Valley Electric Association, Inc. Comments on Regional GHG Issue Paper

Daniel Tillman, Executive VP-Administration & Finance
Valley Electric Association, Inc., (775) 727-2110, dant@vea.coop
October 27, 2016

Valley Electric Association, Inc. (VEA) appreciates the opportunity to provide comments on the CAISO's Regional GHG Technical workshop held October 13, 2016.

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 CAISO load, such as VEA's Nevada load. As noted by the ISO in the Regional GHG Issue Paper, the current GHG accounting mechanism does not support a multi-state RTO. Yet the CAISO is already a multi-state RTO now that VEA is a CAISO member.

During the technical workshop, the ISO discussed with stakeholders three options for addressing the California Air Resources Board's (ARB's) GHG accounting concerns of the current EIM design. 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.

Based on discussions at the workshop, the preferential option of the ISO appears to be the option that considers a residual emission rate, or hurdle rate, approach. The ISO refers to this as "Option 3". The ISO believes the residual rate approach is preferred primarily due to achieving a balance between meeting the objectives of the policy while being feasible to implement.[1]

Notwithstanding VEA's broader policy objectives of seeing a multi-state GHG policy implemented, VEA has a specific concern with the proposed Option 3. As currently described by the ISO, under the residual rate approach, a residual amount of carbon imports would be assigned to LSEs. Given that the goal of the adjustment is to ensure that the benefits of the resources being used to serve California load should be borne by California load under the cap and trade program, VEA believes its inappropriate that any incremental costs should be allocated to VEA's Nevada load. VEA also believes that the CAISO should not apply the GHG shadow price to VEA's DLAP LMP, given that they are not within California. To also apply the proposed cost/price impacts to VEA would further worsen the adverse impacts that VEA's Nevada load is experiencing since taking its service through the CAISO.

In short, VEA asks that within any proposed policy the ISO ensures it aligns with the intention of the Cap-and-Trade regulation in that only California load be subject to the costs of the carbon policy.

[1] The ISO presented another option that required two passes of the optimization in real-time. While this option met the objectives of the ISO, they noted it is not feasible given the computation time needed to sequentially solve the optimization twice.

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