

**COMMENTS ON BEHALF OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON, PASADENA, AND RIVERSIDE, CALIFORNIA ON THE REGIONAL INTEGRATION CALIFORNIA GREENHOUSE GAS COMPLIANCE AND EIM GREENHOUSE GAS ENHANCEMENT STRAW PROPOSAL**

In response to the ISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") submit the following comments on the ISO's Regional Integration California Greenhouse Gas Compliance and EIM Greenhouse Gas Enhancement Straw Proposal posted on November 17, 2016 (the "Straw Proposal"):

The Six Cities support the ISO's determination in the Straw Proposal to focus this initiative on further development and implementation of a "two-pass" optimization methodology (previously referred to as "Option 2") for identifying resource-specific emissions for resources that support transfers of energy to serve California load under the Energy Imbalance Market ("EIM") or a potential region-wide Day-Ahead market. Further, the Six Cities also agree that the principles listed at pages 10-11 of the Straw Proposal should be considered in evaluating the process for identifying and tracking emissions to serve California load and that the proposed two-pass optimization conceptually is consistent with those principles.

The Straw Proposal makes clear at pages 9-10 that substantial additional work remains to develop the details of the two-pass methodology. The Straw Proposal at pages 15-16 recommends several simplifying approximations to expedite the solution time for the first pass ("the GHG allocation base"). The Six Cities support the concept of developing simplifying approximations to reduce solution time, but they are not able to express a substantive position with regard to the specific simplifying approximations described at pages 15-16 of the Straw Proposal. The Six Cities' ultimate position with respect to a two-pass optimization methodology for identifying emissions from resources that support California load is subject to review of the details of the fully-developed methodology, but the Straw Proposal appears to be heading in the right direction.

The Six Cities recommend that the ISO prioritize the development of those aspects of the two-pass methodology that are necessary to implement the methodology in the EIM and postpone detailed consideration of elements that will be needed only upon regionalization of the Day-Ahead market. It is desirable to craft a two-pass methodology that will be compatible not only with the EIM market design but also with the anticipated regional ISO framework. But the ISO should not allow consideration of elements relating to a regional ISO to complicate and delay implementation of a two-pass methodology for the EIM and should pursue such elements after the two-pass approach has been implemented for the EIM.

With respect to the suggestion at page 10 of the Straw Proposal that a bridge solution likely will be needed to account for EIM GHG emissions until the two-pass methodology can be

fully developed and implemented, it would make no sense to apply a bridge solution that could produce outcomes less desirable from the perspective of atmospheric impacts than the “secondary dispatch” or “emissions leakage” problem the ISO is attempting to cure. The ISO has produced data demonstrating that the EIM has reduced overall emissions in the western region due to reduced curtailment of California renewable resources and substitution of energy from those resources for output from higher-emitting resources in other parts of the EIM footprint. Any bridge solution that may be considered should not undermine the overall atmospheric benefits of the EIM. Until a two-pass methodology has been fully developed and shown to result in reasonable outcomes, maintaining the status quo approach may be the bridge solution with the most favorable atmospheric impacts from an overall perspective.

Finally, the Six Cities request clarification of the treatment of imports used to serve California load as discussed in Section 6.1.2 at pages 18-19 of the Straw Proposal. The Straw Proposal at page 18 states, “[i]n order for imports to be included in California supply, the import must be registered as a system resource.” But at page 19 the Straw Proposal states, “[h]owever, not all imports are required to be a system resource.” The two statements appear to be inconsistent, and the Six Cities request clarification of the circumstances in which imports are required to be registered as system resources and the circumstances in which that requirement does not apply.

Submitted by,

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