

Western Energy Imbalance Market Regional Issues Forum

Draft Summary of Issues
June 2019 Carbon Workshop

August 21, 2019

Document Purpose: The Regional Issues Forum (RIF) Liaisons is developing a high-level summary of the issues identified and discussed during the June 18, 2019 Carbon Workshop. The RIF Liaisons will invite both written and oral comment on this draft summary of issues.

In addition to comments on the Draft Summary, the RIF Liaisons raised a number of questions during the August 27, 2019 meeting that stakeholders are encouraged to comment on. The questions raised by the Liaisons included the following:

- Is this summary an accurate reflection of the topics discussed at the carbon workshop?
- Is it beneficial for the Regional Issues Forum to organize future meetings and workshops to enable similar discussions on carbon policies and their impacts?
- If the Regional Issues Form should have future meetings and workshops to enable similar discussions, are there any specific participants that should be included or invited to speak?

OVERVIEW

GHG attribution occurs today in the EIM for imports into California, but there are questions about whether the current attribution method is adequate or appropriate with the varying state GHG policies being implemented in western states

- The EIM algorithm, as currently configured, is designed to support GHG tracking for a single state cap-and-trade program.
- As other western states pass carbon policies, consideration should be given to what changes to the EIM GHG attribution method may be warranted.
- There is tension between achieving “perfect” accounting for GHG and maintaining effective and efficient economic dispatch.

GHG ATTRIBUTION CHALLENGES

State carbon policies have different points of regulation

- The current GHG attribution method is based on California’s cap-and-trade program, where the point of regulation is on the generator and importer of electricity.
- Different points of regulation make it harder to develop a consistent method for GHG attribution:
 - California’s cap-and-trade point of regulation is on the generator and importer of electricity.
 - Washington’s point of regulation is on the Load Serving Entity.
 - Other states have a mixed approach.

Unlinked state carbon policies could create different carbon “zones”

- Each state policy that creates a different carbon price or different point of regulation will result in different carbon “zones” within the market.
 - Each zone may desire and/or require a different approach to tracking of transfers into that zone.
 - Each zone may want to consider the impacts of secondary dispatch associated with transfers into their zone.
- It is unclear whether and how having multiple zones will impact the market’s efficiency.

There is limited ability for a Load Serving Entity to signal the desired carbon content of EIM imports

- California Load Serving Entities (LSEs) are assured that carbon compliance is part of their purchase bid price because the generator/importer incorporates the cost of carbon compliance into their offer price.
- For states where the carbon compliance obligation falls on the LSE, the carbon obligation is paid in addition to their purchase bid price. Currently, there is no ability to provide different purchase bid prices for carbon-free power versus power containing carbon emissions.

Multi-state Balancing Authority Areas with different carbon policies

- EIM transfers are comprised of a single schedule between participating Balancing Authority Areas (BAAs). However, it remains unclear how the EIM will address transfers to a BAA that is located in multiple states with differing carbon regulations. Additionally, it remains unclear how the emissions content from a single BAA schedule is allocated to multiple LSEs within that same BAA.
- Currently, there is no estimate of the emissions content of EIM transfers, with the exception of transfers that are “deemed imported” to California.
- Given that resources are optimally dispatched to serve all load in the footprint, what level of accuracy can be assumed from one BAA to another? Specifically, is it possible or necessary to know which BAA’s load a resource in another BAA was dispatched to serve?

The current approach to GHG attribution in the EIM may not translate to EDAM

- The current approach in the EIM for GHG attribution for imports to California relies on a base schedule as a reference point. Will there be base schedules in EDAM to use as a reference point? What are the potential approaches for GHG accounting in EDAM?
- The existing GHG accounting in EIM still has issues of secondary dispatch that certain parties would like to eliminate.

OTHER CONSIDERATIONS

Meeting panelists and participants had varied views on the following issues:

- Is it double-counting to retire a REC for RPS compliance and also sell the power into a carbon regulated zone as carbon-free?
 - In California, a REC is a compliance instrument for an RPS program and not a measure (or lack thereof) of emissions, however, regulations for RPS compliance

vary by western states. Some states do recognize the emission benefits associated with a REC.

- Under California's mandatory reporting program, a retired REC is not necessary to claim renewable power as carbon-free; regulations around RPS compliance vary by Western state.
- Is it double counting to use a REC to mitigate carbon emissions under state carbon policy and also sell the power in a carbon regulated zone as carbon-free?
- There are no RECs associated with EIM transfers. Will this render all EIM transfers into a default emissions rate category?
- Given the benefits and efficiencies provided by the EIM in regard to the integration of renewables, it remains unclear how EIM transactions should be treated in the variable methods of accounting for renewables and carbon:
 - RPS accounting
 - Carbon-specific policies
 - Power content labels/fuel mix reporting

State Regulator Comments

- An expanded energy market footprint offers economies of scale that can potentially lower the cost of implementing states' policy-driven goals. However, there are questions about whether modifying the EIM algorithm to address varying state carbon policies may impact the efficiencies achievable by an expanded energy market.
- Intertwining policy priorities with market participation decisions before economic regulators complicates decision making at the state regulatory commission level, where regulators must strike a balance that promotes the reliable, adequate, and affordable supply of electricity.