



March 25, 2019

To: CAISO Board of Governors Members

SUBJECT: Support for Local Market Power Mitigation Enhancements

The Public Generating Pool (PGP) would like to express its strong support for the CAISO's Local Market Power Mitigation Enhancements Draft Final Proposal. 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. PGP members purchase 37 percent of the preference power sold by BPA.

Market power mitigation is an issue of critical importance for PGP members. Some PGP members continue to evaluate market power mitigation in relation to their own potential participation in the EIM, while others are heavily involved in understanding the impact market power mitigation may have on BPA's potential EIM participation. The risk to BPA and PGP members with hydro resources of being dispatched inefficiently due to market power mitigation has a direct impact on the cost/benefit analysis run by these entities in their EIM evaluation and on any potential participation of these entities.

With that said, we believe the Local Market Power Mitigation Enhancements Draft Final Proposal provides a workable solution for PGP members and other Pacific Northwest hydro owners that strikes the right balance between protecting against market power and ensuring minimal inefficient dispatch of hydro resources. We are particularly supportive of the new hydro default energy bid. Inclusion of short-term and long-term limitations faced by hydro resources, the opportunity cost of substituting generation with local gas resources and the ability to sell energy to different locations are all essential considerations in calculating a hydro owner's opportunity costs. Including the maximum of the gas floor, local floor and geographical floor provides an adequate default energy bid value that minimizes the risk of inefficient dispatch, as confirmed by CAISO's analysis. Absent any one of these elements, a hydro owner's opportunity costs would be underrepresented, and hydro resources would be put at risk of being inefficiently dispatched too often. This could lead to the same undesirable results that are occurring today in the EIM – economic and potential operational harm to sellers of hydro resources and to the market from inefficient dispatch, hydro owners deciding to not participate in the EIM because of the risk of inefficient dispatch, etc.

PGP would also like to especially thank CAISO staff for their hard work in bringing the issues identified as part of this initiative to resolution in a manner that balances multiple stakeholder viewpoints and provides a feasible solution for participating hydro resources. CAISO staff has

worked collaboratively with stakeholders in both the identification and analysis of alternative solutions to address stakeholder concerns. PGP also thanks CAISO staff for the analysis provided on different variables of the hydro default energy bid formula and how those variables would impact a hydro owners risk of inefficient dispatch. PGP found the analysis very helpful in moving the discussion towards an effective and durable solution.

As noted, PGP strongly supports the Local Market Power Mitigation Enhancements Draft Final Proposal and urges the ISO Board of Governors to adopt the proposal without modification. We also look forward to the same level of partnership between the CAISO and stakeholders in future stakeholder processes. Thank you for consideration of these comments.

Sincerely,

Laura Trolese

Laura Trolese, Senior Policy Analyst

Public Generating Pool

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