



EIM Offer Rules July 19th Technical Workshop

**Public Generating Pool Comments
August 2, 2018**

PGP appreciates the opportunity to comment on the California ISO's EIM Offer Rules Technical Workshop held on July 19, 2018. PGP members are not currently participants in the EIM. However, BPA and other BAAs continue to evaluate the costs and benefits of EIM participation. For PGP, key considerations for EIM participation are treatment of hydropower resources in the market power mitigation methodology and the calculation, application and enforcement of resource sufficiency.

EIM MARKET POWER MITIGATION

As mentioned in previous comments, market power mitigation is a critical issue for PGP members in their consideration of EIM participation. CAISO's current market power mitigation and default energy bid (DEB) framework is inadequate and unsuitable for northwest hydro resources. PGP is encouraged by CAISO's commitment to move forward with an EIM Mitigation stakeholder initiative beginning in late August, along with CAISO's commitment to begin a subsequent market power mitigation initiative that takes a more holistic look at CAISO's market power mitigation process beginning the first quarter of 2019.

PGP believes a comprehensive approach to market power mitigation is needed that 1) addresses when mitigation should be triggered, 2) offers a workable default energy bid method for use-limited resources and 3) provides a resource the option to forego being dispatched as a form of mitigation. PGP supports changes to CAISO's market power mitigation framework that meet the following principles:

- Offer prices are mitigated only under circumstances when there is an attempt to impact market outcomes.
- Calculation of default energy bids accommodates the complex and dynamic nature of hydropower opportunity costs, including the value of storing water for days, weeks, or months to meet future higher value energy demands.
- An option is provided for the resource to request to not be dispatched, rather than have their offer over-ridden and being forced to sell at a price below their voluntary offer price.

Support for Conduct and Impact Test

PGP strongly supports application of a conduct and impact test in the EIM. CAISO's current market power mitigation approach mitigates offers when there is a potential for market power

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but does not test for whether a resource is attempting to impact market outcomes through notably high offer prices. An unintentional and adverse consequence of this approach may be that resources are inappropriately mitigated, leading to unnecessary and undesirable changes in dispatch. PGP reiterates that it is highly problematic to have water used and reservoirs depleted for generation in hours when hydro owners would not otherwise generate. This results in harm both to the resource and to the market and discourages participation from hydro owners.

PGP believes the conduct and impact approach provides a framework that only mitigates attempts to exercise market power that will negatively impact market outcomes, significantly reducing the risk of inappropriate mitigation. **PGP requests CAISO include within the scope of its market power mitigation stakeholder initiatives the consideration of a conduct and impact test, including exploration of various threshold levels tailored to area constraints and a potential phased implementation approach that begins with a conduct exemption.**

Support for Alternative DEB option that considers short-term and long-term opportunities

PGP believes an approach that is based on short-term and longer-term considerations may be a workable solution for calculation of default energy bids for energy-limited resources. PGP supports further exploration of the default energy bid calculation as the greater of intra-day sales opportunities and longer-term sales opportunities over the resource's storage horizon, multiplied by a scalar. PGP supports the following parameters:

- Use of trading hubs to determine sales opportunities based on the location of the resource.
- Forward horizon selected based on the specific storage capabilities of the resource, as defined by the resource owner.
- A scalar that reflects the ability for hydro to shape their dispatch to more critical peak hours.
- A scalar based on analysis of historical highest priced hours that can be updated if pricing relationships change materially.

PGP is supportive of the conceptual frameworks that capture short-term and longer-term market values presented by CAISO and Powerex for calculation of a default energy bid and supports further exploration of this concept in CAISO's stakeholder process. PGP believes it would be beneficial to analyze a range of different scalars and how they compare to historical prices.

Support for not dispatching resource as a form of mitigation

PGP also supports an approach that provides the option to not dispatch or "skips over" a resource being mitigated, rather than over-riding the resource's bid and dispatching them

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anyway. As the EIM is a voluntary market, this approach would mimic the occurrence of that supply not being offered into the market in the first place. This approach would also ensure that a resource is not forced to sell at a price below its voluntary offer price, which in turn provides greater certainty and encourages the participation of NW hydro resources.

PGP supports excluding supply from a market run as a form of mitigation and supports further exploration of this concept in CAISO's stakeholder process.

Whatever mitigation framework is chosen, PGP believes it is important that market power mitigation remain dynamic and has the ability to be adjusted to meet the needs of the market and the resource fleet as both evolve. The performance of the mitigation should be analyzed on an ongoing basis and improvements should be made where appropriate.

RESOURCE SUFFICIENCY

Request for separate resource sufficiency stakeholder process

PGP would like to see increased transparency around the changes proposed for the resource sufficiency evaluation. Because resource sufficiency is such an important component of the voluntary nature of the EIM, PGP believes the changes being considered should be vetted through a CAISO stakeholder process. It is important for stakeholders to be able to understand the cumulative impacts of the proposed resource sufficiency changes and track their progress in an open and transparent process. **As such, PGP requests CAISO conduct a specific policy initiative for the real-time resource sufficiency test**, the scope of which includes:

- Matching resource sufficiency enforcement to the interval that was failed, to the extent it's done in a manner that does not enable an entity to lean on the EIM.
- Accuracy of the resource sufficiency requirement.
- Consideration of the ability for a portion of a BAA's available balancing capacity to count towards the resource sufficiency requirement, where appropriate.
- Separation of capacity and flexibility requirements.
- Potential inequities, if any, that exist in the application of the resource sufficiency test to each EIM entity and the CAISO.

Request for evaluation of the Flexible Resource Sufficiency Test P95 standard

PGP appreciates CAISO's commitment to begin publishing metrics and reporting related to the resource sufficiency test and requirement for all EIM Entities and CAISO. PGP specifically requests that CAISO provide data analysis comparing the resource sufficiency test to the amount of uncertainty that materialized to evaluate if the flexible ramping sufficiency test is meeting the P95 standard. PGP believes the additional discussion CAISO has committed to in determining a methodology that entities agree to should be held in the resource sufficiency stakeholder process.

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