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Valley Electric Association, Inc. Comments on EIM GHG Enhancement Proposal

June 19, 2017

Valley Electric Association, Inc. (VEA) appreciates the opportunity to provide comments on the CAISO's EIM GHG Draft Final Proposal.

VEA has a vested interest in the ISO's EIM GHG proposal. In these comments VEA recaps the importance of a ISO GHG design that recognizes state boundaries and not just Balancing Area Authority (BAA) boundaries, and VEA requests that the ISO implement such a state-boundary proposal at this time in the real-time market at a minimum.

VEA currently incurs significant costs due to a misalignment between the current GHG accounting mechanism and its application to non-California ISO load (e.g., VEA's Nevada load). As previously noted by the ISO in the Regional GHG Issue Paper, as well as in the straw proposal, the current GHG accounting mechanism does not support a multi-state RTO. Yet the ISO is already a multi-state RTO, and has been ever since VEA became an ISO member.

VEA is disappointed to see the ISO retract some of the previously proposed design elements that would have finally addressed VEA's situation. Both of the elements below are needed to provide a solution for VEA, and were considered in the previous proposal. Specifically, the ISO initially proposed a design that was going to:

- 1) accurately identify VEA's Nevada load as being non-California load by shifting from using the BAA boundaries, as a proxy for identifying California load and supply, to state boundaries, and
- 2) enable VEA, through bids in real-time, to mitigate their imports as being deemed delivered to California when they are intended to serve VEA's Nevada load.

VEA does not support the decision of the ISO to no longer propose what VEA considered to be one of the core elements of the previously proposed solution – that was the shift from using the ISO BAA as a proxy to identify California load and supply subject to the California cap-and-trade program, to using state boundaries. The straw proposal design offered a significant improvement and would have appropriately considered VEA's Nevada load as non-California load. The ISO's own straw proposal acknowledged that the shift is necessary irrespective of a regional market.<sup>1</sup>

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<sup>1</sup> Pg. 17 ISO EIM GHG Straw Proposal states: "In addition, this paradigm shift is also needed to implement option 2 in the EIM."



## Valley Electric Association, Inc.

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While VEA appreciates the ISO's efforts in accurately accounting for the atmospheric effects of GHG, the current proposal falls short of generating GHG attribution and real-time prices that more appropriately align with the intention of the Cap-and-Trade regulation. The proposed design no longer meets several of the principles outlined in the paper, especially the ones that enable non-California supply to opt out of, or manage exposure to, the GHG regulations.

Therefore, VEA request that the ISO use state boundaries to accurately identify load and supply subject to the GHG regulation and provide a bidding mechanism for imports/exports to indicate the MW quantity that they are willing to be deemed delivered to California. These changes to the current proposal would provide a more comprehensive real-time design applicable to regionalization and to multiple GHG regimes. Such a design could then be extended to the day-ahead once the ISO formally regionalizes.

VEA appreciates the CAISO's consideration of these comments and looks forward to further discussions.

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