 2. Option 2 is a complicated approach to implement GHG attribution to imports in the 5-minute interval. The CAISO is pursuing Option 2 to address the California Air Resources Board (“CARB”) staff concerns related to the EIM GHG attribution methodology. Given the limitations of CARB’s GHG accounting, SDG&E supports Option 2 as the best solution to the issues raised by CARB Staff regarding “secondary dispatch.” The approximations in the first pass proposed by CAISO – to use unit commitment from the prior 15-minute market run and to relax ramping constraints – seem reasonable.

SDG&E also supports the CAISO’s use of the “California flag” as it would deliver a result consistent with CARB’s Mandatory Reporting Regulation (“MRR”). The hourly nature of the flag provides flexibility in contracts to acquire clean resources to meet California’s net peak. While the implementation may result in a solution that looks similar to the current EIM solution (if most participating EIM hydro resources sign contracts to provide EIM sales to California), it is the best the CAISO can do to be consistent with CARB’s GHG accounting.

Aside from the larger concern of whether the two-pass approach provides meaningful results in the first instance, SDG&E does have a technical issue with the Draft Final Proposal’s two-pass approach. SDG&E is concerned that the first pass allows transfers out of California, which could artificially increase reported secondary dispatches if transmission constraints in the second

pass reduce those transfers. The CAISO should consider whether the first pass should be constrained to preclude transfers.

### **California Flag**

SDG&E supports the CAISO's proposed use of an hourly "California flag" for all generation with a contract to deliver energy to California. This approach would be consistent with CARB's GHG accounting in the day-ahead market, providing a specified emissions value for resources with a contract with a California LSE. The hourly flag would allow for both contract flexibility and consistent GHG attribution. For example, hydro resources could be contracted for and use the "California flag" in the evening hours of California's expected net peaks, increasing the amount of clean energy used to meet the California net peak, while freeing those hydro resources to be optimized in the WECC in all other hours.

The use of the "California flag" also allows the two pass solution to work in the integrated forward market since it delivers a result consistent with CARB's MRR. Specified resources with California LSE contracts would be deemed delivered to California in the second pass with a feasible transmission path.

### **Secondary Dispatch Due to Reduced Transfers out of California**

From the perspective of CARB's one-sided "impact to the environment" approach (counting increases in GHG from transfers to California, but not reductions from transfers out of California), the CAISO's approach to the first pass is understandable. But because of the one-sided CARB GHG accounting, SDG&E recommends that the first pass restrict transfers out of California in order to not artificially increase secondary dispatch if the first pass transfers can be greater than the second pass transfers out of California.

Based on the CAISO Workshop discussion, this result could occur because of constraints, especially transmission constraints during the hours of high solar generation. If a reduction in transfers occurred, some incremental dispatch outside California would occur because of reduced transfers out of California, not incremental transfers into California. It is unclear whether the CAISO modeling would attribute the GHG associated with the incremental dispatch to California consumption. If the CAISO modeling did attribute the secondary dispatch to transfers into California, the result would be to overestimate the "atmospheric effect" due to California consumption.

If the secondary dispatch due to reduced transfers out of California in the second pass are incorrectly attributed to California, SDG&E would recommend reducing or eliminating the ability to have transfers out of California in the first pass. This would assure that secondary dispatch is due to transfers into California, not reduced transfers out of California.