



Real-Time Market Neutrality Settlement Draft Final Proposal

**Public Generating Pool Comments
June 13, 2019**

The Public Generating Pool (PGP)¹ appreciates the opportunity to comment on the California ISO's Real-Time Market Neutrality Settlement Draft Final Proposal dated May 30, 2019. PGP is generally supportive of the draft final proposal and agrees that the proposed changes should move forward as quickly as possible, given the large impact the current settlement issues identified as part of this initiative have on market participants. However, in addition, PGP believes a more thorough discussion regarding the full implications of the changes, potential new solutions to ensure the correct incentives, and future policy development monitoring and oversight is needed.

I. REAL-TIME IMBALANCE ENERGY OFFSET ADJUSTMENT

PGP supports CAISO's proposed change to no longer transfer a portion of the real-time imbalance energy offset between balancing authority areas (BAAs) in the EIM as an interim solution. We agree that the financial value of the EIM transfers already account for the imbalance settlement from transfers between BAAs and further adjustment is not required. However, we believe a more comprehensive stakeholder process is required to address settlement of uninstructed imbalance energy and the potential incentives that may be unintentionally created with completely removing the EIM transfer adjustment and settling the real-time imbalance energy offset at the BAA level. PGP requests CAISO prioritize a separate stakeholder process to address settlement of uninstructed imbalance energy after this initiative is completed.

II. GHG PRICING FROM EIM TRANSFERS WITH NON-CALIFORNIA EIM BAAS

PGP supports CAISO's proposal to remove the GHG cost from the financial value of EIM transfers between non-California BAAs and believes the GHG cost should not have been included in the first place. On the June 6th stakeholder call, there was disagreement between CAISO and EIM participants about the best mechanism to ensure the GHG shadow price is not included in EIM transfers between non-California BAAs, including which method is more transparent and expandable to include GHG emission reduction policy from other states.

¹ PGP represents ten consumer-owned utilities in Oregon and Washington that own almost 6,000 MW of generation, 4,500 MW of which is hydro and 95% of which is carbon-free. Three of the PGP members operate their own Balancing Authority Area (BAA), while the remaining members have service territories within the Bonneville Power Administration's (BPA) BAA.

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Because PGP believes it is simpler and more transparent, we support the suggestion made by stakeholders to evaluate calculation of the system marginal energy price without the GHG shadow price for the entire market and calculate the GHG shadow price for only those states with carbon legislation through a separate GHG account. We request CAISO formally commit to further evaluate this approach through a formal stakeholder process.

III. FUTURE MONITORING AND OVERSIGHT

PGP appreciates CAISO's prompt attention to these issues once they were discovered. However, some of these issues have been in place since the EIM began in November 2014, more than four and a half years before they were discovered. This situation begs the question of whether additional attention is needed to ensure consistent and accurate treatment from policy agreement in a stakeholder process all the way through tariff and business practice implementation to settlement.

As a first step, we request CAISO comprehensively examine settlements of all products and services transacted in the EIM and identify any that do not align with the intended policy. We request that CAISO identify the root cause of the misalignment and work with stakeholders to address the issues identified. We also request CAISO work with stakeholders to identify potential enhancements to CAISO's processes that will help ensure such issues can be prevented in the future.

IV. CONCLUSION

PGP thanks CAISO for moving quickly to address these issues. Even though we acknowledge some of the proposed changes should be for interim purposes only, to provide an immediate correction to the inappropriate settlements. Once these interim solutions are approved by the EIM Governing Body and ISO Board of Governors, PGP requests CAISO prioritize a formal stakeholder process to further examine settlement of uninstructed imbalance energy and options for calculating the system marginal energy price to exclude GHG shadow price and calculate the GHG shadow price through a separate account. Additionally, PGP requests a full examination of settlements for EIM activity and identification of any other settlement charges or revenues that are not producing intended results. Lastly, PGP requests CAISO work with stakeholders to identify additional monitoring and oversight measures to mitigate such issues from occurring in the future.

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