



ORA

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THE OFFICE OF RATEPAYER ADVOCATES' COMMENTS ON THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR'S *REGIONAL INTEGRATION CALIFORNIA* *GREENHOUSE GAS COMPLIANCE* ISSUE PAPER

September 20, 2016

The Office of Ratepayer Advocates (ORA) is the independent consumer advocate within the California Public Utilities Commission (CPUC), with a mandate to obtain the lowest possible rates for utility services consistent with safety, reliability and the state's environmental goals.

ORA submits these initial comments and questions on the California Independent System Operator's (CAISO) August 29, 2016 issue paper, *Regional Integration California Greenhouse Gas Compliance* (Issue Paper). Accurately tracking greenhouse gas (GHG) emissions in an expanded ISO is critically important. California must ensure that it remains on track to achieve its GHG reduction goals and comply with California Cap-and-Trade Program requirements in an expanded ISO.

Ensuring that the CAISO resource scheduling process accurately assigns and accounts for GHG emissions associated with the participating resources in both the Energy Imbalance Market (EIM) and under an expanded ISO is necessary for California to meet its GHG goals at the lowest possible cost. Failure to do so could increase GHG costs to ratepayers without providing commensurate benefits in the form of GHG reductions. If the current GHG accounting procedures of the EIM are scalable for use in an expanded ISO, such an approach would likely be less costly to implement than an entirely new set of GHG accounting procedures. It will be important for the CAISO and the California Air Resources Board (CARB) to align their definition of terms and requirements for GHG accounting in an expanded ISO (such as the treatment of GHG emissions and associated costs).

The CAISO acknowledges that the CARB is concerned that the current EIM GHG accounting procedures do not adequately account for the secondary dispatch of higher GHG-emitting resources outside of California.¹ These concerns should be resolved before finalizing the GHG accounting procedures for an expanded ISO.

¹ Issue Paper, pp. 3, 8. ORA submitted comments to the ARB recommending that "The CAISO EIM model should be further developed to include the necessary constraints in order to reflect the actual resources that are selected to serve California load." *The Office of Ratepayer Advocates' Comments on the Proposed Amendments to the California Cap on Greenhouse Gas Emissions and Market-Based Compliance Mechanisms*, September 19, 2016, p. 7.

The CAISO's September 6, 2016 stakeholder workshop² addressed some of ORA's questions about the Issue Paper, but additional clarification would be useful.

- How do the GHG accounting procedures used for the EIM define imports to and exports from California? Does the CAISO anticipate defining imports to and exports from California in the same way for purposes of GHG accounting in the expanded ISO? Do these definitions align with the CARB definitions of imports to and exports from California?
- Is there a difference between the meaning of the GHG bid adder³ as compared to the GHG compliance cost adder?⁴
 - It would be helpful to provide examples of the use of the GHG bid adder and/or the GHG compliance cost adder under the current EIM structure, as compared to the potential application of the GHG bid adder and/or GHG compliance cost adder under an expanded ISO.

Going forward, it would be helpful if the CAISO provided examples of the GHG accounting procedures it proposes, including any modification to the Security Constrained Economic Dispatch, so that stakeholders can understand the impact of the proposed GHG accounting procedures on California's GHG compliance obligations and the costs to ratepayers.

ORA also recommends that the CAISO point out any potential misalignment between its treatment of energy imported and/or exported to California, including associated GHG compliance obligations, with the current CARB regulations.

Please contact Ayat Osman, Ph.D. ((415) 703-1567 or Ayat.Osman.cpuc.ca.gov) with any questions regarding these comments.

The September 6, 2016 presentation included helpful diagrams explaining the BAA relationships before and after the expansion of the ISO. Going forward, it would be helpful to include numerical examples as part of similar diagrams.

³ Issue Paper, pp. 6-7.

⁴ Issue Paper, p. 3.