

## AWEA AND INTERWEST COMMENTS ON THE CAISO'S ISSUE PAPER "REGIONAL INTEGRATION CALIFORNIA GREENHOUSE GAS COMPLIANCE"

The American Wind Energy Association (AWEA) and Interwest Energy Alliance (Interwest) appreciate the opportunity to offer comments on the California Independent System Operator's (CAISO or ISO) Issue Paper on *Regional Integration California Greenhouse Gas (GHG) Compliance* ("Issue Paper"). AWEA and Interwest are supportive of a transition to a regional grid operator, as a regional market structure will capture the benefits and overall efficiencies gained from the consolidation of balancing authorities and market functions, as well as allowing California, and other Western states, to more readily access some of the highest quality wind in the country to efficiently and cost-effectively achieve renewable portfolio standards and clean-energy goals. As mentioned in previous comments in other regional integration initiatives, AWEA and Interwest believe that transparent GHG accounting and tracking is imperative for both those states with GHG regulations in place or expected in the near term as well as for those states which are unlikely to implement any sort of GHG regulation in the coming years.

Below AWEA and Interwest offer comments and high-level principles that we hope the ISO will consider as this process moves forward.

### Education and Outreach, Including Baseline Education on California's Existing GHG Program

AWEA and Interwest appreciate the ISO's outreach and education efforts in the *Regional Integration: California GHG Compliance Stakeholder Initiative* ("the initiative") and other regional integration initiatives. However, it is important to note that not all stakeholders in the West have been deeply involved in the California Air Resource Board's (CARB) GHG compliance program and/or developments in the Energy Imbalance Market (EIM). Therefore, AWEA and Interwest feel it would be valuable if the ISO would provide additional context and background in its presentations and publications to aid fulsome stakeholder understanding of the key components this initiative.

In particular, entities in the Pacific states tend to be far less familiar with the details of CARB's program. These entities must develop a foundational understanding of CARB's GHG program in order to understand and participate effectively this initiative and to gain confidence that they can understand how the ISO's ultimate proposals will impact their interests. It is critical for all stakeholders to comprehend how both the ISO and the EIM treat associated GHG costs, in order to understand what may need to be changed to successfully implement GHG associated costs into a regional market, without imposing GHG costs on states that do not have carbon reduction programs and without creating a situation that violates CARB's rules by not fully accounting for atmospheric impacts associated with electricity used to serve California's needs.

AWEA and Interwest believe that facilitating solid stakeholder understanding of these key concepts will yield insightful comments and increased stakeholder engagement and, ultimately, increase support for the proposed approach to GHG compliance. To accomplish this level of understanding, AWEA and Interwest recommend that the ISO consider jointly hosting a public workshop with CARB to describe how the current cap-and-trade program works and how the GHG adder functions in the EIM, including the issues that have been identified within the EIM framework. Additionally, in future stakeholder meetings, the ISO needs to be prepared to provide more background and context for all stakeholders interested in this initiative while understanding that a number of stakeholders have little or no experience with CARB's rules and regulations on GHG emissions.

### Revisiting the Stakeholder Engagement Approach for Regional Initiatives

AWEA and Interwest understand the typical CAISO stakeholder process, under which CAISO staff is responsible for developing proposals, with input received through stakeholder comments. However, AWEA and Interwest question whether this traditional ISO approach is the most efficient and effective method for key regional integration initiatives, such as this initiative, which have potentially broad reaching impacts across the region. AWEA and Interwest recommend that the ISO consider a slight modification to the traditional ISO stakeholder

process for regional integration initiatives. Specifically, AWEA and Interwest recommend creating small teams, with diverse backgrounds and regional perspectives, to help develop solutions and proposals in this stakeholder initiative, and in other regional integration initiatives. Under this approach, designated small teams would work in concert with the ISO staff in developing proposals put forward in the regional initiative stakeholder processes. The small teams could especially help in sorting through foundational issues by helping to create pros and cons lists for various options, which could be presented to all stakeholders.

AWEA and Interwest believe that creating small, diverse groups of stakeholders (similar to the Transitional Committee contemplated for regional governance) to work hand in hand with ISO staff on key issues could offer a number of benefits. Small teams, composed of various experts and/or stakeholders in the West, would promote broader engagement throughout the region and help create a sense of ownership of the ultimate proposal among a wider group of stakeholders. Moreover, AWEA and Interwest feel that utilizing the talents and diversity of a small team would encourage creative problem-solving and foster greater regional collaboration. Without significant, active input from stakeholder across the West, there is a higher chance that the ultimate proposals resulting from the regional integration initiatives will be opposed by a large number of stakeholders.

#### Transparency

AWEA and Interwest appreciate the ISO's desire to engage stakeholders and encourage transparency with respect to GHG tracking and accounting. As mentioned in the Issue Paper, "As more trading models are supported, the complexity will increase and transparency will decrease, which is very likely to lead to a less-efficient achievement of carbon reduction goals." Transparency is an essential component in strengthening regional collaboration and garnering wide support for the ultimate GHG compliance proposal. AWEA and Interwest urge the ISO to take the necessary steps to maintain a level of transparency that facilitates broad stakeholder understanding and participation.

#### Prevention of Double Counting

AWEA and Interwest encourage the ISO to evaluate, as it develops future proposals in this initiative, whether those proposals would potentially allow any double-counting of renewable energy used to achieve GHG reductions. AWEA and Interwest hope the ISO will continue to work to ensure that there is not double counting of renewable generation.

#### Compatibility Across States

AWEA and Interwest feel it is important for the ISO to ensure that the ultimate solution is compatible with different carbon pricing programs that may exist under the Clean Power Plan. The ultimate GHG compliance solution should also be compatible with other states' individual existing or contemplated GHG reduction programs. The GHG compliance solution should ensure that individual state GHG reduction programs and goals are not diminished and that states can continue to comply with their own GHG programs, however they are designed. Moreover, AWEA and Interwest feel it is vital to ensure that costs are not imposed on states that lack carbon reduction programs. AWEA and Interwest believe it is critical to guarantee the GHG compliance mechanism is compatible with other states' unique approaches to help ensure that the interests of states outside of California would be preserved in an expanded ISO.

#### In-Depth Examples and (where appropriate) Production Cost Modeling Analysis

In implementing the CARB GHG compliance requirements across a regional footprint, the ISO is facing a unique challenge which, to AWEA and Interwest's knowledge, has never been addressed in other ISOs or RTOs. The ISO is faced with the challenge of implementing GHG prices on some generation and some imports, but not others, and creating a framework which will allow multiple GHG prices, which may be implemented under the Clean Power Plan, to be considered. This is different than other ISOs/RTOs which have generally implemented a single GHG compliance program (with a uniform GHG price) within their boundaries (e.g. PJM).

Due to the unique nature of this problem, it will be critical to test the proposed solution, create in-depth examples and try to best understand any potential consequences prior to enabling the solution in a functional regional market. Therefore, as potential GHG compliance solutions are developed, AWEA and Interwest encourage the ISO to consider running production cost modeling scenarios to better understand how various solutions might interact with the market. AWEA and Interwest feel it will be important for the ISO to clearly demonstrate to stakeholders that the implementation of the proposed solution will not result in resource shuffling, leakage, unintended consequences, or perverse economic incentives. AWEA and Interwest believe that the development of modeling and examples will be critical to the success of this initiative and encourages the ISO to take the necessary steps to develop such models and examples.

#### Conclusion

In conclusion, AWEA and Interwest appreciate the ISO's request for stakeholder comments, and we look forward to continuing to engage on this important initiative and look forward to a future proposal to facilitate compliance with GHG programs within a regional market.

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