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Comments of Environmental Defense Fund on Regional Electricity Markets Workshop

Additional submitted attachment is included below.

February 7, 2025

California Energy Commission
Docket No. 24-IEPR-01
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Re: Comments of Environmental Defense Fund on IEPR Commissioner Workshop on Regional Electricity Markets and Coordination

Environmental Defense Fund (EDF) respectfully submits the following comments in response to the January 24, 2025 Commissioner Workshop conducted as part of the 2024 Integrated Energy Policy Report Update. EDF appreciates the hard work the Commission staff did to put together an informative, well balanced and thought-provoking day.

At the most fundamental level, a decarbonized electric grid is essential for California to reach its climate goals. Western energy markets, including the western energy imbalance market (WEIM) and the extended day-ahead market (EDAM), are critical to help optimize the dispatch and integrate as much clean energy as possible. Customers have saved money, avoided blackouts and avoided harmful pollution.

The expansion of the western energy market to a longer-term horizon offers an important opportunity – while the existing markets focus on optimizing the dispatch of *existing* resources, the state has the opportunity with this new market to optimize the dispatch of *new* clean power plants. As such, EDF encourages the IEPR process to start preparing for California's electric to be a grid that is the foundation for a clean energy future and provide the strongest consumer protections of their kind. Sharing clean energy resources across different balancing authorities across the west is an important option to accelerate decarbonization. This will be a huge win for both the climate and Californians.

EDF served on the launch committee of the West-Wide Governance Pathways Initiative (Pathways Initiative). We believe that the presentations at the workshop demonstrate that Pathways offers a workable, viable, and effective set of solutions to support the transition to clean energy. EDF offers the following feedback on the workshop content and presentations.

First, EDF appreciates that the Commission directed the Brattle study, and the results demonstrate important economic and environmental benefits from western markets. However, we note that the presentation focuses on the benefits of the EDAM. These are important benefits, but they do not fully capture the economic and environmental benefits that we can expect from new

generation and the scope of the expected additional benefits from the implementation of the Pathways initiative proposals. As the Pathways proposals build on the benefits and structures of the EDAM, California ratepayers and customers will be able to expect even greater benefits through the Pathways initiative proposals. While we are not certain if Brattle can enumerate those benefits in a timely fashion, we encourage the Commission and the IEPR process to consider that Pathways might be an essential ingredient to help full decarbonize the electric grid.

EDF notes that a variety of clean energy resources can be shared on a regional basis. Clean firm power options, long duration energy storage, offshore wind, geothermal and other options are perfect candidates to be created and dispatched in a regional energy market. As the IEPR is preparing its energy forecasts, we encourage the Commission to consider how these long lead time resources fit into the new market, and not just existing options such as photovoltaic solar and short duration batteries.

Second, while the Brattle study presentation indicates that the state would run natural gas fired power plants less (and estimates the GHG emissions reductions from running those plants less), the study omits the associated local pollutant benefits such as reductions in NOx and SOx emissions. These local air pollution impacts carry particularly significant environmental justice and community benefits. The Commission has rightfully identified local pollution reduction as an important goal in meeting state's climate targets.¹ EDF encourages the IEPR to take the reduction in natural gas fired electricity and translate that into an estimate of the reduction in local criterial air pollution, so that we can consider these important non energy benefits. Including these benefits will further bolster the case for closer market coordination across the West.

Third, the presentation prepared by the researchers at Stanford University rightfully highlighted the reliability benefits of closer electricity market cooperation across the western United States. The Stanford study indicates that the market reforms will bring enhanced reliability using the existing transmission system. That is a powerful result and one that should be taken seriously. However, while market mechanisms will help bring more reliability to the system, they do not displace the need to add more transmission. While the scope of the Pathways Initiative is to create a western regional energy market, and not a full regional transmission organization (RTO), we recognize that a market is necessary but insufficient. California and the broader west must continue to move forward on building more transmission infrastructure (and expedite how

¹ 2025 Senate Bill 100 Interagency Report Workshop Presentation, November 22, 2024. Available at: <https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=23-SB-100/>.

quickly we can bring that transmission online) that can support clean, safe, affordable, and reliable energy. EDF encourages the Commission to think of expanded regional energy markets as a cost containment mechanism to displace some but not all of the transmission build out required in the state.

Overall, EDF welcomes the overwhelming findings presented in the workshop that closer electricity market coordination across the West benefits both the region as a whole as well as California. EDF continues to support the Commission's leadership in the efforts to create a more seamless market structure that can maximize these benefits.

Thank you for the consideration of these comments.

Respectfully submitted on February 7, 2025,

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