

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:**

The Independent Energy Producers Association (IEP) agrees with the findings summarized in Section 4 of the draft report. Every quantitative study cited in the draft report finds a net benefit to California from regionalization of the Western electricity grid. Generally, benefits increase in proportion to the depth of cooperation among the participating jurisdictions (i.e., from real-time market to day-ahead market to full RTO integration) and to the geographic area covered by regional entity. Given the enormity of the challenge entailed by meeting California's 2045 zero-carbon electricity goal, California should take advantage of every opportunity to increase the likelihood of success and reduce the cost to its residents of achieving this goal. Without exception, the studies cited in the draft report point in the same direction—regionalization will help California decarbonize its electricity supply at less cost. Based on these findings, IEP encourages CAISO and the Legislature to immediately begin taking the necessary legislative and regulatory steps to pursue a broader RTO in cooperation with the other jurisdictions comprising the Western Interconnection. IEP offers more detailed recommendations on the presentation of the results of the studies cited by the draft report below.

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

IEP has no comment on Section 2.

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

Although it is only a non-substantive error in the draft report, IEP notes that there are two important inconsistencies between the list of studies enumerated in Table 3 and the

summaries of each study that follows. First, Table 3 does not include the EDAM Benefits Study discussed on pages 42 and 43 of the draft report. Due to this omission, there is a discrepancy between the cite codes in Table 3 and the numbering of the studies until citation 27. From citation 27 through the last study included in the literature review, the numbering in Table 3 correctly corresponds to the summaries of the individual studies due to the second error in Table 3. The study entitled “Regulation and Markets: Ideas for Solving the Identity Crisis,” listed as citation 26 in the table does not appear among the studies discussed in this section. The authors should correct Table 3 and review the citations in section 4 to ensure that they refer to the appropriate reports listed as citations 4 through 26.

IEP suggests that the authors of the draft report expand on the discussion of the State-Led Study and CAISO EDAM Benefits Study results (studies 3 and 4). These two studies are the most recent and most germane to the decision the Legislature must make regarding the nature of CAISO and its relation to other jurisdictions in WECC—what are the additional benefits to California from authorizing CAISO’s evolution to a broader RTO vis-à-vis the benefits that will be gained from only expanding the day-ahead market, which the CAISO Board of Governors and the WEIM Governing Body just approved on February 1. The discussion of the results should be modified for the final report to focus on the benefits to California and to more clearly elucidate the additional benefits of a full RTO compared to more limited forms of regional cooperation such as a broader day-ahead market.

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

Because the draft report is intended to inform the California Legislature, IEP recommends that the draft report authors revise Section 4 to focus on benefits to California and to highlight the differentials in the benefits between expansion on the day-ahead market, which requires no action by the Legislature, and the expansion of CAISO to a broader RTO, which does. For example, the most important findings from the State-Led Study, the operational and capacity benefits, are summarized and discussed in section 4 at p. 84, but the figures provided are West-wide rather than California specific and are not compared to benefits estimated to accrue by only expanding the day-ahead market. Table 7, which shows the relative production cost savings to California from a full RTO vs. a day-ahead market, comes closer to providing the relevant information to California decision-makers. However, there is no comparable table that shows the capacity benefits of a full RTO vs. a West-wide day-ahead market. IEP recommends that the final report include a table like the one below in both Section 4 and the Executive Summary.

Table X. Benefits to California from Regional Cooperation in 2030 (\$Million/Year)

	Production Cost	Capacity	Total
West-wide Full RTO	\$346	\$228	\$574
West-wide Day Ahead Market*	\$257	\$114	\$371

* For this row, IEP used the results from the more recent EDAM benefits study (source [4] in the draft report) instead of the State-Led Study and scaled the results to 2022 dollars for consistency with the full RTO results.

Like Table 5 in section 3, the above table summarizes both production cost and capacity savings, but it focuses on California and contrasts the benefits of a full west-wide RTO to a day-ahead market rather than to a dual market RTO (California and the rest of the WECC) because the creation of a rest-of-WECC RTO is more speculative than a West-wide day-ahead market, which is likely to emerge regardless of legislative action. This table emphasizes the additional benefit that the Legislature can obtain for Californians if it authorizes CAISO to expand and change its governance structure to accommodate the participation of other jurisdictions.

IEP appreciates the draft report’s discussion on pages 86-87 of the implications for California if it refuses to allow CAISO to expand and another regional RTO forms around it. If other jurisdictions that currently participate in WEIM, or that would potentially join a CAISO-led regional day-ahead market, decide to join another RTO, then California would lose the current and prospective benefits of those jurisdictions’ participation in the regional energy markets operated by CAISO. IEP encourages the report authors to elaborate on this point and provide quantitative examples of the consequences of defection from WEIM and CAISO’s extended day-ahead market.

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

In Section 5, the draft report states that under the high-load scenario studied in the SB 100 Report the RESOLVE model selects 12 GW of out-of-state wind by 2045 compared to only 2.2 GW in the “SB 100 Core” scenario. The draft report also notes that the CEC has increased its load forecasts since the publishing of the SB 100 Report, which implies that the amount of out-of-state wind needed to achieve the SB 100 goal may be closer to 12 GW than 2.2 GW. The final report should draw the connection between higher future loads and the increased value that a full RTO would likely provide by facilitating approval and procurement of additional interstate transmission to access high-value renewable resource areas in other parts of the Western Interconnection. The higher capacity factors of out-of-state wind resources would improve the reliability of California’s energy portfolio and reduce the cost of achieving the SB 100 target.

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

IEP has no additional comments.