

Comments of The Utility Reform Network regarding “Regional Integration California Greenhouse Gas Compliance” Stakeholder Initiative

September 20, 2016

The Utility Reform Network (“TURN”) offers the following comments on the California Independent System Operator’s (“CAISO’s”) stakeholder initiative titled “Regional Integration California Greenhouse Gas Compliance”. TURN addresses three broad sets of issues in these comments.

CAISO SHOULD DEVELOP AND MAINTAIN DATA NEEDED FOR OTHER ENTITIES TO DOCUMENT REGIONAL MARKET’S GHG IMPACTS AND VALIDATE COMPLIANCE WITH STATE GHG POLICIES

TURN supports the California Air Resources Board’s (“CARB’s”) efforts to measure and mitigate the emissions of Greenhouse Gases (“GHGs”) attributable to the resources that meet California’s electric loads. TURN also appreciates the CAISO’s efforts to enable CARB to perform such responsibilities in its design and management of the Energy Imbalance Market (“EIM”) and, potentially, an expanded Day-Ahead energy market (“Regional DAM”).

However, when developing GHG monitoring and mitigation measures for a possible Regional DAM, the CAISO must not limit its vision to California GHG policies alone. Rather, the CAISO should develop market and data retention policies to enable the development and administration of multiple state GHG mitigation and tracking policies, including some policies that may not be in place if and when a Regional DAM is implemented.¹ Further, any Regional DAM must monitor GHG emissions in the aggregate across such a market’s footprint; such monitoring should include both actual GHG emissions and estimates of the impact of the Regional DAM on such emissions. More specifically, TURN recommends that the CAISO:

- Implement GHG Monitoring with the Start of Any Regional DAM: The CAISO should have a comprehensive GHG monitoring approach, as described herein, in place for the start of any

¹ The CAISO’s Issue Paper seems to anticipate meeting such needs at pp. 9-10.

Regional DAM.² Such action would contrast favorably with the CAISO's apparent failure to monitor the full GHG impacts of the EIM.

- Maintain Comprehensive GHG “Data Store”: If a Regional DAM is implemented, the CAISO should maintain comprehensive records regarding GHG emissions that enable states and other non-market participating entities to implement state GHG policies and audit such policies' results. Such data should include estimates of the impact of the Regional DAM on GHG emissions; GHG emissions by generating unit (including units outside the Regional DAM's footprint that deliver into the Regional DAM); attributions of specific generators, and their related GHGs, to specific loads and Load-Serving Entities (“LSEs”); and the data and algorithms used to develop such results.

- Enable States to Implement and Manage their Own GHG Policies: The Regional DAM and data store should allow states to implement and manage their own GHG policies and to audit such policies' results, even though such state policies may differ from California's GHG management approach. TURN recognizes that providing the states such tools may expand the complexity of the Regional DAM and data store. TURN also recognizes that the estimated GHG impacts of differing state policies may not match the CAISO's estimate of footprint-wide GHG impacts. If so, it is imperative that such differences be made known so that policy-makers can respond appropriately.³

In sum, when developing policies regarding “GHG compliance” in a Regional DAM, the CAISO should not focus only on meeting CARB's current data needs; the CAISO must also prepare to provide complete data regarding GHG emissions to the states and other entities.⁴

² TURN is assuming that the CAISO will have any GHG mitigation regime, such as California's cap-and-trade policy, implemented at the start of any Regional DAM.

³ For example, in Docket No. UE 307 before the Public Utility Commission of Oregon, parties are disputing the portion of the CAISO's estimate of EIM's monetary benefits that should be credited to ratepayers. The CAISO's implementation of any Regional DAM, including the “data store,” should help resolve such disputes as to the amount and allocation of financial benefits and GHG emission impacts.

⁴ The CAISO should also perform the same function as to the cost and GHG emission impact of the EIM.

CAISO SHOULD CLARIFY EIM'S CURRENT METHOD FOR ATTRIBUTING GENERATION TO LOAD AND JUSTIFY ITS FITNESS FOR USE FOR GHG ACCOUNTING IN A REGIONAL DAM

The CAISO's Issue Paper and presentation slides both cite the current means that the EIM uses to "attribute" which generation from outside the CAISO serves load inside the CAISO for purposes of computing the EIM's GHG impacts and suggests that this or a similar method could be used for the same purpose in a Regional DAM.⁵ Though this methodology is explained in various CAISO documents, TURN believes the CAISO should provide some examples in this initiative process of how the attribution process works to clarify discussion of future GHG accounting methods.

More importantly, the CAISO should justify the use of this "EIM attribution methodology" for attributing generation to loads in a Regional DAM. The CAISO's own analysis appears to show that its estimates of incremental GHG emissions may not be tied to the GHG emissions of the generating units that are incrementally dispatched by the EIM.⁶ Whatever the basis for adopting this attribution method, it does not seem to provide accurate estimates of the impact of the EIM's incremental generation dispatches on incremental GHG emissions. Further, the EIM attribution methodology may allocate more cost-effective GHG reductions to California customers than it does to customers in other states. Such allocations of GHG reductions may matter greatly as other states adopt their own GHG compliance programs.⁷ Any bias in such allocations will not be tenable in the GHG attribution mechanism of a Regional DAM.

⁵ See August 29 Issue Paper at pp. 3 and 10-11 and September 6 slides at 5 and 11.

⁶ See slides 12-16 of the CAISO presentation available at https://www.arb.ca.gov/cc/capandtrade/meetings/062416/arb_and_caiso_staff_presentations_updated.pdf.

⁷ TURN notes that implementation of the Clean Power Plan ("CPP"), or a similar federal policy, may spur each of the other five PacifiCorp states to adopt their own GHG compliance programs, regardless of individual states' current positions on the CPP.

CAISO SHOULD CLARIFY WHETHER PROPOSED METHOD(S) FOR ATTRIBUTING GENERATION TO LOAD CAN BE USED TO ATTRIBUTE RENEWABLE ENERGY GENERATION TO CALIFORNIA AND OTHER STATES' LOADS

One critical issue related to California's participation in a Regional DAM is how renewable resources in such a market would be counted in California's current Procurement Content Categories ("PCCs") or "buckets". The CAISO should explain whether its proposed method(s) for attributing specific resources to specific loads in a Regional DAM could also be used to attribute out-of-California renewable energy resources to California loads. Further, the CAISO should clarify the operational practices needed to ensure "delivery" of energy by non-CAISO resources to CAISO loads in order to receive credit as a Category 1 RPS resource under the California RPS program.

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