



SMUD Comments to the CAISO Issue Paper and Presentation on Regional Integration California Greenhouse Gas Compliance

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Introduction

The Sacramento Municipal Utility District (SMUD) would like to comment on the discussion surrounding out-of-state generators and imports to the interfaces of an expanded BA, serving in-state California loads.

SMUD Response

In the CAISO Regional Integration California Greenhouse Gas Compliance Issue Paper dated August 29, 2016 (Issue Paper), the CAISO asks whether the CAISO should require a rule “to prohibit load aggregation points from crossing state boundaries or a rule requiring that all energy self-schedules in the non-California zone serve only load outside of California?” Issue Paper at 9.

In the September 6, 2016 Regional Integration California Greenhouse Gas Compliance web conference/presentation (Presentation), the CAISO further suggests a possible rule that “[s]elf-scheduled generation in one state cannot support load in another state.” Presentation at Slide 10. And furthermore, this rule would “need a new mechanism to determine which generation and imports support load and exports.” *Id.* at Slide 11.

The discussion on September 6, 2016 centered on the concern that a self-scheduled generator has an implicit greenhouse gas compliance cost of zero. The CAISO reasoned that this implicit zero compliance cost should therefore preclude that generator from receiving the marginal greenhouse gas compliance cost implicit in the market clearing price.

SMUD observes that it is not clear that one should assume a zero implicit greenhouse gas compliance cost when a generator submits a self-schedule. If the resource was procured for consumption by load in California, then it should be entitled to the marginal greenhouse gas compliance cost implicit in the market clearing price. Given the amount of out-of-state resources that California load serving entities import, with probably much of that self-scheduled into California, it would be incorrect to assume *de facto* that the output of an out-of-state self-scheduled generator would not deliver its power to another state.

The CAISO will need a way of tracking which generators have commercial commitments to load serving entities in other states, and which are thereby entitled to the greenhouse gas premium associated with the compliance obligation of that

other state that is implicit in the market clearing price. This requirement could be enforced equally for generators in the expanded regional balancing authority area footprint, as well as to generators selling into the market from outside the footprint.

Conclusion

Thank you for the opportunity to comment. If you have any questions, please contact Andrew Meditz at andrew.meditz@smud.org or 916-732-6124.