# Public Interest Organizations Comments on Regional Integration California Greenhouse Gas Compliance

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The following Public Interest Organizations (PIOs) support a thoughtfully-designed and well-implemented regional system market. We value increased renewable energy integration, overall lower greenhouse gas emissions, lower costs, and increased grid efficiency and reliability that a regional system operator (RSO) can offer.

These comments are submitted on behalf of Environmental Defense Fund, Union of Concerned Scientists, Natural Resources Defense Council, Northwest Energy Coalition, Renewable Northwest, Western Resources Advocates, and the Center for Energy Efficiency and Renewable Technologies. Our organizations work together to promote decarbonizing the electric grid and to help ensure clean affordable energy for California and the west.

For these reasons, our focus is to outline our concerns and support for Greenhouse Gas (GHG) reporting and accounting included in the day-ahead, hour-ahead, and real-time markets along with data access and transparency.

In particular, the following priorities related to GHG should be considered:

- Clear and effective tracking methods;
- Minimizing leakage, re-dispatch, and resource shuffling; and
- Replicability of design.

These priorities are examined in turn below.

**1. Clear and Effective GHG Tracking Method**

A regional ISO should track greenhouse (GHG) emissions associated with all generation attributable to load within the entire regional ISO. This transparent tracking mechanism is in addition and separate from a mechanism to price carbon in accordance with any state's policy to regulate carbon, and will provide useful data to ensure accountability. Region-wide GHG accounting is possible, as illustrated by current ISO-NE activities to measure and report generation and fuel usage on a monthly basis.[1] This type of system sophistication can in turn reinforce additional priorities, including minimizing leakage, re-dispatch, and resource shuffling, as well as replicability of design.

Our organizations also support the need to create a market mechanism to enable bidders to attach a price to carbon for California load, to support the state's cap and trade program. CAISO's Issue Paper identifies this need, and we commend CAISO and CARB for focusing awareness on these important issues and providing context and learnings gained through EIM design and operations. Indeed, although there are significant differences in scope and context, the EIM experience can provide a helpful guidepost when building a multistate RSO. The EIM market's GHG adder can, to this end, serve as a useful starting point in designing a mechanism capable of tracking GHGs day-ahead and hour-ahead markets, as well as the inclusion of GHG compliance costs in start-up and minimum load costs for generators, or equivalent mechanism. This new mechanism must, however, also have a clear and sophisticated flagging and tracking mechanism to account for power from fossil fuels dispatches into particular states to achieve necessary accountability.

Confronting and determining the right technology solution at the outset will provide long-term accessibility, accountability, transparency, and replicability benefits.

[1] https://www.iso-ne.com/static-assets/documents/2016/03/march-2016-coo-report.pdf

**2. Minimizing Leakage, Re-dispatch, and Resource Shuffling**

Leakage, re-dispatch, and resource shuffling concerns, as articulated in the CAISO Issue Paper, may become more pronounced in a regional ISO. More information as to how the market optimization will monitor and track resources to minimize leakage, re-dispatch, and resource shuffling is thus necessary to ensure that state public policies within the ISO footprint can be meaningfully effectuated. Clear and effective tracking mechanisms, as described above, may be necessary to better understand the full breadth of this issue. We understand that this issue is currently the subject of study by both CAISO and CARB, and we both commend this analysis and look forward to its consideration in an RSO context.

**3. Replicability of Design**

RSO operations should be designed to allow any state within the RSO footprint wishing to utilize particular RSO design elements the necessary access. The objective should be to maximize market efficiency and minimize complexity by building a single, flexible, and transparent program which eliminates multiple compliance processes and costs. THE EIM design allows for a GHG bid adder on a per-day basis, which helps improve bidding behaviors and identification of resources within state boundaries. The bid flag for GHG of zero MW has proven an effective tool in this context.

The CAISO Issue Paper contemplates, however, that other states within a regional ISO may implement state public policies that require CAISO operational response. In such a case, where multiple and varying GHG bid adders are required, a bid flag for GHG of zero MW may not suffice. EIM tagging, having the multi- zone bids, and accounting for the correct resource may be the right basis upon which to move forward. However, the CAISO should consider now how to integrate varying state public policies into design, and whether such tagging can be extended and replicated.

Sincerely,

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