



## Stakeholder Comments Template

### Extended Day-Ahead Market Issue Paper

This template has been created for submission of stakeholder comments on the **Extended Day-Ahead Market (EDAM) issue paper** that was posted on October 10, 2019. Information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/ExtendedDay-AheadMarket.aspx>.

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com) by close of business on November 22, 2019.

| Submitted by  | Organization     | Date Submitted       |
|---|------------------|----------------------|
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Our comments today address only one topic:

#### 7. Accounting for greenhouse gas costs

Thank you for the opportunity to comment on the Enhanced Day-Ahead Market Issue Paper. We appreciate CAISO's thoughtful engagement with the question of how to attribute greenhouse gas (GHG) emissions in the EDAM context.

Near Zero's primary interests in the EDAM process are ensuring that the EDAM's approach to GHG emissions accounting (1) provides a reasonable basis for estimating net GHG emissions associated with GHG compliance regions' participation in the EDAM, and (2) can be integrated into state-based climate policy structures with minimal legal risks. We are mindful that the details of any candidate solutions will likely be complicated and that there could be several reasonable approaches to achieving success across these two important dimensions. We also appreciate that these outcomes will depend in part on policy decisions made by the California Air Resources Board (CARB), on policy decisions made by state regulators in other GHG compliance regions, and ultimately on approval from the Federal Energy Regulatory Commission (FERC).

As the EDAM process continues, we look forward to providing feedback to help ensure that the market design treats similarly-situated resources in a comparable manner, including both (1)

within the EDAM market footprint and (2) between the EDAM and bilateral markets. These goals are necessary to ensure that state climate policies operate in harmony with FERC-approved market designs and to minimize the legal risks they may face.

One fundamental question is whether there should be resource-specific attribution in the EDAM. The history of the EIM affirms the importance of this question. Because California's cap-and-trade program assigns GHG liabilities to electricity importers, FERC required CAISO to dispatch non-CAISO, non-SMUD EIM resources to serve CAISO and SMUD load only when those EIM resources affirmatively opt into that arrangement via the voluntary EIM GHG Bid Adder. We presume that FERC is likely to require a similar conditionality such that participating EDAM resources' liability-inducing deliveries to serve GHG compliance regions' loads are elective, not mandatory. However, if GHG emissions liability is assigned not on the basis of resource-specific attributions, but rather on the basis of accurate market-wide GHG impacts associated with electricity deliveries to GHG compliance regions, then FERC approval might not require the EDAM to identify which specific resources are dispatched to serve load in GHG compliance regions.

Without prejudicing the details of potential alternatives under either approach, we believe that any successful market design requires a means of accurately measuring net GHG emission impacts of deliveries to GHG compliance regions. Calculating net GHG impacts turns not just on any applicable resource-specific attributions, but also on broader market-wide impacts. As CAISO recognizes, the portfolio of resources that elect to serve California load under the current EIM produce additional GHG emission impacts as a result of "secondary dispatch" that produces GHG leakage. These concerns led to CAISO limiting the quantity of electricity that can be deemed delivered to serve California load under the EIM as well as to CARB calculating the "true" GHG emissions profile of those imports based on its default unspecified emissions factor.

We agree that the current quantity limit on California imports from the EIM—which is defined in relation to the EIM resource's "base schedule"—is unlikely to function in the EDAM environment. We have also expressed concerns to CARB and CAISO about the accuracy of CARB's default unspecified emissions factor, which was calculated ten years ago under conditions that may be very different than the average WECC-wide situation today, let alone seasonal or hourly variation in a future EDAM market. Improving on the elements of the market design that determine GHG emission impacts and their assignment to GHG compliance regions will be an essential step in whatever approach stakeholders and CAISO explore together.

Finally, we note that the most important parameters that determine GHG emissions liabilities in California today are managed by CARB, not CAISO—notably, the unspecified default GHG emissions factor and the emissions factors for the Asset-Controlling Suppliers (Bonneville Power

Association, Powerex, and Tacoma Power). It may be necessary to engage in a collaborative evaluation of the default and/or region-specific emissions factors in order to implement an accurate EDAM GHG accounting mechanism that treats all participating parties on an even-handed basis.

Thank you again for the opportunity to comment on the October 2019 Issue Paper. We look forward to the next stage of the process and appreciate CAISO's commitment to integrating climate policy into the design of the EDAM.

A handwritten signature in black ink, appearing to read 'D. Cullenward'.

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