



Department of Energy

June 11, 2019

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California ISO Real-Time Market Neutrality Settlements Draft Final Proposal

June 13, 2019

Bonneville Power Administration Comments

| Submitted by | Entity | Date Submitted |
|---|------------------------------------|----------------|
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Bonneville appreciates the opportunity to comment in this Real-Time Market Neutrality Settlement policy initiative. Bonneville is a federal power marketing administration (PMA) within the U.S. Department of Energy that markets electric power from 31 federal hydroelectric projects and some non-federal projects in the Pacific Northwest with a nameplate capacity of 22,500 MW. Bonneville currently supplies 30 percent of the power consumed in the Northwest. Bonneville also operates 15,000 miles of high voltage transmission that interconnects many transmission systems in the Northwest with each other and with Canada and California.

Bonneville is a current transmission customer of multiple EIM Entities, and therefore, is subject to the changes proposed in this initiative through the EIM Entities' Open Access Transmission Tariffs. In addition, Bonneville is also considering beginning the process of becoming an EIM Entity. Transparent and accurate settlements are very important for the proper functioning of the EIM for both EIM Entities and the transmission customers of the EIM Entities (who ultimately pay the charges).

Bonneville supports the CAISO staff's draft final proposal, in spirit, as an *initial* step towards greater accuracy, simplicity, and transparency. However, Bonneville does not believe the principles of transparency and simplicity have been adequately upheld in this expedited stakeholder process to produce sufficiently transparent and durable solutions to the issues identified in the initiative. Therefore, Bonneville also supports the broader process called for by a number of EIM Entities, potential EIM Entities, and transmission customers of EIM Entities. That process should further examine the offsets and uplifts applied to EIM Entity settlements and their respective allocation methodologies to ensure they assign costs consistent with cost causation and other rate making principles.

On the merits of the three proposals:

- 1) Eliminate the EIM Transfer Adjustment – Bonneville supports the proposal as an interim step.
- 2) Financial Value of EIM Transfers – Bonneville supports the proposal as an interim patch to solve a misallocation inherent in EIM. However, Bonneville does not concur with CAISO staff's description of the durability of this proposal when there are multiple jurisdictions within the EIM footprint that have carbon treatments of different types with distinct volumes and valuations. It was not clear in the technical workshop of May 21st and the follow-on webconference on June 6th that the settlement methodology presented by CAISO staff would result in the most straightforward extension to other potential carbon regimes. As presented, such an extension would result in complicated settlements, which combine the value(s) of greenhouse gas emissions (potentially from *multiple* jurisdictions), with the value of energy transfers in the real-time imbalance energy offset account. Multiple stakeholders expressed a desire to examine this issue more closely in a more deliberative process. Bonneville supports this suggested approach. Further, some stakeholders raised the intuitively appealing approach of establishing a greenhouse gas settlement account, which Bonneville believes deserves more deliberate consideration. Without definitively prescribing a long-term solution, Bonneville believes that de-coupling greenhouse gas settlement from settlement of other accounts will 1) further serve the goal of transparency, 2) enable increased accuracy in shadow settlements performed by EIM participants, and 3) simplify future policy development impacting the Real Time Imbalance Energy Offset (RTIEO), since greenhouse gas settlement will be disentangled from RTIEO.
- 3) Business Practice Manual Change to Clarify the Submission of ETSR Schedules – Bonneville supports working through the BPM process to ensure ETSR schedules and settlements between all EIM Entities, including the CAISO BAA, reflect the granular value of the energy and flexibility ascribed by the 5-minute market and the 5-minute performance of the resources.

Bonneville also asks for more time to review the proposed draft tariff changes provided. This would customarily come after the proposal is adopted rather than concurrent with it as is the case in this initiative.

We also support the decisional classification proposed by CAISO staff. Bonneville agrees that EIM Governing Body should have primary authority over both tariff changes given the specific impacts of the changes upon EIM Entities and submissions by PacifiCorp and Idaho Power that spurred the creation of this policy initiative.