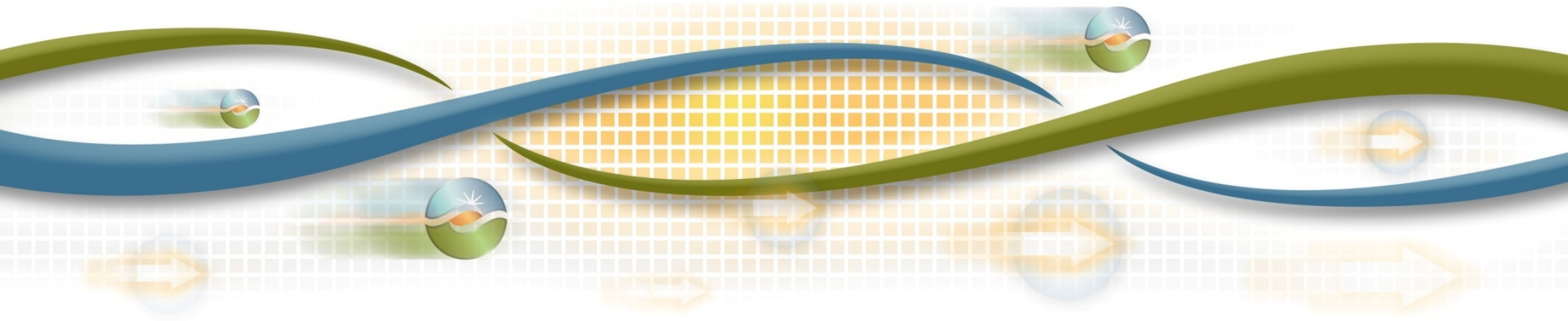


Decision on EIM Go-Live Enhancements

Greg Cook
Director, Market and Infrastructure Policy

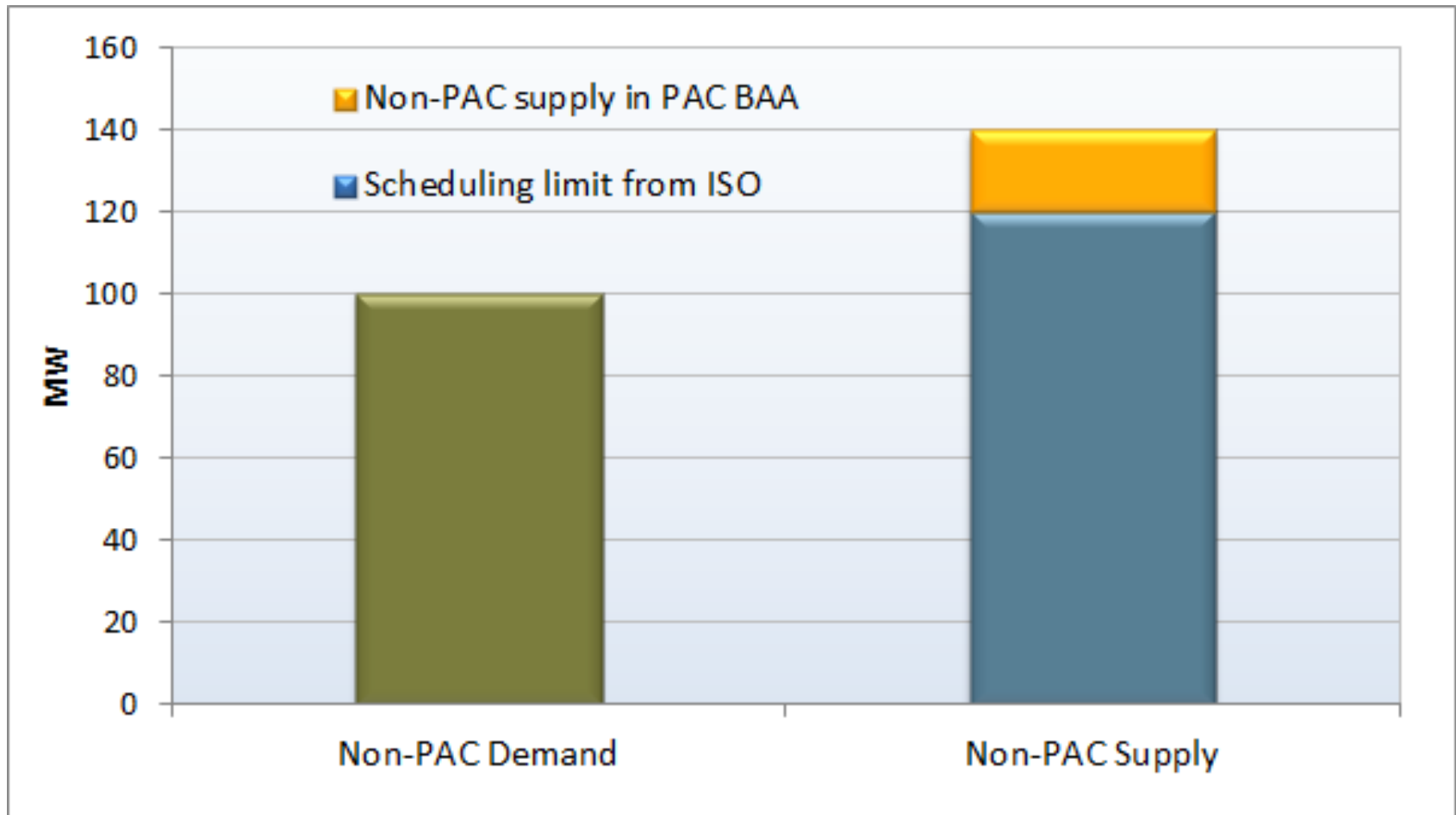
Board of Governors Meeting
General Session
July 15-16, 2014



Management has identified two EIM market design changes needed for go-live

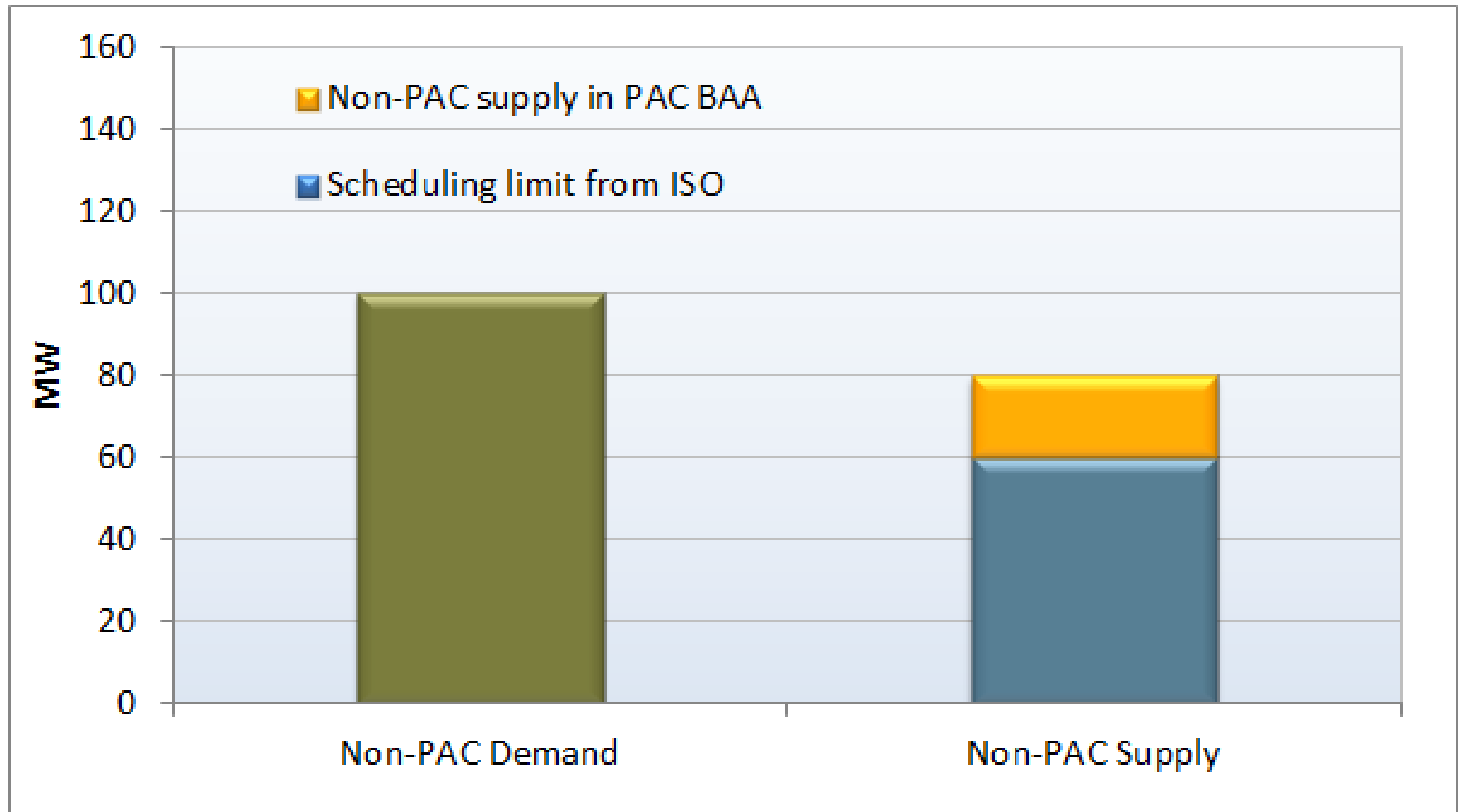
- Subject EIM transfer limits into EIM balancing authority areas to market power mitigation process
- Allow negotiated transition costs for non-gas resources to use multi-stage generation functionality

Illustrative example of a structurally competitive market



More non-PAC supply than non-PAC demand

Example of a structurally non-competitive market



More non-PAC demand than non-PAC supply

Department of Market Monitoring has completed a structural competitive assessment of PacifiCorp BAAs

- PacifiCorp East not likely to be structurally competitive during most hours
- PacifiCorp West likely to be structurally competitive during most hours, but could be uncompetitive if scheduling limits from ISO reduced

Given DMM assessment, Management recommends...

- Apply automated market power mitigation to EIM scheduling constraints into PacifiCorp BAAs
- Evaluate options for reducing unnecessary mitigation
 - Future stakeholder initiative to develop automated dynamic approach based on actual EIM transfer limits

During implementation activities, non-gas units requested to use multi-stage generation functionality

- Current tariff assumes multi-stage generation resources are natural gas fueled resources
- Need to allow negotiated rate for transition costs when fuel source is not natural gas

Stakeholders generally support the proposed changes

- Market power mitigation process warranted given structural competitiveness assessment
- Multi-stage generation functionality expanded to non-gas resources will increase participation in EIM
- Support immediate tariff filing with effective date consistent with EIM go-live

Management recommends Board approve the EIM go-live enhancements

- Applying market mitigation process to EIM transfer limits into EIM balancing authority areas addresses structural non-competitiveness of PacifiCorp balancing authority areas
- Allowing non-gas resources to use multi-stage generator functionality will increase EIM market efficiency
- Tariff filing will request effective date consistent with EIM go-live in October