

**JOINT COMMENTS OF THE EIM ENTITIES
COMMITMENT COST AND DEFAULT ENERGY BID ENHANCEMENT
STRAW PROPOSAL
July 20, 2017**

A. INTRODUCTION

Energy Imbalance Market (“EIM”) current and future participants, Arizona Public Service, Idaho Power Corporation, PacifiCorp, Portland General Electric, Puget Sound Energy, and Seattle City Light (“EIM Entities”) hereby submit the following comments to the California Independent System Operator (“ISO”) regarding the Commitment Cost and Default Energy Bid Enhancement (“CCDEBE”) Straw Proposal issued on June 30, 2017 (“Straw Proposal”). The identified EIM Entities appreciate the opportunity to provide comments for consideration by the ISO.

B. COMMENTS

1. The EIM Entities support the ISO’s Straw Proposal

The ISO’s Straw Proposal for CCDEBE represents a significant improvement on the current market design. The additional bidding flexibility proposed by the ISO will improve EIM participants’ ability to reflect their opportunity costs, and incorporate the unique market considerations and system conditions experienced in the EIM areas, which include:

- their bilateral market options for optimizing gas and electricity supply, as well as contract-path transmission rights;
- their exposure to gas supply constraints and gas-market volatility;
- the presence of multiple large storage and cascading hydro systems;
- their voluntary choice to use the EIM for residual supply and demand optimization; and
- their management of ancillary service compliance obligations outside the EIM.

For this reason, the EIM Entities support the ISO’s proposal specifically as related to the allowance of hourly minimum load offers, the use of market-based commitment costs, and the improvement of commitment cost reference levels.

The EIM Entities believe the benefits of making these changes significantly outweigh the costs, and recommend their implementation be prioritized for Fall 2018 at the latest.

The EIM Entities look forward to continuing to work with the ISO, the Department of Market Monitoring, and other stakeholders on the finer-details of the proposal and the business practices that will follow.

C. CONCLUSION

The EIM Entities are grateful for the opportunity to submit these comments and appreciate the ISO’s consideration of them.