

**Comments on Behalf of Seattle City Light in Support
of the Draft Final Proposal in the Price Formation Enhancements
Initiative on Rules for Bidding Above the Soft Offer Cap
May 17, 2023**

Seattle City Light (City Light) appreciates the opportunity to provide comments to the California Independent System Operator (CAISO) Board of Governors and to the Western Energy Imbalance Market (WEIM) Governing Body in support of the Draft Final Proposal in the Price Formation Enhancements initiative on Rules for Bidding Above the Soft Offer Cap (Proposal). City Light is the tenth largest consumer-owned electric utility in the nation, providing electrical service to more than 450,000 residential, commercial, and industrial customers in the City of Seattle, Washington and six adjacent cities. City Light owns and operates hydroelectric resources with approximately 2,000 MW of flexible, fast-ramping capacity. City Light began participation in the WEIM in April 2020 and has derived meaningful financial and operational benefits since joining the market.

City Light thanks CAISO for its responsiveness to stakeholder concerns that the current bid cap rules impede the ability of storage and hydro resources to adequately reflect the opportunity costs when those costs exceed the \$1,000/MWh soft offer cap. City Light's inability to accurately signal the opportunity cost of dispatching our hydro resources can result in a dispatch that has negative impacts on the operations of our hydro resources and creates reliability concerns for our Balancing Authority Area (BAA). Consequently, offering our resources to the WEIM during tight system conditions creates considerable risks for City Light's operations.

This is an issue City Light experienced acutely during the extreme cold weather event over the Martin Luther King Jr. Day weekend in January 2024. Early in the event, there were multiple hours where City Light's real-time locational marginal price (LMP) cleared above the allowable bid cap, with a peak price of \$1532/MWh. Without the ability to increase the bids of our hydro resources to reflect our opportunity cost, City Light's WEIM participating resources, with bids capped at \$1000/MWh, were dispatched to the maximum allowable range for several hours. This dispatch impacted the operation of our cascading hydro system and resulted in inefficient use of resources we needed to rely on throughout the weekend. City Light staff had to act with urgency to change how our hydro resources participated in the market in order to ensure we could maintain reliable operating parameters and the necessary fuel supply (i.e., water) for the duration of the cold weather event.

Despite these efforts, without an instrument to get to the root of the issue—the disparity between the capped bids and the LMP—the steps taken by City Light staff were imperfect solutions. For example, City Light made changes to prevent participating units from being dispatched into the upper ranges of their flexibility capacity. While necessary to resolve the issue at hand, this change posed a risk that City Light could fail the flexible ramping test. If City Light had failed this test, it would have effectively

islanded our BAA from the WEIM, restricting our ability to import energy from other WEIM participants during an extreme weather event.

The maximum dispatch City Light's WEIM participating resources also impacted the operations and future availability of non-participating resources, as the participating resources are located on upper reservoirs of the cascading hydro system, and the non-participating units are located on lower reservoirs that have less storage capacity. To maintain reliable operational parameters in the lower reservoirs, City Light had to increase the non-participating unit base schedules to move excess water. This also had the impact of further reducing City Light's available fuel for future hours of the cold weather event. Notably, if this event had occurred in the summer, it would have created additional challenges, as the constraints on the reservoirs in the summer are more restrictive than what was in place in January.

City Light supports the proposal to remove the \$1000/MWh cap on default energy bids for all resources in the real-time market as a means to help manage scenarios like what we experienced in the January 2024 cold weather event. The proposed changes will allow hydro resources to better reflect intra-day opportunity costs in tight system conditions. Without a mechanism to allow hydro resources to bid in the WEIM on equal footing with other resources in the market, it is likely City Light will need to proactively limit how our hydro resources participate in the market during extreme weather events and tight conditions. Based on our experience in January 2024, this proactive approach would be necessary to ensure that City Light's resources are not dispatched in a manner that could create reliability or operational issues for our BAA and hydro resources.

City Light acknowledges the Proposal is not a complete resolution of this issue, and that additional work is necessary. However, we believe it offers a useful interim solution that will allow City Light's hydro resources to continue to participate in the WEIM during tight system conditions. We look forward to additional engagement on this topic in the Price Formation Enhancements Stakeholder Initiative to develop a durable long-term solution. City Light appreciates the CAISO Board of Governors and WEIM Governing Body's consideration of the Proposal.