



Valley Electric Association, Inc. Comments on Regional GHG Straw Proposal

December 15, 2016

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

VEA has a vested interest in the ISO's Regional GHG proposal; 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, the current GHG accounting mechanism does not support a multi-state RTO. Yet the ISO is already a multi-state RTO now that VEA is an ISO member.

Through this stakeholder process, the ISO is endeavoring to address ARB's concern that the current EIM design understates the atmospheric effects by not accounting for the "secondary" dispatch associated with an EIM transfer into the ISO. In response to stakeholder comments on the technical workshop, the ISO is proposing to move forward with the two-pass approach, previously referred to by the ISO as "Option 2¹." VEA believes Option 2 will more accurately identify resources outside of California that are dispatched to support a transfer into California to serve California load, while ensuring only California real-time energy load prices reflect the cost of the carbon policy.

Center to the proposal is a distinction between California and non-California load and supply determined by state boundaries, as opposed to the current determination using the ISO BAA boundary. As a result, under the proposal the real-time energy prices for load outside of California would not reflect GHG costs. Furthermore, only resources outside of California that have reflected a willingness to serve California load², and are incrementally dispatched in the algorithm's second pass, will be assigned GHG obligations. It is VEA's understanding that VEA's Nevada load and imports would be included in the non-California load and supply. Therefore, VEA's Nevada load would not incur GHG costs, and VEA will be able to mitigate their imports from being deemed delivered to California through bids. The proposal offers a significant improvement over the current paradigm where VEA's Nevada load and imports are assumed to be part of California, or serve California load, and currently bear the cost of the California carbon policy.

¹ The first pass would determine the economical dispatch, or baseline dispatch, of resources outside of California to meet the non-California load while not allowing transfers into California; the second pass would determine the economical dispatch of the same resources while allowing for transfers into California. Carbon obligations would then be assigned to resources outside of California that were incrementally dispatched in the second pass, relative to the baseline dispatch determined in the first pass, to support transfers into California.

²SCs can submit a 0MW GHG quantity bid for resources outside of California to prevent the resource from being identified as willing to serve CA load.



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VEA supports the proposed design where VEA's Nevada load will be appropriately considered non-California load. VEA appreciates the ISO's willingness to further develop the option (option 2) that best meets the ISO's policy objectives despite option 2 being the more complex solution to implement. The proposed approach will generate GHG attribution and real-time prices that more appropriately align with the intention of the Cap-and-Trade regulation in that only California load be subject to the costs of the carbon policy.

Given the complexity of the proposed changes and potential need for significant testing, VEA understands the policy may not be effective by 2018. The ISO noted ARB may need to implement a bridge solution, which has yet to be vetted, for the interim period, the length of which is unknown at this point. Any bridge solution will likely be inferior to ISO's Option 2 approach. The issues being addressed in this policy are a result of the ISO being a multi-state BAA, which exists today, not forthcoming issues only with regionalization. VEA understands there will be additional opportunities for stakeholder input prior to the solution being effective, therefore requests the ISO expedite the policy process of this initiative and commence testing, if needed, as there are substantial benefits to be gained today.

A solution is needed that properly addresses VEA's non California load being served through the CAISO. The CAISO's EIM solution is a good first step toward this resolution and VEA strongly supports the CAISO moving forward with this design. VEA appreciates the CAISO's consideration of these comments and looks forward to further discussions.

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