

**Comments of Los Angeles Department of Water and Power
California Independent System Operator Energy Imbalance Market Greenhouse Gas
Enhancements 2nd Revised Draft Final Proposal (February 16, 2018)**

Submitted by	Company	Date Submitted
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The Los Angeles Department of Water and Power (LADWP) appreciates the opportunity to comment on the California Independent System Operator's (CAISO) Energy Imbalance Market (EIM) Greenhouse Gas (GHG) Enhancements 2nd Revised Draft Final Proposal released on February 16, 2018 and updated on February 20, 2018 (Proposal). LADWP recently signed an agreement with CAISO to join the EIM and supports the EIM as a way to integrate renewables and further optimize LADWP's resources.

Comments on CAISO's EIM GHG Enhancement Approach

CAISO Should Ensure Consistent Treatment of Participating Resources Located in New In-State EIM Entities

LADWP presents a case that CAISO does not appear to have fully addressed in its Proposal—a non-CAISO balancing authority area (BAA) with participating resources (PRs) located both within and outside California. Unlike other EIM PRs, LADWP's in-state PRs will have GHG compliance costs embedded in their energy bids, and EIM transfers from out-of-California PRs to LADWP's BAA will be considered by CARB to be "imports" with mandatory reporting and Cap-and-Trade Regulation compliance obligations. The Proposal does not appear to squarely address the unique circumstances of a new EIM Entity such as LADWP, for which all load, and the majority (but not entirety) of the BAA, is within the state of California.¹ Specifically:

- (1) In-state PRs within LADWP's BAA should not be subject to the GHG bid quantity and GHG bid price requirements applicable to EIM PRs located outside California, including the minimum bid price requirement based on a GHG secondary emission rate. LADWP already ensures GHG compliance for these resources, and thus the cost of GHG compliance will be embedded in its energy bids. Further, EIM transfers from in-state PRs within LADWP's BAA to CAISO or other EIM BAAs do not pose secondary dispatch concerns.
- (2) EIM transfers from out-of-state PRs to LADWP's BAA pose secondary dispatch concerns in the same manner as EIM transfers from out-of-state PRs to CAISO. CAISO should apply the bidding requirements contemplated in the Proposal to all EIM out-of-state PR offers to serve CAISO and LADWP load.

CAISO has previously indicated that for purposes of GHG compliance, it would treat EIM PRs in EIM Entities located in California consistently with CAISO generating resources. Specifically, in

¹ LADWP's BAA includes generation resources and transmission elements outside the State of California in Utah, Nevada, and Arizona.

its November 2016 straw proposal, CAISO included the following footnote, suggesting how it would treat EIM PRs and PR scheduling coordinators in the event that a non-CAISO BAA located within California became an EIM Entity:

"During the EIM stakeholder process, the potential was recognized for a balancing authority area that is located solely within California may seek to join the EIM. In this scenario, the resources in this balancing authority would bid in the same manner as resources in the CAISO. The resource would submit a single energy bid and not have separate bid costs submitted for energy and GHG costs. The locational marginal prices in this balancing authority area, as in the CAISO, would not include a separate GHG component."²

A similar clarification has not been included in the most current Proposal. The fact that this footnote has not been included in the Draft Final Proposal creates substantial uncertainty regarding how EIM PRs within LADWP's BAA will be treated under the CAISO's Proposal. Rather, in the Proposal, CAISO regularly uses language suggesting that *all* EIM PRs must utilize the GHG bid quantity and bid price framework. For instance, footnote 11 (page 8 of the Proposal) defines "EIM participating resources" as "located in balancing authority areas outside the CAISO."

While LADWP's BAA is not "located solely within California," LADWP's load is solely within California. Therefore, CAISO should clarify that it will treat in-state EIM PRs in LADWP's BAA in the same manner as resources in the CAISO, and that such resources will not have to submit bid parameters for GHG costs.



Similarly, consistent with the above comments, the definition of "California Supply" should be adjusted to account for LADWP's circumstances. Load Serving Entities (LSEs) within non-CAISO load located solely *inside* California, such as LADWP, also contract for power from resources outside of California. To that end, LADWP recommends that the definition of "California Supply" be revised to refer to "resources outside **California** that have a contract with or are owned by a load serving entity **in California** for serving **California** load."³

LADWP recommends that CAISO make a holistic review of its Proposal in order to revise its approach, analysis, and language to reflect the upcoming reality that beginning in 2019, not all EIM Entities will be located outside the state of California.

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² California ISO Regional Integration California Greenhouse Gas Compliance and EIM Greenhouse Gas Enhancement Straw Proposal at 17, n.12 (Nov. 17, 2016), <http://www.aiso.com/Documents/StrawProposal-RegionalIntegration-EIMGreenhouseGasCompliance.pdf>.

³ Proposal at 10.