

**Chelan County Public Utility District's Comments on the  
Energy Imbalance Market Offer Rules Technical Workshop**

**May 14, 2018**

Submit comments to InitiativeComments@CAISO.com

Chelan PUD, a consumer-owned utility in Washington, is an active participant in the bilateral, wholesale power markets in the West and a NERC-registered balancing authority. Chelan operates three FERC-licensed hydropower projects generating approximately 10 million megawatt hours of clean, renewable, low-cost electricity annually. Chelan PUD appreciates the opportunity to comment on the April 30, 2018 Energy Imbalance Market (“EIM”) Offer Rules Technical Workshop (“Workshop”).

**Default Energy Bid Alternatives that Support External Hydro Resources**

Chelan is concerned with the existing application of market power mitigation and the calculation of default energy bids for hydro resources outside the state of California. Chelan believes the current approach of using a price formula does not adequately capture the complexity of approximating the opportunity cost of hydro and thus discourages EIM participation of hydro resources. For this reason, Chelan supports exploring a fourth option for the calculation of default energy bids that provides additional flexibility and certainty for the owners of hydro resources. The uncertainty surrounding the ultimate price that hydro will receive in the EIM is one factor that discourages entities such as Chelan from joining. Chelan encourages the CAISO to hold a stakeholder process to develop bid mitigation options that would encourage the participation of clean, flexible hydro units from the Northwest.

A formulaic approach to estimating marginal opportunity costs for hydro is highly subjective.

- Estimating the opportunity cost for hydro is complex.
- The value of water changes over the course of a day.
- Hydro resources in the Northwest have multiple markets opportunities geographically and through time (within day, and for those with storage, multiple days or even months).

Chelan supports a default energy bid that is fair to all market participants, is simple, and known in advance.

- Chelan supports having a fixed reference price in which offers below the reference price would not be mitigated
- Chelan supports the Powerex proposal in which energy-limited EIM participating resources would be eligible to select a default energy bid equal to the greater of:
  - \$25/MWh; or
  - A reference price plus a margin equal to the lesser of \$100 or 300% of the reference price.

**Resource Sufficiency Evaluation**

Chelan supports robust Resource Sufficiency (RS) evaluations and would advocate for improved accuracy of the requirement to ensure there is not leaning on other entities. We advocate for the consistent and equitable application of the RS requirements to all BAAs. Additionally, exclusion from market intervals for BAAs failing to meet RS requirements is essential in addition to any financial penalties that may apply.

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