

Western Power Trading Forum Comments on Proposed Transition Period Proposal

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WPTF offers the following comments on the CAISO's draft final EIM Transition Period proposal dated December 15, 2014.

- 1. The CAISO's Stakeholder's Process for the Transition Plan is unacceptably short and should be extended.** The ISO proposes a start-to-finish stakeholder process of 21 days and includes only one iteration of a paper and one two-hour telephone call. The transition proposal will have a fundamental and significant impact on the EIM's for years to come, and WPTF is concerned about potential unintended consequences. There is no impending reliability concern. It is inappropriate to have such an expedited stakeholder process. If the CAISO is concerned about FERC's direction that a tariff change would be required to make any additional accommodations for the PacifiCorp EIM, WPTF would be supportive of discussing means to balance the need to be responsive with the FERC direction and the need to ensure any filing is considered fully before such a filing is made.
- 2. WPTF opposes extending the waiver period penalty relaxation.** The CAISO and DMM reports to FERC suggest that significant improvements are being made in the coordination between the EIM functions and the Reliability Coordinator functions at PacifiCorp. The reports also indicate that additional generating capacity has come on line, and that more is expected; that prices are settling down, and that the drivers of higher prices are predominantly fundamental conditions such as load or renewable changes or outages. With these conditions, an extension of the waiver provisions to 12 months seems inappropriate.
- 3. WPTF opposes the ISO's bid mitigation proposal. WPTF is opposed to bid mitigation for the sole purpose of suppressing prices.** The ISO indicates that suppression may be needed at the ties. Until tie participants are shown to possess market power, mitigation is inappropriate; a "thin" market is no basis for mitigation. Further, there is no impending issue regarding PacifiCorp intertie bids given that PacifiCorp does not allow intertie participation at this time. (See process points in #1 above.) Lastly, the ISO reports show bidding within the EIM to be quite competitive. Mitigation for the purposes of suppression is not advantageous.

4. **We are concerned about unintended consequences of having suppressed prices in one region of the market.** There could be significant unintended consequences, and the transition proposal has not had the benefit of any public dialog with the MSC. The DMM also has not provided any opinion whether it believes discontinuities are problematic. For these reasons WPTF does not support an extended period with different treatment between the EIM and the CAISO.
5. **WPTF opposes such a transition plan for other EIMs.** WPTF believes future EIMs should act on the benefit of this experience from the PacifiCorp EIM and ensure their systems and processes are in place prior to go live. A demonstration from these EIM entities and that they have the ability to coordinate information across the reliability coordinator and market roles would also be beneficial. To instead suppress prices for the first year of operations is inappropriate.
6. **WPTF would appreciate further consideration of alternative counterbalancing remedies to the shallow PacifiCorp East market.** There seem to be market-based alternatives to suppressing prices in the PacifiCorp EIM. For example, when the ISO market was experiencing real-time price spikes the ISO implemented the FRC. Might it be possible that the FRC level for the EIM is too low? Also might it be possible for PacifiCorp to accelerate participation at the interties? Perhaps there are other actions that would minimize the price spikes. WPTF encourages the ISO to engage stakeholders, including PacifiCorp representatives, in a dialog about these and other changes that may affect the fundamentals of the situation.

Thank you for your consideration.