

Comments on Greenhouse Gas Coordination 7-29-2024 Working Group

Department of Market Monitoring

August 12, 2024

Summary

The Department of Market monitoring (DMM) appreciates the opportunity to comment on the *Greenhouse Gas Coordination 7-29-2024 Working Group*.¹

This working group meeting focused on greenhouse gas (GHG) metrics and potential frameworks to allow entities in states with non-priced GHG policies to accurately account for associated emissions while participating in the extended day-ahead market (EDAM). The ISO proposes to advance the accounting and reporting approach discussed in the working group to the policy and implementation phase. DMM supports this proposal, and recommends that during the policy phase, the ISO and stakeholders carefully consider any potential market impacts that could result from implementing the accounting and reporting approach.

Comments

The GHG working group has considered two main proposals for incorporating non-priced GHG policies into the EDAM framework, so that market participants can accurately account for their emissions. One approach is the accounting and reporting approach proposed by the Western Power Trading Forum (WPTF). The other proposal is an in-market approach that would introduce an additional emission constraint into the optimization.

The accounting and reporting approach is designed to be an out-of-market approach that leverages and enhances existing processes and data. This approach leverages data related to how utilities claim committed energy prior to market dispatch, and how committed energy is assigned to load serving entities (LSEs) after dispatch. This proposed framework does not introduce new constraints or otherwise directly transform how the market optimization functions, therefore the market impacts are likely small compared to solutions that add new constraints to the market optimization. However, because the accounting and reporting framework may interact with market elements, such as the EDAM GHG reference pass, DMM recommends the ISO and stakeholders carefully consider the potential market effects from those interactions in future conversations about the accounting and reporting framework.

While an in-market approach may result in more efficient outcomes, it introduces risks and concerns regarding how the new emission constraint may interact with other facets of the market. DMM agrees with the ISO that incorporating an in-market solution requires significantly more analysis in order to understand all of the market implications. DMM recognizes that the choice between in-market and out-of-market solutions to GHG emission and energy accounting for non-priced GHG regulation areas involves a number of trade-offs, and recommends that the ISO discuss those trade-offs with regulatory bodies and market participants.

¹ Greenhouse Gas Coordination Working Group meeting, July 29, 2024:
<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Greenhouse-gas-coordination-working-group>

DMM supports the ISO working to develop metrics that accurately measure and report leakage and/or secondary dispatch. DMM agrees with the ISO's assertion that secondary dispatch, as defined by the ISO, may occur for reasons other than leakage, including economic displacement and decreases in load forecast.² DMM continues to highlight that using base schedules as a counterfactual to determine leakage in the Western Energy Imbalance Market (WEIM) is problematic because resource base schedules are not optimized, and do not account for optimal transfers between non-GHG areas. The GHG reference pass in EDAM will provide a more appropriate counterfactual for analyzing leakage as it provides optimized schedules that include optimal transfers between non-GHG balancing areas.³

² DMM comments on May 29, 2024 Greenhouse Gas Coordination working group, June 12, 2024:
<https://www.aiso.com/documents/dmm-comments-on-greenhouse-gas-coordination-may-29-2024-working-group-jun-12-2024.pdf>

³ Ibid.