



Department of Energy

Bonneville Power Administration
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September 19, 2016

Via Electronic Submission: initiativecomments@caiso.com

California ISO
P.O. Box 639014
Folsom, CA 95630

Dear Board of Governors and Executive Management Team:

The Bonneville Power Administration (BPA) appreciates the opportunity to comment on the California ISO's August 29, 2016 Regional Integration California Greenhouse Gas Compliance issue paper. BPA's comments to the California ISO on this issue mirror the comments BPA submitted to the Air Resources Board (ARB) regarding ARB's August 2, 2016 Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms.

BPA is federal power marketing administration that markets wholesale power from the Federal Columbia River Power System (FCRPS), which consists of 31 federal hydroelectric projects, one nuclear plant, and some other small nonfederal power plants. BPA also owns and operates about three-fourths of the Pacific Northwest's high-voltage transmission system and has interregional transmission lines connecting to California. BPA is statutorily-required to serve over 130 preference customers, some of whom reside within the California Independent System Operator (CAISO) Energy Imbalance Market (EIM) footprint. BPA is registered with the ARB as an Asset Controlling Supplier, and BPA sells FCRPS surplus power in the Northwest wholesale market and to the CAISO. Given all these aspects of BPA's business, changes to the EIM and the possible expansion of the CAISO will have broad impacts on BPA rate payers.

BPA appreciates that ARB and CAISO are proposing to address the issue of emissions leakage resulting from the CAISO EIM cost optimization algorithm. BPA supports the accurate reporting of greenhouse gases and recognizes that the EIM algorithm likely needs to be reviewed and improved to better differentiate base schedules from incremental EIM dispatch signals and compliance obligations. Given the complexities of the leakage issue, BPA recommends that the ARB and CAISO jointly develop a long-term solution that will resolve the flaws already identified by the CAISO and ARB in the EIM algorithm, with the goal being to accurately assign GHG compliance to EIM participants and equitably treat the GHG compliance obligation between the EIM and CAISO market participants. A single coordinated process to further

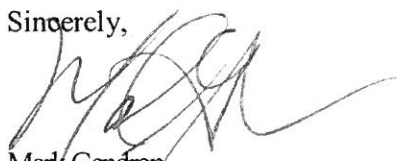
explore the issue with a unified statement of the problem can better assure that the ISO is properly solving ARB's concerns in a manner that the ISO is able to timely implement.

BPA understands that such a process will take some time and that in the meantime it might be desirable for ARB to implement a short-term fix. Such an interim solution could include all EIM designated imports being assigned the Unspecified carbon emissions rate.

Lastly, BPA urges the ARB to ensure consistent and equitable treatment of electricity imported into California across all electricity markets. This should include the continued application of the Safe Harbor provision to all short-term transactions, including EIM dispatch and algorithmic GHG compliance obligations.

Feel free to contact me if you have questions regarding any of the information included in BPA's comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Gendron', written over a horizontal line.

Mark Gendron
Senior Vice President, Power Services