Brookfield

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FERC Order 716 Compliance

Draft Final Proposal

Submitted by	Company	Date Submitted
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Brookfield Energy Marketing LP ("Brookfield") appreciates the opportunity to submit comments to the Draft Final Proposal for FERC Order 716 Compliance.

Brookfield continues to support the general direction proposed by the CAISO to promote a 15-minute market throughout the west but we remain opposed to the termination of Bid Cost Recovery ("BCR") on the interties upon inception of the new 15-minute market and request the CAISO maintain BCR for hourly block schedules for a minimum of 18 months after implementation.

The CAISO has done a good job addressing WECC related issues around the physical mechanics of implementing a 15-minute market but has not addressed concerns raised by several directly impacted market participants about whether or not market incentives will be in place at onset of the 15-minute market to make it equitable to immediately remove BCR. As the proposal currently stands, if a host BA is not offering 15-minute scheduling than the market participant will have no choice but to offer an hourly block schedule and be subject to the 15- minute price as a price taker. This proposal puts an unwarranted amount of risk on market participants seeking to import power from external Balancing Authorities ("BAs") that may not be prepared or ready to offer 15-minute scheduling. Over time, as more BAs offer a 15-minute scheduling product, the risk for importers will be reduced but the risk must be mitigated in the short-term by extending BCR for hourly block schedules for at least 18 months. BCR should be eliminated at the 18 month timeframe only after stakeholder discussion and CAISO evaluation and determination of a liquid 15 minute market with ample WECC participation.

The CAISO has also not responded to concerns raised by market participants regarding the impact of increased risk premiums being built into bids and offers at the intertie points. Since a significant portion of the MWs supplied on the interties will initially not be flexible as many BAs will not offer a 15 minute

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product, the increased margins required for the risk may actually cost load more than the existing uplift costs the CAISO is trying to reduce.

Liquidity at the intertie points could also be an issue at the onset of the 15-minute market when market participants determine they do not want to bear the increased risk of being a price taker to the 15 minute price. The CAISO stated at the March 2 stakeholder meeting that they were not concerned with lost liquidity from the interties in Real-Time as HASP currently is a net export market. We agree that this is the case the majority of the time but there are a number of hours when conditions reverse and the CAISO will count on MWs supplied from the interties a great deal.

The CAISO proposal goes beyond what FERC Order 716 requires which is to offer a 15-minute scheduling *option* to instead implementing a 15 minute scheduling *requirement*. We recognize the current proposal has gone beyond the FERC Order to resolve existing market inefficiencies and Brookfield supports this. However, as we stated in prior comments, we believe these goals must be achieved through a balanced proposal that works for all market participants.

Brookfield supports WPTFs comments and advocates for BCR for block hourly schedules to be retained for a minimum of an 18 month period. We add to that the requirement for stakeholder discussion and analysis to be performed as described above prior to removal of BCR. This approach will protect market participants that import power from excessive price risk in the short term, provide incentive for market participants to engage with host BAs to promote full 15-minute market participation and also allow additional time for a west wide 15-minute market to develop. If there is value in the 15 minute market there will be rapid movement in that direction and declining numbers of hourly block schedules that require bid cost recovery over the 18 month period

In conclusion we believe retaining BCR for at least an 18 month period subject to further analysis is a balanced approach that will allow the CAISO to ultimately achieve their goal of reducing uplift costs while mitigating the risks that will be unfairly borne by hourly block schedules in the short term while the 15-minute market develops.