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Avista comments on the CAISO 2017 Discretionary Stakeholder Catalog

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Avista appreciates the opportunity to offer comments on the CAISO 2017 Discretionary Stakeholder Catalog. We are supportive of market expansion in the west. Avista is a scheduling coordinator in the CAISO market and is monitoring the expansion of the western markets. Avista recognizes CAISO's limited resources to address all the initiatives identified in the discretionary catalog. Therefore we would like to present these three initiatives as having the highest priority based on improving market liquidity, market participation and enhancing economic benefit to all western market participants.

Initiative Name	Grid Reliability	Improving Overall Market Efficiency	Desired by Stakeholders	Market Participant Implementation (\$ and resources)	ISO Implementation (\$ and resources)	Adjusted Total Score
Real Time Market Enhancements	7	10	10	7	3	37
Export Charges	7	7	7	7	7	35
EIM External Resource Participation	7	10	7	7	3	34

1. Real-Time Market Enhancements: *Change rankings of Improving Overall Market Efficiency to a 10, Desire by Stakeholders to a 10*

There are two primary stakeholder interests associated with this initiative. The first is to address the market lead time that is a factor for dwindling market liquidity in the real time western markets. Traditionally market entities have had access to liquid bilateral

markets at least 30 minutes prior to the physical delivery period. As more entities join the CAISO EIM market the number of available counterparties that will agree to enter into bilateral transactions have substantially decreased since bilateral schedules are set and submitted to CAISO well in advance of the next hour delivery period due to CAISO market rules. EIM entities are unwilling to enter into close in bilateral transactions and take the EIM imbalance price risk associated with those transactions. This lack of real time liquidity is causing western market participants, CAISO EIM or non EIM participants, to enter into less than optimal, or not enter into beneficial economic transactions. The EIM market should supplement not reduce the economic benefits of the bilateral market.

The second stakeholder interest on this issue is the desire to align the CAISO market scheduling timelines with the current WECC scheduling timelines. Having a de facto two tier scheduling process in the west is not only contributing to the above mentioned liquidity issues but also leading to confusion among all entities regarding the scheduling processes. Avista desires CAISO to work with WECC to standardize scheduling practices that will enhance market liquidity and economic benefit for all while eliminating fractured and confusing bilateral market scheduling timelines.

Avista understands that this initiative description is primarily about reducing 15-minute market lead time, extending the horizon of short-term unit commitment, and enabling other 5-minute dispatch functions, but we see a very pressing need to include the above interests in this initiative to truly enhance the Real Time Markets. Based on the broad definition of this initiative, this initiative could consume a lot of CAISO staff and stakeholder time. It is important that this issue be scoped initially with the primary focus toward reducing lead times and standardizing scheduling practices.

2. Export Charges: *Change ranking of Grid Reliability to 7, Improving Overall Market Efficiency to a 7.*

Key operational and policy interests of the ISO market is to operate a competitive wholesale power market designed to promote a broad range of resources at lower prices while reducing renewable energy curtailment. However, the high export fees send a market signal that conflicts with that objective. Removing export charges will better align market signals with the CAISO's operational interests, providing more export opportunities that are currently not economic due to high export fees.

3. EIM External Resource Participation: *Change rankings of Grid Reliability to 7, Improving Overall Market Efficiency to a 10, Desire by Stakeholders to a 7*

Avista understands the complexity of this initiative but sees an opportunity to address this initiative on two fronts. We feel this initiative has generated a considerable amount of stakeholder interest, including the FERC technical conference, and should be addressed in 2017.

- Allowing EIM External Resource Participation - Non EIM market entities that have specific resources to make available to CAISO EIM dispatch signals will provide economic benefit to the EIM as a whole. For those entities that choose to provide this type of EIM external resource participation we would encourage them to work with CAISO to collaborate on solutions to overcome the issues CAISO and the current EIM participants have identified such as, developing advanced network modeling techniques for these external resources, resource sufficiency concerns, communications infrastructure and market power mitigation.
- Allowing 15 minute economic bidding at the EIM ties - In the initiative description a key principle discussed is the desire to ensure external participation is complimentary and compatible with bi-lateral trades. To ensure participation is comparable and complimentary to current bi-lateral trading activities Avista would like to see CAISO allow western market participants to economically bid at the EIM participants (or a defined liquid limited EIM participant tie subset or “trading hub”) boundary. This type of economic bidding at the EIM ties would not require the costly advanced network modeling techniques, resource sufficiency concerns, communications infrastructure or market power mitigation. A 15 minute transaction would be bid, awarded and e-tagged with all pertinent CAISO required information similar to current CAISO intertie bidding.

The comments presented are not intended to underestimate the level of effort required by the CAISO to enable external resource participation, or economic bidding at the EIM ties, however, Avista firmly believes there are opportunities for the CAISO and the EIM participants to gain substantial economic efficiencies without reinventing the current market design.

Support to Improve Stakeholder Catalog Process

Avista is aware that stakeholders are submitting comments suggesting improvements be made to the stakeholder catalog process including CAISO’s decision making process associated with which initiatives to pursue. Avista supports these proposed improvements or at least a review of the current process to increase the meaningfulness and transparency in how CAISO uses stakeholder input to decide the priorities of initiatives.

Avista would like to thank the CAISO for the opportunity to comment and for engaging stakeholders in this discretionary catalog process.