

Comments on Greenhouse Gas Coordination May 22, 2025 Working Group Meeting

Department of Market Monitoring

June 12, 2025

Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Greenhouse Gas Coordination Working Group* meeting held on May 22, 2025, and the *Accounting and Reporting Straw Proposal* released on May 16, 2025.^{1,2} The working group meeting and the straw proposal document also included a presentation and an appendix regarding the issue of null power from the Center for Resource Solutions. The working group meeting and the straw proposal further specified and clarified how the accounting and reporting would function.

DMM continues to support the proposed accounting and reporting approach as a near-term means of incorporating non-priced greenhouse gas (GHG) policies into the extended day-ahead market (EDAM). The accounting and reporting approach would provide entities in regions with a tool for tracking emissions for compliance with non-priced GHG regulation and voluntary goals. The primary benefit of this approach is that it is a non-market process that attributes GHG emissions after the market runs, and as such would likely have minimal direct market impacts. DMM also recommends that the working group continue to explore the need for and possibly develop an in-market approach to ameliorating the scheduling and dispatch challenges posed by non-priced GHG policies.

Comments

Overview of issues and the accounting and reporting approach

The current market design only attributes GHG emissions to generation serving load in priced GHG regulation areas, and a mechanism to assign emissions to entities in regions with non-priced GHG regulations does not yet exist in CAISO markets. This poses two challenges:

1. There is currently not an in-market mechanism to constrain dispatch to prevent attributed emissions from exceeding a load serving entity's (LSE) emissions threshold, and
2. Unspecified transfer emissions may pose challenges for LSEs and other market participants seeking to track progress towards satisfying state GHG regulations or other GHG emissions goals. The limited ability to track progress on meeting regulatory or other voluntary GHG related goals also limits market participants' ability to optimize their portfolio of resources and energy contracts.

The proposed accounting and reporting approach would address the second of these two problems by introducing a method for accounting for GHG emissions from transfers into areas with non-priced GHG

¹ *Greenhouse Gas: Accounting and Reporting – Straw Proposal*, California ISO, May 16, 2025:
<https://stakeholdercenter.caiso.com/InitiativeDocuments/Accounting-and-Reporting-Straw-Proposal-Greehouse-Gas-Coordination-Working-Group-May-16-2025.pdf>

² GHG Coordination Working Group meeting materials, California ISO, May 22, 2025:
<https://stakeholdercenter.caiso.com/StakeholderInitiatives/Greenhouse-gas-coordination-working-group>

policies. This method is completely out-of-market, leveraging and enhancing existing post facto market dispatch data, as well as information on market participants' contracted and owned resource capacity.

At a high level, the accounting and reporting approach compares a reporting entity's load to its dispatched contracted and owned generation on a five-minute basis and tracks the greenhouse gas emissions associated with that generation, netting out generation attributed to GHG pricing regions.

- If the reporting entity's generation exceeds its own load, the emissions associated with their excess generation will be allocated to the residual rate, a voluntary GHG climate region residual rate, or some combination of the two.
- If the reporting entity's load exceeds their internal owned and contracted generation, then they are allocated GHG emissions from the residual rate, their voluntary climate region pool of emissions, or some combination of the two as is applicable.
- Emissions from resources associated with entities not participating in the reporting would be assumed to be dispatched to serve their respective BAA's load and assigned to that BAA.
- If the generation assigned to the BAA load is less than or equal to dispatched generation, then no emissions would be added to the residual rate.
- In the case where non-participating generation exceeds its BAA's load, the average associated emissions would be added to the residual rate.

One remaining question is how null power, or generation from resources without renewable energy certificates (RECs), would be accounted for. The Western Renewable Energy Generation Information System (WREGIS) issues and tracks RECs which are used by various entities for regulatory compliance and voluntary programs. The RECs assigned to a resource may be sold or transferred to another party, thus the rights to the non-emitting resource may be accounted for in some other entity's portfolio. This creates a potential scenario where two entities may, on two different accounting ledgers, claim a resource's low emitting generation. This issue arises from the existence of parallel and potentially conflicting systems of GHG accounting.

The Center for Resource Solutions (CRS) proposed three approaches to resolving this accounting challenge, with varying degrees of coordination between the CAISO and WREGIS and reporting of REC ownership. Common among the three proposed options is the exclusion of null power volumes from the residual rate calculation and the assignment of the residual rate to null power volumes for the purpose of allocating emissions.

DMM continues to support the accounting and reporting approach

DMM continues to support the development and implementation of the accounting and reporting approach. This approach would enable market participants to monitor and track GHG emissions for the purpose of satisfying regulatory requirements and voluntary emissions goals. This approach appears to largely address the need for a transparent accounting mechanism for allocating GHG emissions for LSEs in areas with non-priced GHG regulations or that have adopted voluntary programs.

One of the primary advantages of this approach is that it is entirely out-of-market and relies on after-the-fact data to allocate GHG emissions in areas without priced GHG regulations. Such an approach would

likely have minimal direct market impacts. Moreover, the out-of-market accounting and reporting approach carries with it a smaller risk of unanticipated consequences when compared to an in-market approach, because it does not introduce new constraints or otherwise directly transform how the market optimization functions.

Regarding the question of how null power should be accounted for, DMM believes that stakeholders are best positioned to determine what data and metrics are needed to accurately represent their GHG emissions and satisfy regulatory and reporting requirements and goals. DMM does believe, however, that there are benefits to creating measures that are consistent between institutions, to avoid creating conflicting metrics and standards. Doing so would limit the potential for conflicting inter-institutional incentives and would enhance reporting and regulatory transparency.

A limitation of the accounting and reporting approach is that it does not directly provide a solution to the potential need to constrain dispatch to ensure that entities in locations with non-priced GHG policy meet their obligations. Further, an out-of-market approach could lead to market inefficiencies. Without an in-market solution, LSEs may be forced to procure and self-schedule higher-cost non-emitting resources to ensure regulatory compliance, when lower-cost non-emitting resources could have served load via transfers from other balancing areas.

It should be noted that the accounting and reporting approach would provide important information which would enhance a LSE's ability to plan for future non-emitting capacity procurement and generation fleet needs. The reports generated by the accounting and reporting approach could also provide a strong basis to evaluate the need for an in-market dispatch constrained solution for entities in areas with non-priced GHG regulations.

As stated in DMM's comments dated August 12, 2024, DMM agrees with the ISO that incorporating an in-market solution requires significantly more analysis to understand the market implications in full.³ DMM also 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. DMM recommends that the ISO discuss those trade-offs with regulatory bodies and market participants. DMM also recommends that stakeholders and the ISO continue to explore whether an in-market dispatch constrained solution is needed, and what form potential in-market solutions could take.

³ *Comments on Greenhouse Gas Coordination 7-29-2024 Working Group*, Department of Market Monitoring, August 12, 2024: <https://www.caiso.com/documents/dmm-comments-on-greenhouse-gas-coordination-jul-29-2024-working-group-aug-12-2024.pdf>