



Portland General Electric Company  
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**Comments of Portland General Electric Company on  
*Regional Integration – California’s Greenhouse Gas Compliance and EIM  
Greenhouse Gas Enhancement Straw Proposal (dated 11/17/2016)*  
December 15, 2016**

Portland General Electric Company (“PGE”) appreciates the opportunity to provide comments to the California Independent System Operator (“CAISO”) on the *Regional Integration – California’s Greenhouse Gas Compliance and EIM Greenhouse Gas Enhancement Straw Proposal* (“Straw Proposal”) dated November 17, 2016. PGE has signed an implementation agreement with CAISO to become the fifth utility outside the State of California to join the Energy Imbalance Market (“EIM”) with a scheduled go-live date of October 2017. As such, PGE has a vested interest in the development and implementation of accurate greenhouse gas (“GHG”) accounting methods within the EIM.<sup>1</sup>

PGE is supportive of Option 2 – modify the ISO optimization to attribute transfers to resources that are incrementally dispatched and maintain resource-specific cost and attribution – also known as the two-pass model, as the long-term solution for GHG accounting under the EIM. PGE understands that the CAISO intends, to the extent practicable, to limit the amount of “simplifications” in pursuing Option 2 to keep the model as accurate as possible and supports this effort. The four simplifications presented in the December 1st workshop seemed reasonable. However, as CAISO continues down the development path, PGE asks that the CAISO keep stakeholders aware of the process, and if additional simplifications will be necessary, a stakeholder process is convened. Finally, PGE expects that the Real-Time Market Enhancement initiative slated for 2017 will bolster the accuracy of the two-pass solution and encourages CAISO to implement these complementary and broadly-beneficial changes to its model.

PGE believes it is prudent for the CAISO to ensure that the California Air Resources Board (“CARB”) has given their directional approval of Option 2 prior to spending significant time and resources in developing the model. The optimization modifications being proposed under Option 2 have potential policy and legal issues under CARB’s current mandatory reporting and cap and trade programs; it would be prudent to ensure that the resulting EIM GHG accounting method is within CARB’s jurisdiction. This threshold question should be addressed prior to CAISO moving down this path. Also, once CARB has given their initial approval of Option 2, CARB should have the opportunity to provide comments and feedback during CAISO’s development process to help ensure that CARB will adopt this model in the long term and adjust its programs to fit with the technical capabilities of the modified optimization.

PGE is also supportive of a bridge solution being developed that is outside the current EIM optimization model. PGE finds that this is the best option in the short term to accomplish CARB’s goals without disrupting the broadly-beneficial and stable EIM dispatch algorithm or unduly burdening EIM participants who remain outside CARB’s jurisdiction. While CARB bears the burden of developing this

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<sup>1</sup> PGE supports the comments submitted on this Straw proposal by the Joint EIM Entities group.

outside-the-market bridge solution, PGE believes it is critical that the CAISO remain involved in the CARB regulatory process. This will help ensure that the bridge solution does not have unintended consequences on the dispatch or economics of the EIM, and that after-the-fact reporting requirements do not unduly burden CAISO staff.

Additionally, PGE recommends that the CAISO (along with other stakeholders) work with CARB to ensure that whatever rules they develop for the bridge solution have an explicit “out” for when the two-pass model is ready to be implemented. PGE also recommends that CAISO work with CARB to establish a timeline for implementing the revised optimization model along with any possible CARB regulatory revisions needed. PGE believes it is reasonable to expect that the CAISO will be able to implement the long-term Option 2 solution within 24-36 months, and encourages CAISO to target the front end of that implementation horizon, which will maximize benefits for all parties and reduce the long term resource burden of this initiative on the CAISO.

To help support CAISO in this process, PGE will remain involved in the CARB regulatory process. As an example, PGE submitted comments to CARB on their *Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms Regulation* and stressed the need for CARB to work cooperatively with CAISO to find a reasonable solution to EIM GHG accounting. We also recommended that CARB implement an interim measure (or “bridge solution” as CAISO has termed the phrase) while a long-term, sustainable solution could be designed and implemented by CAISO.

Again, PGE appreciates the opportunity to provide comments to CAISO with regard to the Straw Proposal. For any follow-up communications, please contact Elysia Treanor at (503) 464-8528 or at [Elysia.Treanor@pgn.com](mailto:Elysia.Treanor@pgn.com) or Dan Williams as (503) 464-7399 or at [Dan.Williams@pgn.com](mailto:Dan.Williams@pgn.com).