



EIM Offer Rules
April 30th Technical Workshop
Public Generating Pool Comments
May 14, 2018

The Public Generating Pool (PGP) represents ten consumer-owned utilities in Oregon and Washington that own almost 6,000 MW of generation, 4,500 MW of which is hydro and 95% of which is carbon-free. Three of the PGP members operate their own Balancing Authority Area (BAA), while the remaining members have service territories within the Bonneville Power Administration (BPA) BAA.

PGP appreciates the opportunity to comment on the California ISO's EIM Offer Rules Technical Workshop held on April 30, 2018. PGP encourages CAISO to initiate a Resource Sufficiency and EIM Offer Rules stakeholder process to address the issues raised at the workshop.

Support for Default Energy Bid Alternatives to Support External Hydro Resources

Market power mitigation and the calculation of default energy bids for hydro resources outside the state of California is a critical issue for PGP members in their consideration of EIM participation. PGP agrees with Powerex's and Seattle City Light's description of the dynamic and complex nature of hydro operations and calculation of opportunity costs. PGP members identify with and strongly agree with Seattle City Light's conclusions:

- Operating costs are not sufficient to reflect PGP members' marginal opportunity costs in bilateral markets for their hydro resources.
- It is problematic to have water used and reservoirs depleted for generation in hours when PGP members would not generate their hydro resources.
- The value of water changes over the course of a day; a fixed daily value presents challenges as a reasonable estimation of marginal opportunity cost.
- It would be very challenging for any third party to come up with a formula or number that will match a hydroelectric operator's valuation of its water.

PGP strongly encourages CAISO to address the shortcomings of the current default energy bid calculations for external hydro resources in a stakeholder process. PGP supports exploration of a fourth default energy bid option that provides flexibility to allow suppliers to determine their own bid/offer prices without being overridden, while still protecting against local market power. PGP also supports exploration of CAISO not dispatching resources when they are identified to potentially have market power.

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Support for Improvements to the Resource Sufficiency Evaluation

PGP supports enhancements to the resource sufficiency test that:

- Improve accuracy of resource sufficiency requirements,
- Reduce or eliminate any double-counting of capacity and flexibility,
- Ensure no leaning, and
- Assure consistent and equitable application of the resource sufficiency requirements to all BAAs.

PGP particularly found merit in the following proposed changes to the resource sufficiency test evaluation and supports these items to be included within the scope of the stakeholder initiative.

A. Refining the Granularity and Enforcement of the resource sufficiency Evaluation

As stated in our comments in CAISO's Day Ahead Market Enhancements, PGP supports the concept of matching resource sufficiency enforcement to the interval that was failed, to the extent it's done in a manner that does not enable an entity to lean on the EIM.

PGP requests CAISO move the discussion of changes to the resource sufficiency test currently occurring the Day Ahead Market Enhancements initiative to a specific stakeholder process on resource sufficiency where the resource sufficiency evaluation can be examined more holistically.

B. Improving the uncertainty calculations for wind resources

PGP supports improvements to the uncertainty calculations for wind resources proposed by Powerex, PSE and other EIM Entities. PSE suggests incorporating current weather conditions in the flexible ramping requirements. Powerex suggests CAISO calculate wind uncertainty histograms by bucketing forecast error relative to the level of forecast instead of hour of the day. PGP agrees that the proposed changes could improve the accuracy of the flexible ramping requirements and should be considered.

C. Counting regulating capacity towards resource sufficiency test requirements

PGP supports consideration of PSE's proposal to allow an EIM Entity's regulating capacity to count towards meeting its resource sufficiency test requirements. Although PGP would like to better understand the implications of such a change.

D. Fully separating capacity and flexibility requirements

PGP believes it is important that the resource sufficiency test not double-count resources when determining sufficiency and that the resource sufficiency test be applied consistently to all BAAs. Powerex argues that fully separating capacity and flexibility requirements will eliminate double-counting and ensure that the resource sufficiency test is effective and

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consistently applied to all BAAs. Powerex also argues that this change will allow enforcement mechanisms to be more finely tuned between failures to procure sufficient hourly capacity, versus failure of 15-minute ramp requirements. PGP supports Powerex's stated objectives of this change and as such, believes it should be considered in a stakeholder process.

E. Ensuring resource sufficiency tests are applied in an equitable manner

PGP agrees that the resource sufficiency test should be applied consistently and equitably to all BAAs within the EIM footprint, including CAISO. PGP appreciates the data provided by Powerex that suggests the CAISO BAA may be incorrectly passing the resource sufficiency tests during periods of capacity and flexibility challenges. PGP agrees with Powerex that CAISO and EIM Entities should not be permitted to include import supply in the resource sufficiency test if the physical resource and transmission is not identifiable. PGP also agrees that whether systemic load bias should be added to the load forecasts used in the resource sufficiency test should be considered.

F. Data Analysis to verify level of resource sufficiency requirements

PGP agrees with Powerex that transparent data are critical to provide confidence that the resource sufficiency framework is functioning properly and being applied equitably. PGP supports data analysis to verify whether the total resource sufficiency requirements are set at the right level for each BA. For example, if the resource sufficiency requirement is set to cover 95% of the uncertainty that may occur in real-time, CAISO can test if the requirement is achieving this result by back testing to see if 95% of the uncertainty was covered. This can provide a critical feedback loop to CAISO and stakeholders as to whether the resource sufficiency requirement is set at the proper level and indicate whether improvements need to be made.

Furthermore, performing data analysis on a regular basis can also provide information as to whether the resource sufficiency requirement is applied consistently to each BA. PGP requests CAISO consider an approach for back testing the resource sufficiency requirement and that the data and analysis be made transparent and discussed with stakeholders as part of a re-occurring CAISO forum.

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