PUBLIC POWER COUNCIL
Bringing public power together

650 NE Holladay St, Suite 810
Portland, OR 97232
(503) 595-9770
www.ppcpdx.org

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PPC Comments in Response to the ACR 188 Study Update

The Public Power Council[1] (PPC) appreciates the opportunity to comment on the recent report on the ACR 188 Summary Report. PPC is pleased that there is interest in evaluating the potential benefits of an expanded market footprint in the West and agrees with the study's findings that generally a larger market footprint will benefit participants by providing access to a more diverse set of resources. Such an expanded footprint could allow for higher production costs savings, reduced curtailments of renewable resources, and a more effective use of the transmission system.

The ACR 188 study was completed at the directive of the California legislature to review, "*…relevant studies on the impacts of expanded regional cooperation on California and identifies key issues that will most effectively advance the state's energy and environmental goals, including any available studies that reflect the impact of regionalization on transmission costs and reliability for California ratepayers."*[2] We understand this interest is intended to inform the California legislature's considerations for making changes to existing California statutes to better facilitate the expansion of the scope and footprint of wholesale electricity markets in the West. In the National Renewable Energy Laboratory's (NREL) presentation on the ACR 188 study, it discussed the evidence for such benefits to California. NREL also described that its, "…understanding of the Legislature's intent in ACR 188 is to gather knowledge that will inform strategies for regional cooperation that might advance California's energy and environmental goals," and that, "…[a]n effective strategy requires an understanding of what might drive to positions of other states."[3]

It is within this context that PPC offers these considerations that it and its members will have in evaluating participation in an expanded CAISO market, or any organized market – both for their own participation and for the participation of the Bonneville Power Administration, of which they are the primary funders. To reiterate, PPC is appreciative of the ACR 188 Study as a potential catalyst for renewed discussions on the "regionalization" of the California

[1] PPC, established in 1966, is an association that represents the vast majority of consumer-owned electric utilities across five states in the Pacific Northwest. PPC's mission is to preserve and enhance the benefits of the Federal Columbia River Power System operated by BPA for consumer-owned utilities. PPC's members pay roughly 70% of BPA's annual $3.9M revenue requirement, in addition to owning their own generation and transmission facilities in the Northwest.
[2] Assembly Concurrent Resolution 188
[3] CAISO Assembly Concurrent Bill 188 Update, January 20, 2023, slide 27, http://www.caiso.com/Documents/Presentation-AssemblyConcurrentResolution188-Jan20-2023.pdf

Independent System Operator and offers these considerations in the interest of advancing those conversations.

Similar to the California's objectives described in ACR 188, PPC members seek the ability to participate in a market that will allow them to lower the end use costs for their customers. These costs are lowered through both the access to lower-cost resources and through compensation for surplus generation resulting from the investments made by PPC members and their ratepayers. Additionally, PPC members will be seeking market opportunities which both provide additional opportunities to integrate renewable resources to serve their loads and which will more efficiently operate the transmission grid.

In NREL's presentation, it was noted that, "[b]enefits [of an expanded organized market] might not be spread evenly across participating states and their utilities."[4] There was also commentary during the meeting that such a result is expected. PPC agrees that it is unreasonable to expect that all participants and states in an organized market will receive "equal" benefits; however, all participants need to receive equal consideration in market design and governance, which may not result in "equal" benefits, but equitable ones.

Legislative action from California legislators to revise CAISO's existing statutes and allow for additional changes to the CAISO's governance will be a critical change for facilitating broader participation in the CAISO market and for providing PPC members confidence that their objectives would be met through such participation. While these changes would be critical, those changes alone may not be sufficient. PPC members will also be reviewing and evaluating CAISO's market design to ensure that out of market interests are treated on par with interests and utilities within California.

Structural elements of both governance and market design have been built specifically around creating benefits to California and its ratepayers by facilitating low reported carbon use and lowering payments for power supply. This is understandable given the history and formation of the CAISO, but this mandate that may have resulted in market elements that are not conducive to facilitating a regional market that would attract the broad participation required to deliver the kinds of benefits identified in the ACR 188 study for California and other states in the West.

Some examples of these structural elements in the market design context are the California resource adequacy program and greenhouse gas accounting programs. Market design formed around these California policies has presented some challenges with adopting alternative approaches, which may result in additional benefits for participants external to California, such as changes proposed through the Day Ahead Market Enhancements and alternate GHG accounting methodologies proposed by stakeholders during the EDAM process. A more flexible structure – which could facilitate additional market improvements and create the ability to help other states to also meet their individual objectives – would be beneficial.

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[4] CAISO Assembly Concurrent Bill 188 Update, January 20, 2023, slide 11

The policy focus on lowering electricity prices in California may have resulted in price formation that fails to send accurate price signals during times of scarce supply. For entities outside of California that sell the output of their resources into the CAISO market, lower prices reduce the value of their assets in the market and ultimately raise costs to their ratepayers. Such an outcome is a concern of PPC and something that we understand is under review in the price formation initiative.

There have already been some successes in various CAISO initiatives to reflect these more regional considerations and that attempt to provide a flexible market design that will allow all states across the market footprint to meet their own objectives. Additional attention to regional equity, including potential legislative change that would formalize those more regional considerations, is a key consideration for PPC members in determining whether they would participate in an expanded market operated by the CAISO.

Working together to evaluate the potential benefits both to California and to those states outside of California will be crucial for ensuring that the greatest benefits can be shared among the greatest number of consumers. Thank you for the opportunity to be part of that conversation. We look forward to continuing to work together to achieve these outcomes.