

Aliso Canyon Gas-Electric Coordination Phase 3 Straw Proposal

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Portland General Electric Comments:

On October 1, 2017, PGE will become the fifth entity to join the Western EIM. At that time, PGE will begin managing its diverse generation and transmission assets according to the rules of the EIM, while also continuing to participate in the ISO's forward markets. As such, PGE has a vested interest in the price-formation, reliability, and flexible ramping policies of the ISO and Western EIM. PGE's comments here are specific to the proposal to extend the gas-constraint management process to the EIM balancing authority areas.¹

Extension of the Gas Constraint to the EIM Balancing Authority Areas:

PGE supports the ISO's interest in developing and maintaining tools that enhance critical gas-electric coordination activities under abnormal operational conditions that imminently threaten system reliability. As such, PGE does not oppose, at a conceptual level, the ISO's proposal to extend the gas-constraint management process developed specifically for the Aliso Canyon contingency to the individual EIM balancing authority areas.

However, given that EIM Entities "already have similar authority to use manual dispatch at their discretion"² to protect reliability under constrained gas conditions, PGE's primary concern with this initiative is its potential to delay the work being done in the Commitment Costs and Default Energy Bid Enhancements (CCDEBE) initiative. Given its experience managing a complex gas supply, delivery, and generation portfolio, PGE expects the CCDEBE initiative will have a more significant and beneficial impact on the efficient and reliable management of its system than the extension of the gas constraint, and so encourages the ISO to work to implement market design changes associated with that initiative as soon as possible.

Should the gas constraint extension proposed here move forward as planned, PGE requests adequate time be given for stakeholders to work with the ISO to develop business practices and procedures for its implementation that recognize the differences in decision making, reliability responsibilities, and communication channels involved in managing gas-electric coordination outside of the ISO balancing authority area, and that account for the differences between the EIM-only market and the ISO's full market with regard to management of ancillary service requirements, forward unit commitment, resource adequacy, and fuel supply procurement. PGE also requests that the ISO work to ensure the

¹ PGE understands aspects of this broad initiative are critical for reliability management within the ISO's balancing authority area and makes its comments here with the understanding that those issues can be addressed separately from the proposal to extend the gas constraint to the EIM areas and without delaying their implementation.

² http://www.caiso.com/Documents/StrawProposal_AlisoCanyonGas_ElectricCoordinationPhase3.pdf - p. 8

program developed here is fully compatible with the more flexible pricing and commitment practices desired by the majority of stakeholders participating in the CCDEBE initiative.

Importance of the CCDEBE Initiative:

With regard to the CCDEBE initiative, PGE believes a market-based solution that allows fuel supply to be managed through bids, rather than out-of-market measures, would deliver the best long-term outcomes for all market participants and their customers, and should be pursued as quickly as possible by the ISO.

The EIM as experienced by entities outside the ISO's balancing authority area does not have the explicit must-offer obligations or a co-optimized ancillary services market for gas resources, or the economic framework of those programs, enjoyed by participants in the ISO's full market. Therefore, as compared to those market participants, the EIM participants have unique decisional responsibility and price-risk exposure when it comes to planning and optimizing gas supply, delivery, and dispatch.

Historically, these entities have used sensible pricing strategies not only to manage risk related to meeting their own load service and system reliability needs, but also to ensure their economy energy sales to other entities do not negatively impact their own economics or reliability in current or future operating intervals.

In order to continue to achieve these outcomes for their customers in the context of the EIM, it is critical that EIM Participating Resource Scheduling Coordinators carry forward the flexible pricing and commitment practices permitted in the bilateral markets. Given that the EIM is explicitly a voluntary market, it is unclear why this pricing and commitment flexibility should not be permitted in the context of the EIM. This is especially true in light of the load-service and pricing protections afforded by the EIM's resource sufficiency mandate.

Resolving these issues through forward-looking market design changes will ensure the EIM is able to achieve maximum support and participation in the western interconnect, while producing just and reasonable outcomes for all parties and their customers.

The importance of this initiative should not be underestimated.

Accordingly, the ISO should prioritize the commitment of staff and resources to this initiative, and set aggressive timelines for its completion, even if that means delaying the implementation of other less critical market enhancements.