

**Portland General Electric Comments**  
**CAISO LMPM Enhancements Draft Final Proposal**

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Portland General Electric Company (“PGE”) appreciates the opportunity to provide comments on the California Independent System Operator’s (“ISO”) Local Market Power Mitigation (“LMPM”) Enhancements Draft Final Proposal. PGE supports the majority of the ISO’s Draft Final Proposal as the ISO intends to make meaningful refinements that make the local market power mitigation framework more workable for all market participants.

More specifically, PGE supports the ISO’s classification of its economic displacement proposal<sup>1</sup> as being severable from all other elements of the proposal and within the EIM Governing Body’s primary authority. As the ISO clarified on page 7 of its Draft Final Proposal, the flow reversal and economic displacement rules (i.e., proposed transfer limit rules) do not need to be implemented at the same time.

PGE appreciates the ISO’s efforts to make clear that the flow reversal and economic displacement rules do not need to be implemented simultaneously, and PGE continues to encourage the ISO to delay the implementation of its proposed market rule for economic displacement until the other elements of the ISO’s proposal are implemented and market performance can be examined.

***Delay the Implementation of the Proposed Market Rule for Economic Displacement***

In its comments on the ISO’s Revised Straw Proposal, PGE proposed a delayed implementation of the proposed rule for economic displacement. In response to PGE’s comments, the ISO upheld its position that the voluntary nature of the EIM requires the ISO to address economic displacement that occurs solely due to using mitigated bids. As it states on page 26 of its Draft Final Proposal, the ISO is concerned that, if not addressed, economic displacement has the potential to reduce transfer capability within the EIM or discourage additional EIM participation altogether.

PGE believes that the ISO is prematurely emphasizing the potential for reduced transfer capability when the impact of the ISO’s other proposed changes (e.g., prevention of flow reversal and a new hydro default energy bid) is not yet known. This is particularly concerning, because through its own acknowledgement and examples, the ISO has shown that the voluntary transfer limits introduced to mitigate economic displacement will most likely create outcomes where a BAA load loses access to economical generation in neighboring BAAs.<sup>2</sup>

Rather than implementing a solution with known shortcomings and supposing that the impacts will be small, PGE continues to believe a more reasonable method would be a phased implementation. If economic displacement during bid mitigation remains an issue that must be solved through market changes (rather than individual methods such as default energy bid negotiation), stakeholders can readdress the topic and determine if the ISO’s proposed market rule for economic displacement is the appropriate solution.

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<sup>1</sup> The ISO’s economic displacement proposal, if elected by an EIM Entity, would limit transfers to prevent economic displacement that occurs solely due to mitigated bids.

<sup>2</sup> See page 32 of the ISO’s Draft Final Proposal