

**Chelan County Public Utility District's Comments on the
California ISO's EIM Offer Rules Technical Workshop**

August 2, 2018

Submit comments to InitiativeComments@CAISO.com

Chelan PUD, a consumer-owned utility in Washington, is an active participant in the bilateral, wholesale power markets in the West and a NERC-registered balancing authority. Chelan operates three FERC-licensed hydropower projects generating approximately 10 million megawatt hours of clean, renewable, low-cost electricity annually. Chelan PUD appreciates the opportunity to comment on the California ISO's EIM Offer Rules Technical Workshop held on July 19, 2018.

Default Energy Bid Alternatives that Support External Hydro Resources

As stated in earlier comments, Chelan is concerned that the existing application of market power mitigation and calculation of default energy bids disincentivizes hydro resources outside the state of California from participating in the EIM. Chelan believes the current approach of using a price formula does not adequately capture the complexity of approximating the opportunity cost of hydro and thus discourages EIM participation of hydro resources. Chelan once again encourages the CAISO to hold a stakeholder process to develop bid mitigation options that would encourage the participation of clean, flexible hydro units from the Northwest. Chelan is a member of the Public Generating Pool (PGP) and is supportive of the comments provided by PGP.

Chelan believes that there are three critical changes that need to be applied to the existing bid mitigation construct:

1. Design a Local Market Power Mitigation (LMPM) that is appropriate for a voluntary market
 - LMPM should only be applied when there is a potential for exercise of local market power
 - LMPM measures must only be applied when a seller's offer prices are at levels significantly above a reference price or default energy bid for the resource.
2. Create an appropriate Default Energy Bid (DEB) construct. An approach to achieve this objective could include:
 - A DEB based on historical pricing data to approximate values of short term and long-term energy constraints, with a timeframe and location appropriate to each specific resource.
3. When mitigation is applied, it should not override a seller's voluntary offer prices and dispatch the resource anyway.
 - The EIM is a voluntary market and should respect asset owner's bids and offers or let them remove their offers if mitigation would occur.

Resource Sufficiency

Chelan supports robust Resource Sufficiency (RS) evaluations and would advocate for improved accuracy and transparency of the requirement to ensure there is not leaning on other entities. We advocate for the consistent and equitable application of the RS requirements to all BAAs.

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