

Submit comment on draft summary report

Initiative: Assembly Concurrent Resolution 188

The ISO values stakeholder input on this preliminary draft, and plans to incorporate feedback received during the January 20 stakeholder call, and in written comments submitted by the deadline on February 3, into future iterations to ensure the accuracy and value of the final report. Please submit written comments to infoACR188@caiso.com.

Submitter information

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1. Provide a summary of your organization's comments on the draft summary report and January 20, 2023 stakeholder call discussion:

Bonneville appreciates the opportunity to provide review of the ACR 188 preliminary draft. The report provides a thorough review of past efforts and literature on regional cooperation. In considering the report and the potential benefits of differing levels of regionalization, Bonneville emphasizes three key objectives of future legislation to enable regionalization: 1) market governance must be independent of any single state, 2) in addition to supporting governance changes, the California legislature should include guidance to pursue the state's clean energy goals through the design of regulations and legislative provisions that incent alignment with other states, particularly in reliability and environmental laws, and 3) such regulator guidance and legislative provisions should guide other California state agencies to ensure that their rules and regulations that impact the market do not treat in state and out of state market participants differently.

2. Provide your organization's comments on the regional cooperation efforts in the West, as described in section 2 of the draft report:

In reviewing the regional cooperation efforts in the West, Bonneville notes that all design and collaboration to-date has been from a framework of supporting states' efforts to achieve their respective environment and economic goals. In the examples of the Western EIM and EDAM, however, regional collaboration has required designing around California state policies. The success of future regional markets will require alignment of multiple state policies from a position of equal standing.

Bonneville is an active participant in the Western Resource Adequacy Program. A key to the success of WRAP was development through a fully independent process that was not driven by any single state and promoted equal access and equal participation. That independent perspective and independent governance is critical to Bonneville's continued participation. Bonneville serves customers throughout several states, most of which are consumer owned utilities. Bonneville's customers expect Bonneville's

participation in regional cooperation efforts to not conflict with their state-specific obligations and objectives.

3. Provide your organization's comments on the literature included in the review, as described in section 3 of the draft report:

A consistent theme throughout the literature is the significant potential benefits to California of a regional market. Bonneville notes that for California to realize benefits from regionalization that would facilitate meeting clean energy goals reliably and affordably, California will have to consider regulatory and governance provisions to obtain those benefits.

For example, GHG accounting rules in the Western EIM are set up to look only at GHG accounting in California under CARB requirements. They do not consider other states' clean energy policies and coordination. As it looks to supporting regionalization and obtaining the benefits therein, the California Legislature should ensure that proposed legislation begins with the objective of recognizing and improving coordination with other states' policies.

Bonneville notes that the literature reviewed largely does not discuss the impacts of state policies outside of California on regionalization. One study looks at whether regionalization would harm California's ability to meet its state policy goals (Study 25). However, this literature does not examine the challenges of multiple state clean energy policies in a single market and whether those interacting policies improve or reduce the ability of those states to meet environmental goals.

Throughout the literature, there are several references to legal analyses. These analyses note that CAISO is subject to FERC and interstate commerce laws. These analyses emphasize their assurance that regionalization would not increase the risk of California laws and actions being subject to Commerce Clause challenges. However, California has included provisions in energy-related laws and regulations, such as for resource adequacy that are based on the location of resources being in-state or out-of-state.

Such provisions base requirements of a resource on where it is located rather than on performance attributes. The literature and benefits assumptions make the assertion that California can maintain its environmental goals while being in a multi-state market. That may be true, but the benefits of regional markets are dependent on entities outside of California choosing to participate in the market. Rather than setting a goal of withstanding a Commerce Clause challenge, a viable regional market proposal should have a goal of having rules that are fair to all participants and that would not raise issues that could result in a Commerce Clause challenge. The appropriate test for California's policies should be that they reassure potential participants from outside of California that they have equivalent access to all parts of the market, including California, when they bring comparable qualifying resources.

4. Provide your organization's comments on the annotated summary of the literature, as described in section 4 of the draft report:

Bonneville notes that the annotated summary of the literature is based on selecting the market structure options with the most benefits for California. However, as noted in the report, the benefits depend on the mode of cooperation and which entities participate, and acknowledges those benefits may be unevenly distributed. California's ability to benefit from a regional market will depend on the ability to collaboratively identify benefits for other entities and attract entities outside of California to join the market.

Notably, the summary identifies that the distribution of benefits varies throughout different market structures. The distribution of those benefits matters, both to California and to potential out of state participants. The legislature should be aware of this distribution and that each entity and state may have its own preferences based on the benefits.

The benefits to California also assume a baseline of today's business as usual, but do not take into consideration the clean energy goals that California must achieve and the major needs it will require to meet those goals. Regionalization should not be viewed as an opportunity to achieve incremental benefits from a neutral status quo, but as a potential means to address California's "major needs" while recognizing the regional energy landscape is changing. As stated on page 4 in the Executive Summary, these needs include more commercial procurements from the rest of the West, more exports in the middle of the day to minimize solar curtailments, and reserve sharing.

5. Provide your organization's comments on SB 100 and relevant updates, as described in section 5 of the draft report:

It is important to note that the SB 100 report describes the likely continued reliance by California on imports, including from Pacific Northwest hydroelectricity, in its future resource mix. Expanding electrification of transportation and building sectors only increase the significance of California's access to clean electricity resources.

6. Provide any additional comments on the draft summary report and January 20, 2023 stakeholder call discussion:

Bonneville again expresses its appreciation for this compilation of existing information on the benefits of regional cooperation. This is a helpful and informative report.

Bonneville would remind readers of the report of the three key objectives to enable regionalization: 1) market governance must be independent of California, and 2) the California legislature should include in any legislation its guidance for state regulations and legislative provisions to incent alignment with other states, and 3) any California legislation should include guidance to other California state agencies to ensure that their rules and regulations that impact the market do not treat in state and out of state market participants differently.