

## Western Power Trading Forum (WPTF) Comments on EIM GHG Design Draft Final Proposal

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WPTF is pleased to submit these comments on the CAISO's EIM GHG Design Draft Final Proposal, dated May 24, 2017. (WPTF has no specific comments on the CAISO's subsequent modeling modification proposal.) WPTF is supportive of the direction taken by the ISO in the draft final proposal but urges the ISO to consider a more comprehensive solution for real-time even absent regionalization. We re-iterate some of the comments submitted on the straw proposal as well as offer some additional feedback below.

### Process Feedback

The current policy has distortions and the markets are resulting in unintended dispatch results. WPTF believes that the CAISO's proposed 2-pass approach will offer a significant improvement over the current design and over alternatives that have been considered thus far. WPTF encourages implementation as soon as possible and is pleased to see the ISO is intending to start testing the design this fall and aims to go live in January 2019 so that the interim period where CARB's "bridge" solution will be minimized.

WPTF would like to re-iterate that during the development and testing phase, the ISO should allow opportunities for stakeholders to review results and provide feedback regarding any potential modifications or seek clarifications that maybe needed. During the development and testing phase, the ISO could then provide opportunities to engage with stakeholders regarding more of the details of the interfaces and modeling for bid structures under a multi-regime paradigm.

WPTF is concerned with the quality of the test data, if the ISO is planning to start testing in the fall and issue a report by the end of the year. As with most newly implemented market design changes, unforeseen issues may arise in the first month or two of testing, nullifying those market results a basis for any decisions. WPTF encourages the ISO to be flexible on timing and issue a report only once sufficient quality data exists to have a robust discussion of the market design performance and potential modifications.

Furthermore, as currently proposed, the ISO is only addressing the CARB's EIM issue of "leakage" and no longer expands the design to support a multi-GHG regime paradigm or regionalization. The issue being addressed in the GHG policy is a result of the ISO being a multi-state BAA, and not an issue that exists only under regionalization. The EIM GHG design is a much-needed improvement over the current GHG accounting mechanism and is a step in the right direction. WPTF encourages the CAISO to seek approval for the regional GHG design with the EIM design. However, irrespective of the day-ahead regional design, WPTF urges the ISO to move forward and obtain necessary approval of at least a comprehensive real-time EIM design that can support a multi-GHG regime.

### Additional clarification needed prior to finalizing design

Any market design should enable scheduling coordinators to accurately represent the resource and its costs in the market optimization. WPTF encourages the CAISO to consider enhancements to the design that were previously contemplated under the straw proposal, but that the details of such design elements should not impeded on the ISO's efforts to start developing and testing the GHG design in the market software.

## **1. GHG costs and bids under multi-GHG regime paradigm**

As currently proposed, all resources will submit an energy bid, with the GHG cost to serve load in its own GHG regime embedded, and EIM resources will submit a separate GHG bid adder and GHG MW quantity to serve load in the ISO BAA. The current proposal assumes only one GHG regime exists going forward, which offers some simplifications to the ISO, but at the cost of a robust comprehensive solution that adapts under a multi-GHG regime paradigm. The currently proposed design enables the ISO to only separate energy and GHG costs for resources in EIM BAAs and maintain the paradigm of defining GHG regimes by BAA boundaries as opposed to state or geographical boundaries. This is a significant change from the previous proposal and now hinders the ability for the design to generate accurate cost representation and improve price formation under a multi-GHG regime paradigm.

WPTF understands that regionalization is no longer on the immediate horizon, but that does not mean a multi-GHG regime is no longer on the immediate horizon. The ISO could be faced with a multi-GHG regime pre-regionalization if an EIM BAA has both a GHG and non-GHG regime.<sup>1</sup> Under a multi-GHG regime paradigm where different states imposed obligations on imports, the ISO would have to establish a policy of unbundling energy and GHG costs in all regions and define the regions using state or geographical boundaries as opposed to defaulting to the BAA boundaries as a proxy for distinguishing between the various GHG and non-GHG regimes.

WPTF encourages the ISO to be proactive and propose a more comprehensive real-time EIM solution that can easily translate to a multi-GHG regime paradigm. Such a design would define GHG regimes by state, or accurate geographical boundaries, and unbundle energy and GHG costs for all regions. When regionalization occurs, this design can then be applied to the day-ahead market. The ISO had contemplated such a design in the straw proposal, but dropped those elements in the recent proposal.

## **2. Resources contracted with CA LSEs and RA treatment**

The CAISO's proposal includes resources located outside of California that are contracted with CA LSEs as part of California supply in both passes of the two-pass approach. WPTF supports the ISO's increased flexibility in regards to identifying such resources. The previous proposal contemplated a Masterfile flag, changes to which are not immediately reflected in the market and cannot be adjusted hour to hour. WPTF agrees with the ISO's change to have the flag part of the submitted bids but believes additional flexibility for bidders is warranted. As suggested by others at the meeting, WPTF supports changing the biddable flag to a biddable (able to be adjusted by the participant) MW quantity for CA supply. The increased flexibility will enable an SC to accurately reflect when a resource is partially contracted to serve CA load and/or if the contracted MW varies hour to hour.

WPTF asks the ISO consider whether changing the flag to a to a biddable MW quantity for CA supply would help accurately determine the GHG obligation for a CA supply resource that is decremented in real-time from a transfer that was scheduled (and reported to CARB) in the day-ahead market.<sup>2</sup> It may be beneficial

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<sup>1</sup> Consider PAC West that spans California, Oregon and Washington. If Oregon were to implement a GHG program that also regulates electricity imports, then it would be necessary to distinguish PAC's service territory within Oregon from its service territory in Washington – the PAC West BAA boundary would not be sufficient as a boundary for delineating GHG costs. Resources outside of Oregon and California would need to be able to submit separate energy and GHG bids specific for serving California and Oregon load.

<sup>2</sup> For example, take a resource that submits a base schedule (reflective of a day-ahead import) of 50 MWs and economically bids in real-time for the full range of the resource (Pmin of 20 MW to Pmax of 70 MW). If it is dispatched in the 2nd pass at 40MWs with 40MWs of GHG attribution, will the GHG obligation on the resource still reflect the 50 MWs due to the day-ahead import or will it be adjusted down to 40 MWs?

to have to fields that are able to be specified by participants, or are “biddable”. One would reflect the participant’s day-ahead award such that it is not also attributed GHG in the real-time; the second would provide for the quantity of the real-time deliveries that are under contract to an LSE.

WPTF anticipates that prior to application of the new policies the CAISO will clarify which contracts will be eligible to be considered California Supply (e.g. RPS contracts, RA resources and resources successfully bid and scheduled in DA) and what-if-any demonstration is required. WPTF recommends that the ISO rely upon requirements established by California State law and/or the regulatory agencies (e.g. CARB and the CPUC) rather than establish new criteria in the tariff. Additionally, we suggest that CARB would be better placed to evaluate claims to California supply through its reporting and verification processes; the ISO should not be involved in validating these claims.

WPTF further recommends that further clarification be offered regarding RA treatment. For example, WPTF encourages the CAISO to confirm that it expects RA/energy delivery and GHG attribution would be to the same location as opposed to the GHG being deemed to be under contract to one regime and the RA being for the benefit of another area.

Thank you for your consideration of these comments.

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