

Western Power Trading Forum (WPTF) Comments on EIM GHG Draft Attribution Report
Materials and Next Steps

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December 18, 2017

WPTF is pleased to submit these comments on the CAISO's EIM GHG Draft Attribution Report Materials and Next Steps and the December 4 stakeholder call. WPTF appreciates the ISO's testing efforts and willingness to discuss the performance with stakeholders, especially in light of the identified adverse incentives. WPTF continues to support the direction taken by the ISO in the draft final proposal but urges the ISO to engage in continued discussions with stakeholders on modifications to the two-pass approach to alleviate any bidding behavioral concerns. Furthermore, WPTF encourages the ISO to be proactive and ensure the implemented real-time EIM solution can easily translate to a multi-state GHG regime paradigm as other states implement carbon pricing. The two-pass approach, as opposed to a hurdle rate design, would be able to more accurately accommodate multi-GHG regimes across multiple states.

The ISO needs to continue discussing modifications to the two-pass approach with stakeholders. WPTF continues to believe that the CAISO's proposed 2-pass approach, with some modifications, is still the optimal solution. The two-pass approach offers a significant improvement over the current design and over alternatives that were considered at the onset of the initiative and reiterated on the most recent stakeholder call. WPTF appreciates the ISO's transparency in discussing the adverse incentives with the two-pass approach that were identified through the testing phase with stakeholders. While the two-pass approach does have some concerns that need to be addressed, the ISO has identified two potential solutions. The use of DEBs for EIM resources or the base schedules are two options that are worth discussing further with stakeholders as opposed to scraping the two-pass approach and reverting back to a hurdle rate design discussion. WPTF would like to note that if the ISO and stakeholders consider using DEBs for EIM resources in the first pass, it needs to ensure the DEBs accurately reflect the cost of such resources. It is WPTF's understanding through other stakeholder discussions that there remain some concerns regarding DEBs for EIM resources and such an initiative has been included in the 2018 Stakeholder Initiative Catalog. With respect to the use of base schedules, WPTF understands the CAISO's suggestion would be to use base schedules to limit the MWh eligible for an export allocation – i.e. the export allocation could not be greater than the maximum power minus the base schedule.

WPTF encourages the ISO to be proactive and propose a more comprehensive real-time EIM solution that can easily translate to a multi-GHG regime paradigm. Many observers expect that the Oregon legislature will pass a cap and trade bill modeled after California's in the 2018 or 2019 session. If the bill passes, Oregon will need to develop a mechanism to track and assign emissions associated with electricity import to the state, including for PacifiCorp and Portland General Electric, both of which participate in the EIM. It is therefore quite possible that the EIM algorithm will need to accommodate GHG pricing outside California in the near future. To facilitate state implementation, the EIM would need to be able to delineate accurate geographical boundaries for each GHG jurisdiction. If the new GHG jurisdictions do not link to California's program, then it would also be necessary for the EIM to enable separate GHG bids for each GHG jurisdiction. WPTF understands that regionalization is no longer on the immediate horizon, but that does not mean a multi-GHG regime is no longer on the immediate horizon. By being proactive and implementing a design now that could be easily expanded when another GHG regime is implemented, the solution could be relatively quickly implemented with minimal incremental ISO and stakeholder efforts outside of the current initiative process.

The ISO needs to provide additional information given the ISO's plan to incorporate the proposed policy into the extended day-ahead market. The ISO's current 2018 Initiative Roadmap outlines a policy plan by which the ISO will endeavor to extend the day-ahead market to EIM entities. Given that the current plan

points to the policy being developed within this process to also be extended into the day-ahead market, stakeholders need additional information and analyses from an EIM entity perspective to fully assess support for both the real-time and planned extended day-ahead market implementation.

Thank you for your consideration of these comments.