

Integrating Multiple State GHG Programs in the CAISO Markets

Eric Little
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Harmonizing State Policy Goals and a Commodity Market

- Bottom line... It can be done but, the amount of precision and differences in programs will complicate the result potentially to the harm of an efficient market
- Markets function well were all inputs to production (including cost of externalities) can be monetized and bid into the market in a manner that accurately reflects their costs and characteristics
- State Policy Goals can differ (sometimes significantly) and in an environment where the market can readily substitute from a different state, the ability to capture these differences becomes complex
 - E.g. California, presently being the only state in the CAISO market (including EIM) to have implemented a cap and trade program has seen a need to account for “secondary emissions” when the CAISO market dispatches renewable resources to serve CA load while emitting resources may be dispatched to serve the load in other states that the renewable resource would have otherwise served