



March 1, 2018

## AWEA CALIFORNIA CAUCUS (ACC) COMMENTS ON THE CAISO'S EIM GHG ENHANCEMENTS 2<sup>ND</sup> REVISED DRAFT FINAL PROPOSAL FLEXIBILITY

The AWEA California Caucus (ACC) appreciates the opportunity to offer comments on the California Independent System Operator's (CAISO or ISO) 2<sup>nd</sup> Revised Draft Final Proposal in the EIM Greenhouse Gas Enhancements Initiative.

ACC had previously submitted comments supporting the two-pass solution, as it appeared to be an improvement over current practices in accurately quantifying the atmospheric impact of EIM dispatches to serve California's electrical demand. However, ACC recognizes that concerns about bidding behavior and pricing distortions have caused a significant change in the CAISO's proposed approach to GHG accounting in the EIM. The 2<sup>nd</sup> Revised Draft Final Proposal represents a significant change in the ISO's approach, which was only revealed to stakeholders two weeks ago and has not been given thorough time for discussion and consideration. ACC urges the CAISO to press "pause" on this initiative and thoroughly consider the various options, the future of the EIM, and whether action is required now.

ACC has serious concerns with the proposal put forward by the CAISO. As articulated during the stakeholder meeting, the current proposal would place the obligation of "secondary dispatch" on clean generation resources (such as wind, solar, and hydro) but not on emitting resources. The proposal would also serve to distort the relative pricing differences between clean EIM resources and GHG-emitting EIM resources that are determined to be delivered to California. The proposal may also distort the costs of clean resources in the EIM compared to clean resources in bilateral markets. It would also clearly treat clean resources inside of California preferentially compared to clean resources located outside the state of California, leaving it vulnerable to legal challenges.

The current proposal from the CAISO appears highly problematic and ACC is not convinced that this proposal would be an improvement over the current GHG bidding and allowance retirement scheme that is in place today. Therefore, ACC urges the CASIO to take a step back and engage in a dialog with stakeholders about the potential options and whether a new solution is advisable at this time.

Adding to the urgency to consider these changes over a longer time horizon is the fact that the CAISO is proposing modifications to the day-ahead market and to expand the day-ahead market to the EIM. The CAISO should ensure that changes made in this initiative are compatible with the modifications that are being contemplated for the day-ahead market. ACC also does not believe that the proposal put forward in the 2<sup>nd</sup> Revised Draft Final Proposal can be easily extended into the day ahead market structure. While the CAISO has indicated that self-schedules could be used in place of base schedules, the potential for gaming of self-schedules seems very real and deserves serious consideration through the CAISO stakeholder process, both on this initiative and in the day-ahead enhancements initiatives scheduled to being relatively soon.

ACC urges the CAISO to not move hastily forward with the 2<sup>nd</sup> Revised Draft Final Proposal and, instead, to engage in a more holistic discussion with stakeholders about the options to address GHG issues in the EIM and the potential interaction with changes to the day-ahead market.