Portland General Electric Comments
CAISO LMPM Enhancements 2018 Revised Straw 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 2018 Revised Straw Proposal. PGE believes that the Revised Straw Proposal reflects considerable progress made by the ISO towards meaningful refinements that make the local market power mitigation framework more workable for all market participants.

While PGE supports the ISO's ***Prevention of Flow Reversal*** proposal, it is PGE's preference that the ISO provide additional analysis supporting its expectation that the ISO's proposed nominal adder (e.g., $0.001) will be robust (i.e., work with both local and system congestion as identified on page 9 of CAISO's revised proposal). PGE believes a more detailed demonstration of the effectiveness of the nominal adder in the ISO's proposal will strengthen the shared understanding of this subject amongst stakeholders. It is also a prudent step in ensuring that the adder will indeed be effective and provide a complementary revision to other changes in the ISO's flow reversal proposal.

PGE also supports the progress made to-date on the hydro resource default energy bid and looks forward to a review of the ISO's Draft Final Proposal after considering the written comments from stakeholders filed on December 7, 2018.

However, PGE continues to believe that the ISO's proposal to limit transfers to prevent economic displacement that occurs solely due to mitigated bids warrants further examination.

Alternative Approaches to the ISO's Proposed Rule for Economic Displacement

Through its own acknowledgement and examples, the ISO identifies the shortcomings of its proposed rule to offer all EIM BAAs the option to limit their exports during mitigation. As the ISO explains, since the market power mitigation run and the pricing run do not occur in the same time interval, changes in system conditions can result in a transfer that would have been different had the binding interval market inputs been used. At this time, the ISO's solution to this shortcoming is limited to a supposition that the impacts will be relatively small and the importing balancing authority area can rely on its own resources during circumstances where additional economic transfers may have been available.

Due to this acknowledged shortcoming, PGE encourages the ISO to either (1) consider other alternatives that do not require limits on transfers or (2) delay the implementation of this market rule.

1. Consider Limiting the Quantity of Supply Offers Subject to Mitigation

An example of an alternative that does not require a limit on transfers was previously identified by the Market Surveillance Committee ("MSC"). At the September 28 meeting of the MSC, an alternative approach to the issue of economic displacement was discussed.[1] Rather than limiting the amount of EIM

[1] While the Market Surveillance Committee did not discuss the alternative approach at the December 7 meeting, PGE is not aware of identified barriers to the alternative approach.

transfers in the binding market run, limiting the quantity of supply offers subject to bid mitigation would address the ISO's proposed principle that the use of mitigated bids should not result in additional economic displacement of other supply. This approach would meet the ISO's proposed principle while also ensuring that the full quantity of transmission made available to the EIM remains available even when mitigation measures are applied.

2. Delay the Implementation of the Proposed Market Rule

If the ISO considers alternatives to its proposal to not be feasible, PGE supports the recommendations from prior comments that the ISO consider a phased approach where the CAISO does not yet implement the proposed market rule to allow EIM BAAs the option to limit their exports during mitigation. As commenters have indicated, it is possible that the CAISO's prevention of flow reversal proposal paired with the CAISO's default energy bid proposal sufficiently addresses the concerns without introducing the shortcomings that the transfer limit would impose.