



California Independent System Operator Corporation

October 19, 2015

Via Electronic Filing

California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

Re: Public Workshop on Potential 2016 Amendments to the Cap-and-Trade Regulation and California Plan for 111(d) Compliance

Dear Sir/Madam:

The California Independent System Operator Corporation submits these comments consistent with the timeframe established by the California Air Resources Board (CARB) in connection with its public workshop on potential 2016 amendments to the cap-and-trade regulation and California's plan for compliance with the Clean Power Plan adopted by the U.S. Environmental Protection Agency under Section 111(d) of the Clean Air Act. The ISO recommends that CARB hold a workshop to address changes to cap and trade regulations impacting the electricity sector. The ISO also recommends that CARB structure any proposed implementation plan to comply with Section 111(d) of the Clean Air Act in such a way to avoid adverse impacts to electric grid reliability and preserve opportunities for collaboration across the region.

I. CARB should hold a workshop on electricity sector issues in connection with potential changes to its cap and trade regulation

At its public workshop on October 2, 2015, CARB identified several issues on which it plans to hold workshops to address potential amendments to its cap and trade regulation. CARB also expressed a willingness to schedule a workshop to address electricity sector issues. Among any other issues, this workshop should address:

- (1) Tracking and reporting of electricity imports into the ISO balancing authority area to serve load not within the state of California; and
- (2) Tracking and reporting dispatches of electricity from resources outside of the state of California to serve California load, if the ISO balancing authority area boundaries change to include other participating transmission owners within the region, and the schedule for any required changes.

At CARB's public workshop on October 2, 2015, Valley Electric Association expressed concerns with the fact that it incurs cap and trade compliance obligations associated with electricity imports into the ISO balancing authority area to serve its

Nevada load when those imports exceed its Nevada load in any operating hour. While it is possible to forecast electric load with reasonable certainty it is not possible to do so with exact certainty. The California ISO, accordingly, supports efforts to resolve Valley Electric's concerns. CARB should examine mechanisms to minimize treating Valley Electric's imports into the ISO balancing authority that they intend to serve load outside of the state of California as imported electricity under the cap and trade regulations. CARB should implement these mechanisms as soon as possible – possibly through regulatory guidance.

Attendees at CARB's October 2, 2015 public workshop also asked about CARB's plans to modify its cap and trade regulation to recognize the possible expansion of electricity markets in the Western region. As the ISO explores developing a regional market it will need to determine how to reflect resources' costs to comply with California's greenhouse gas regulations in the day-ahead market and will also need to develop rules for tracking dispatches of power from resources located outside of California to serve California load within the expanded balancing authority area. As a guiding principle, the ISO plans to leverage the existing design it developed for the energy imbalance market and extend it to the day-ahead market, as appropriate. The energy imbalance market currently has a methodology that enables resources to include greenhouse gas compliance costs in their offers to supply California load. The ISO will also need to develop mechanisms to ensure it tracks transfer of power into the state of California and inform market participants of the output from their resources that supported those transfers. The ISO expects that CARB will need to make corresponding greenhouse gas regulations changes and should include this issue for discussion in any workshop on changes to the cap and trade regulation affecting the electricity sector.

II. CARB's work to comply with the Clean Power Plan should ensure no adverse impacts to electric grid reliability and preserve opportunities for collaboration across the region

In its Clean Power Plan compliance discussion paper issued September 28, 2015, CARB states it is considering a state measures plan under which CARB identifies the measures that it plans to use to meet emission reduction targets. These measures include the cap and trade program, the renewable portfolio standard, energy efficiency standards, and the emission performance standard for long-term electricity contracts. The ISO is willing to assist CARB in its efforts to ensure any state implementation plan does not adversely affect electric grid reliability.

The ISO also supports efforts to pursue emission reduction opportunities across the region, by integrating more renewable resources but also by exploring emissions trading linkages. CARB should attempt to preserve emission trading options with other states and across the region in the development of a state implementation plan. In addition, the ISO recommends that CARB initiate efforts to collaborate with other states to better understand how other western states plan to comply with the Clean Power

Plan. This collaboration should begin during the development of California state implementation plan, but CARB should also incorporate flexibility into California's state implementation plan to allow for ongoing collaboration should there be opportunities to work with other states in the future. This flexibility will be important as California looks at cost effective ways to meet its carbon reduction goals.

If you have any questions concerning these comments, please feel free to contact me via telephone (202) 239-3947 or via electronic mail at aulmer@caiso.com.

Respectfully submitted,

/s/ Andrew Ulmer

Andrew Ulmer
Director, Federal Regulatory Affairs