

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System)
Operator Corporation)**

Docket No. ER23-474-000

**MOTION TO INTERVENE AND FILE COMMENTS
OUT OF TIME OF THE DEPARTMENT OF MARKET MONITORING
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring (“DMM”), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits this motion to intervene and file comments out of time in the above-captioned proceeding.

I. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to these comments and motion to intervene out of time and afford DMM full rights as a party to this proceeding. Pursuant to the Commission’s Order 719, the CAISO tariff states “DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and

other interested entities.”¹ As this proceeding involves CAISO tariff provisions that would affect the efficiency of CAISO markets, it implicates matters within DMM’s purview.

Due to a clerical error, DMM is submitting these comments one day after the normal period allowed for comments in these proceedings. Because no party to these proceedings would be prejudiced and there would be no disruption as a result of DMM’s late comments, good cause exists to grant this motion to intervene and submit comments out of time.

II. SUMMARY

In this filing, the CAISO proposes tariff changes to support the launch of Washington state’s cap-and-invest program that begins on January 1, 2023.² The CAISO is proposing to revise the cost-based reference levels for resources within Washington to include Washington-specific greenhouse gas prices. As part of the same initiative, the CAISO also proposed a method to calculate the Western Energy Imbalance Market (WEIM) transactions that entities subject to Washington’s program can report to their emissions regulator as imports into Washington state. This proposed WEIM emissions reporting method did not require the CAISO to file a tariff change with the Commission.

DMM supports the CAISO’s proposal to update reference levels for resources located in Washington so that they reflect the costs these resources can expect to incur after the start of the state’s cap-and-invest program. DMM also supports the CAISO’s proposal for calculating WEIM imports that entities located in Washington would use for

¹ CAISO Tariff Appendix P, Section 5.1.

² California ISO, *Tariff Amendment to Implement Reference Level Changes for Washington Resources to Reflect Costs of Greenhouse Gas Compliance*, FERC Docket No. ER23-474-000, (“*Transmittal Letter*”).

greenhouse gas reporting purposes. However, DMM has recommended to the CAISO that it continue working with stakeholders in a future initiative to develop a more efficient Washington WEIM import attribution approach – such as that implemented for California, which allows the WEIM optimization to consider the emissions costs of resources outside of Washington that may be dispatched to serve load within Washington.

III. COMMENTS

DMM supports the CAISO’s proposed tariff changes to update cost-based reference levels for resources in Washington

DMM supports the CAISO’s proposed tariff changes to include Washington-specific greenhouse gas allowance prices when calculating cost-based reference levels for resources inside of Washington.

The CAISO calculates reference levels as an approximation of resources’ operating costs, and uses these calculations to limit commitment cost bids and mitigate energy bids. Beginning January 1, 2023, the Washington state cap-and-invest program will require emitting resources in Washington to obtain allowances equal to their greenhouse gas emissions. This will impact the operating costs for resources in Washington. To address this issue, the CAISO is proposing to include Washington-specific estimates of greenhouse gas compliance costs in the cost-based reference levels for Washington resources. The CAISO is proposing a phased approach that uses additional data as it becomes available. These enhancements should help keep the reference levels for resources within Washington participating in the WEIM close to the operating costs these resources can expect to incur after the start of the cap-and-invest program. Therefore, DMM supports this aspect of the proposal.

DMM supports the CAISO's proposal to have a clear policy for calculating WEIM imports for entities subject to Washington's cap-and-invest program

As part of the same initiative in which the CAISO developed the tariff changes described above, the CAISO also proposed a method for calculating the WEIM transactions that will be considered imports into Washington state for each WEIM balancing area located partly or wholly within Washington. The method that the CAISO proposed to use to determine what constitutes a WEIM import did not require the CAISO to file a tariff change with the Commission. This method can impact Washington greenhouse gas allowance obligations for load serving entities or supply resources participating in the WEIM. For an entity in Washington participating in the WEIM, the CAISO proposes to report the entity's real-time load in excess of its base schedules as the "imports" that may be subject to a Washington state greenhouse gas allowance obligation. An entity with some load in the state and other load outside the state can determine its portion of load in Washington and calculate a pro-rata portion of these "imports" serving Washington.

With Washington state's cap-and-invest program starting on January 1, 2023, it is critical that the CAISO establish a clear policy for calculating the WEIM imports for WEIM entities located in Washington. Not having a policy could create a larger risk of inefficient behavior or decreased participation in the WEIM than having a suboptimal policy. Therefore, DMM supports the CAISO's proposal for determining WEIM transactions counting as imports to Washington, which did not require the CAISO to file for a tariff change with the Commission.

DMM recommends that the CAISO continue to work with stakeholders in a future initiative to develop an approach that allows the optimization to consider the emission costs of resources outside Washington

The CAISO is not currently proposing a Washington WEIM greenhouse gas attribution approach that would allow the market optimization to consider the emission costs of resources outside of Washington state that may be dispatched through the WEIM to serve load inside Washington state. Consequently, starting January 1, 2023, resources in Washington that will include the cost of emissions allowances in their energy bids may be displaced by similar or even higher emitting out-of-state resources whose emissions costs will not be reflected in the market optimization.

DMM has recommended that the CAISO continue to work with stakeholders in a future initiative to develop a Washington WEIM greenhouse gas (GHG) attribution approach that allows the optimization to consider the emission costs of resources outside of Washington.³ DMM recognizes that the CAISO could not propose such an approach as part of its current filing due to ambiguity in Washington state's rules over which entity would have the obligation to procure greenhouse gas allowances.⁴ Therefore, as described above, DMM supports the CAISO's current GHG attribution proposal for WEIM resources within Washington over the alternative of not having a clear policy for

³ Department of Market Monitoring, *Board of Governors Public Memo*, October 19, 2022: <http://www.caiso.com/Documents/DepartmentofMarketMonitoringreport-Oct2022.pdf>

⁴ California ISO, *Washington State Western Energy Imbalance Market Greenhouse Gas Enhancements Draft Final Proposal*, September 22, 2022, p. 4: <http://www.caiso.com/InitiativeDocuments/DraftFinalProposal-WashingtonWEIMGreenhouseGasEnhancements.pdf>

calculating WEIM imports subject to the state's cap-and-invest program in place by January 1, 2023.

Shortly after the CAISO developed the final proposal in its stakeholder initiative, Washington's Department of Ecology issued a rulemaking specifying that load serving entities in its state would be responsible for allowances associated with WEIM imported electricity.⁵ Following this clarification from the Department of Ecology, DMM has recommended that in a future initiative the CAISO consider developing a GHG attribution approach for WEIM resources within Washington that would allow the market optimization to consider the emissions costs of resources outside of Washington state. The CAISO could consider an approach that is similar to the approach used for WEIM imports into California, but adjust for the fact that Washington load serving entities will be responsible for allowances associated with WEIM imports into Washington.

⁵ Washington State Department of Ecology 173-446-040(3)(e)(iv), *Concise Explanatory Statement Chapter 173-446 WAC Climate Commitment Act Program, Summary of Rulemaking and Response to Comments*, September 2022, p. 8:
<https://apps.ecology.wa.gov/publications/documents/2202046.pdf>

IV. CONCLUSION

DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

Respectfully submitted,

By: **/s/ Ryan Kurlinski**

Eric Hildebrandt, Ph.D.
Executive Director, Market Monitoring

Ryan Kurlinski
Senior Manager, Market & Policy Analysis

Nicole Mundt, Ph.D.
Market Monitor, Market & Policy Analysis

California Independent System Operator
Corporation
250 Outcropping Way
Folsom, CA 95630
Tel: 916-608-7123
ehildebrandt@caiso.com

Independent Market Monitor for the
California Independent System Operator

Dated: December 9, 2022

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, this 9th day of December 2022.

/s/ Jennifer Shirk

Jennifer Shirk