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Additional submitted attachment is included below.

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**Comments of Environmental Defense Fund, Union of Concerned Scientists, and
the Center for Energy Efficiency and Renewable Technologies**

On July 15th, the California Independent System Operator (CAISO) issued a revised proposal on the principles for governance of a regional independent system operator per the requirements of SB 350. This revised proposal was issued in conjunction with the final independent study results that assessed the economic, environmental, reliability and ratepayers impacts of a regional grid. As noted in the governance proposal, the principles respond to stakeholder input. Our organizations, Environmental Defense Fund, Center for Energy Efficiency and Renewable Technology and the Union of Concerned Scientists, appreciate the opportunity to continue to provide comment on the proposed governance principles, and recognize the overall increased detail and response to prior comment that the new proposal puts forth. The following points below reflect our organizations' shared comments and concerns on the proposed principles:

1. A regional ISO must contain a transparent GHG tracking system that captures emissions associated with electricity purchases from load-serving entities within the regional ISO footprint.

Though the SB 350 studies anticipate a long-term reduction in GHGs, we understand that a regional grid is designed to be "policy neutral." Ensuring that California's GHG emissions (and emissions leakage outside of California) do not rise compared to what would happen without regionalization requires a mechanism to track GHG emissions.

To this end, we appreciate Mr. Berberich's public commitment to the ISO developing a GHG tracking system by the end of the year and commitments expressed in a letter to State Legislative leadership to leverage the GHG tracking methodology developed for the Energy Imbalance Market in conjunction with the California Air Resources Board. However, given the critical role that a region-wide GHG tracking system will have in the ability to calculate some of the actual benefits of a regional ISO, we believe that the governance proposal should be considered in conjunction with the framework for GHG accounting system and should not move forward independently.

A GHG emissions tracking system should provide emissions data associated with electricity generated for load-serving entities (LSEs) located in the regional ISO footprint. A regional tracking system should capture data associated with all generation in the ISO footprint, not just emissions associated with LSEs that volunteer to have emissions tracked. The methodology developed should identify and correct for resource shuffling. In addition, a GHG tracking system should provide resource-specific emissions data

for all electricity imported into California, including resources that comprise purchases of “system power.”

2. Representation of clean energy and environmental voices in the regional ISO must be material, meaningful and robust

Our organizations continue to emphasize the importance of establishing decision-making processes that support meaningful public participation and include representatives from stakeholders including environmental advocates, clean energy technology providers, ratepayer advocates and labor unions. We applaud the inclusion of renewable energy, distributed generation, public interest and customer representatives in the transitional committee - it is essential that these sectors maintain equal voting rights throughout the transitional period.

At the same time, we are very concerned that there is no clear plan to include these representatives in a permanent stakeholder board for the regional ISO or to have a stakeholder committee in the regional ISO structure at all. Rather, the plan leaves such a fundamental issue to be determined by the transitional committee. The governance proposal should make it clear that there will be a permanent stakeholder committee that includes diverse representatives chosen by the participating states. From an environmental perspective, it is absolutely essential that this committee includes renewable energy, distributed generation, and environmental representatives, and we further recommend including consumer and labor voices.

Critically, the regional ISO must ensure that the process by which sector stakeholders engage, elect representation and vote on proposals is meaningful and not susceptible to marginalization. In addition, decisions must be based upon data that can be accessed by stakeholders. Having fair processes for all stakeholders and participants is critical to the functioning of the market and cannot be left to be determined by the transitional committee. The governance proposal must ensure that there will be fair processes for stakeholders and outline these basic issues.

3. Capacity market changes

The revised governance proposal moves away from prohibiting the creation of a forward capacity market to “allow individual state or local regulatory authorities to approve participation in other types of forward capacity markets.” Specifically, it prohibits mandatory capacity markets without unanimous approval by the Western States Committee, but allows states the option of joining capacity markets. While this approach is useful for preserving state authority, it leaves open the possibility for capacity markets that support high-GHG resources and related impacts to the environment.

Despite the significance of this change, little detail is provided as to rationale or structure, with the former limited only to a statement that “several of the investor owned utilities and independent power producers caution against an absolute ban on a centralized capacity market, identifying the risks created by limitations on the Board’s authority to appropriately manage changes in future years when addressing issues that are currently unforeseeable.” As the chosen approach can have unforeseeable

future impacts, more clarity and rationale is needed in this section. For example, it may be useful to have the Western State Committee vote (non-unanimously) on the creation of *any* capacity markets.

4. Transparency of Process

In addition to CAISO's July 15 revised governance proposal, CEERT, EDF and UCS also attended the July 29 Joint Agency Workshop on the CAISO's regionalization proposals. CEERT, EDF, and UCS appreciated this opportunity to learn more about the CAISO's proposals, but are concerned about statements made by CEC Chair Weisenmiller to the CAISO (Keith Casey) about the number of data requests posed by outside parties and a demand to "reveal names" of those propounding such requests. While we are dedicated to being constructive in this process and understand that parties should ask productive questions, parties should be encouraged to explore this monumental change in managing the electric market and not made to feel that there is a limit on their right to do so.

Conclusion

Thank you for considering these comments. We look forward to working with the CAISO, the state agencies, and the other states to resolve these issues and ignite a regional market that reduces greenhouse gases, has a robust participation process for stakeholders, and preserves state authority.

Sincerely,

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