



ORA

Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

<http://ora.ca.gov/>

THE OFFICE OF RATEPAYER ADVOCATES' COMMENTS ON THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR'S ENERGY IMBALANCE MARKET GREENHOUSE GAS ENHANCEMENTS THIRD REVISED DRAFT FINAL PROPOSAL

May 23, 2018

The Office of Ratepayer Advocates (ORA) is the independent consumer advocate within the California Public Utilities Commission (CPUC), with a mandate to obtain the lowest possible rates for utility services consistent with safety, reliability and the state's environmental goals.

ORA submits these comments on the California Independent System Operator's (CAISO's) Energy Imbalance Market (EIM) Greenhouse Gas (GHG) Enhancements Third Revised Draft Final Proposal issued on April 25, 2018.

The CAISO proposes to address GHG emissions from energy generation outside of California that is associated with energy imports to California. The CAISO proposes to do this by limiting an EIM participating resource's GHG bid quantity to the megawatt (MW) value difference between that resource's base schedule and its upper economic level. This limitation on GHG bid quantity will be incorporated into the CAISO's existing market design optimization algorithm. Doing so will alter the market dispatch and identify other resources with available capacity above their base schedules that support EIM transfers that will serve CAISO demand.¹ ORA supports the Third Revised Draft Final Proposal as an improvement over the CAISO's prior "two pass" solution proposal.

The new proposal better addresses the need to limit and prevent additional costs to California ratepayers for resources located outside California that participate in the EIM and serve California load. The prior proposal was a "two-pass" solution that raised concerns regarding additional costs for energy to serve California ratepayers related to emissions and decisions by non-California actors outside of California that may not be directly linked to California load.² The prior "two-pass" solution failed to adequately consider the impacts of limiting the EIM resources used to serve California in the first pass. This puts ratepayers at risk of losing the value of the resources contracted to serve California load and other unintended consequences.³ The new proposal abandons this flawed approach. Instead, the new proposal limits GHG bid quantities to EIM participating resources' capacity above their base schedule. By limiting the

¹ CAISO EIM Greenhouse Gas Enhancements Third Revised Draft Final Proposal, April 25, 2018, (Third Revised Draft Final Proposal), p. 6.

² ORA Comments on CAISO's EIM Greenhouse Gas Enhancements Revised Draft Final Proposal, July 7, 2017, p. 3.

³ ORA Comments on CAISO's EIM Greenhouse Gas Enhancements Revised Draft Final Proposal, July 7, 2017, p. 3.

GHG bid quantities of EIM participating resources to the difference between a resource's base schedule and its upper economic level, the current proposal more accurately estimates the occurrences of possible secondary dispatches related to EIM transfers, and has the potential to reduce secondary dispatch.⁴

The CAISO states that the new approach outlined in the Third Revised Draft Proposal would be flexible enough to support the future GHG programs of other western states.⁵

Estimating the impact of this proposal on costs to ratepayers would be difficult given other EIM variables, such as new EIM participants and ongoing market enhancements. ORA recommends that the CAISO provide transparent tracking and publication of GHG costs related to energy procurement to serve California load in its quarterly EIM Benefits reports. This update should include historical information from the EIM's establishment in 2014 to the present for comparison purposes.

Please contact Sonya Ziaja, J.D., Ph.D. ((415) 703-1217 or Sonya.Ziaja.cpuc.ca.gov) with any questions regarding these comments.

⁴ Third Revised Draft Final Proposal, pp. 5-6.

⁵ Third Revised Draft Final Proposal, p. 7.