

Local Market Power Mitigation Enhancements Draft Final Proposal

Chelan County Public Utility District's Comments¹ February 8, 2019

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 submits these comments in response to CAISO's additional refinements to the proposed hydro default energy bid contained in the Local Market Power Mitigation Enhancements Draft Final Proposal, published on January 31, 2019.

Chelan acknowledges the complexity CAISO faces in developing a standardized default energy bid formula that adequately captures opportunity costs from the perspective of hydro owners and by extension adequately addresses hydro owners' risk tolerances for potential inefficient depletion of reservoirs. Chelan agrees with CAISO that its proposed revised default energy bid formula may result in default energy bids that are insufficient for specific resources, particularly those with very limited water availability. However, Chelan also agrees that CAISO's proposed approach—on balance— results in a reasonable reflection of a wide variety of hydro resources' opportunity costs.

Because the hydro default energy bids will be calculated based on a standardized formula, the design elements of the formula must be evaluated holistically when determining whether the formula, as a whole, adequately captures opportunity costs. A change to, or removal of, any design element will impact that determination. Chelan believes using the max of the three different floors CAISO identified—a gas price floor, a short-term floor and a long-term/geographic floor (that includes pricing at multiple trading hubs depending on transmission rights)—is a workable approach with the associated multipliers. Chelan encourages the EIM Governing Body and ISO Board of Governor's to approve CAISO's proposal in its current form and thanks CAISO staff for their efforts and responsiveness to hydro owners' concerns.

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¹ Chelan PUD supports the Public Generating Pool's February 8, 2019 comments.