

May 23, 2018

About Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

Summary of Comments

WPTF is pleased to submit these comments on the CAISO's EIM GHG Design Third Revised Draft Final Proposal, dated April 25, 2018 and discussed on the May 2, 2018 conference call. Given the ISO's decision to move forward with only one aspect of the previous proposal, the comments reiterate our previous points as those have not changed. WPTF then provides more detailed discussion regarding forthcoming day-ahead market design changes and operating under a multi-state GHG paradigm.

Overall, WPTF is not opposed to the proposal but strongly urges the ISO to continue discussing an appropriate bidding/pricing mechanism robust enough to expand under forthcoming EIM changes and evolving cap-and-trade paradigms.

General Comments

Limiting the MW quantity of an EIM resource that can be attributed as serving California load by its base schedule is an improvement over today, but additional consideration is needed as to how this would work in a day-ahead market. This aspect of the proposal was never controversial amongst stakeholders and most view it as an improvement to more accurately calculate EIM generation deemed delivered to California.

WPTF approves of the ISO's decision to withdraw its proposal for a minimum GHG bid-adder for non-emitting resources. As stated in WPTF's previous comments, the proposed minimum GHG bid-adder introduced discriminatory aspects. Furthermore, it acted as a quasi-hurdle rate design and with such would result in inaccurate market dispatch and price signals.

Additional Discussion

The ISO should continue discussions of an appropriate EIM GHG design under potential day-ahead market changes and expansion of the EIM functionality into the day-ahead market and under a possible multi-state GHG paradigm. WPTF appreciates the ISO's recognition that additional discussion will be needed to ensure a robust design under day-ahead expansion to EIM entities when that initiative commences. WPTF raised questions in its previous comments regarding how the output of an EIM

resource may be deemed deliverable to CAISO in the day-ahead market¹. These concerns still exist and should be addressed by the ISO when those discussions take place under the forthcoming initiative.

However, discussions should continue prior to commencing that initiative specifically as it applies to a multi-state GHG paradigm; it would be unfortunate for the ISO and stakeholders to not have already developed a robust solution in sufficient time to be implemented prior to any of the GHG pricing programs being considered by states that will impact EIM entities. Given that CARB already has an interim solution in place, the ISO should capitalize on the afforded time to ensure a robust design is developed that can be adapted to forthcoming market changes.

WPTF would like to continue reiterating that a multi-state GHG paradigm is becoming more of a possibility given the proposed legislation in Oregon and upcoming ballot initiative in Washington. Again, the ISO should capitalize on this time to develop a robust design that can be applied with multiple cap-and-trade programs among other states. As discussed in WPTF's previous comments, even though regionalization is not in the foreseeable future, a multi-GHG regime paradigm is quite possible on the horizon given the proposed legislation in Oregon and Washington.

Thank you for your consideration of these comments.

¹ On slide 6 of the presentation for the February 22nd webinar, the ISO indicates that if day-ahead market were extended to EIM entities, that self-schedules will be used in lieu of base schedules to determine the maximum GHG quantity. This proposal would seem to be subject to the same concerns about potential market manipulation that were raised with respect to the two-pass solution.