

Comments of the Western Energy Imbalance Market Body of State Regulators

On the California Independent System Operator *EIM Greenhouse Gas Enhancements Initiative 3rd Revised Draft Final Proposal*

June 21, 2018

The Western Energy Imbalance Market (“EIM”) Body of State Regulators (“BOSR”) appreciates the opportunity to submit comments to the California Independent System Operator (“CAISO”) on the EIM Greenhouse Gas Enhancements Initiative, 3rd Revised Draft Final Proposal.¹ The EIM BOSR is composed of one commissioner from each state public utilities commission in which load-serving regulated utilities participate in the EIM, including the ISO real-time market.² This includes Arizona, California, Idaho, Nevada, Oregon, Utah, Washington and Wyoming. One of the BOSR’s responsibilities is to express a common position in ISO stakeholder processes or to the EIM Governing Body on EIM issues.³

The purpose of this Initiative is to address concerns that the EIM GHG market design is not capturing the impact on the atmosphere that occurs in connection with EIM transfers into the ISO to serve ISO load. This has been referred to as the secondary dispatch effect. After initially reviewing several potential design changes and stakeholder comments, in November of 2016, the ISO focused on developing a two-pass market design to identify the amount of each non-California resource used to serve ISO load.

In the third quarter of 2017, some serious and credible concerns regarding the two-pass solution were brought to the CAISO’s attention.⁴

¹ Third Revised Draft Final Proposal - Energy Imbalance Market Greenhouse Gas Enhancements (April 25, 2018), available on CAISO’s Regional Integration and EIM Greenhouse Gas Compliance webpage: <http://www.aiso.com/Documents/ThirdRevisedDraftFinalProposal-EnergyImbalanceMarketGreenhouseGasEnhancements.pdf>.

² Charter, Energy Imbalance Market Body of State Regulators at 1 (March 1, 2016) (“BOSR Charter”); Charter for Energy Imbalance Market Governance, Version 1.1, §5 (May 1, 2017).

³ BOSR Charter, Purposes and Responsibilities at 1.

⁴These concerns are referenced in the BOSR’s previous comments: *Comments of the Western Energy Imbalance Market Body of State Regulators on the California Independent System Operator Regional Integration and EIM Greenhouse Gas Compliance Initiative*, (December 18, 2017), FN5, available on the EIM BOSR documents webpage: <https://westernenergyboard.org/library/eim-bosr/>. See also, EIM Greenhouse Gas Enhancements 2nd

In light of these concerns, the CAISO re-evaluated the two- pass proposal and issued a Second Revised Draft Final Proposal⁵ and most recently has issued the Third Revised Draft Final Proposal. Under the Third Revised Draft Final Proposal, the amount of generation dispatched by an EIM participating resource that can be attributed to California (deemed to serve California load), is limited to a resource’s maximum output minus its base schedule. This is referred to as headroom.

As stated in our prior comments, the BOSR supports a market design that is robust and unbiased⁶ and the BOSR makes the following observation. The current proposal may create incentives for EIM participating resources to change their base schedules to maximize GHG revenues. The base schedule is a forecast of generation for energy resources. For variable resources, determining whether the difference between a generator’s base schedule and actual dispatch is from a forecast error or another reason could be difficult. The BOSR makes no comment about the magnitude of this incentive or the ultimate impact when considered with other market processes (i.e., whether it is dampened or offset by other market processes). The BOSR encourages the CAISO to monitor the impact of the proposed design change if it is adopted.

The EIM BOSR appreciates the opportunity to provide these comments and looks forward to continuing to work with the CAISO on proposals that impact the Western EIM.

Revised Draft Final Proposal at 5 (February 16, 2018) (hereinafter “Second Revised Draft Final Proposal”), available at: <http://www.aiso.com/Documents/SecondRevisedDraftFinalProposal-EnergyImbalanceMarketGreenhouseGasEnhancements.pdf>.

⁵ Second Revised Draft Final Proposal.

⁶ *Comments of Western EIM* (December 18, 2017) at 3.