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via e-mail: EIM@caiso.com

Subject: EIM Year 1 Enhancements Phase 2 Issue Paper & Straw Proposal

The Public Generating Pool (PGP) appreciates the opportunity to comment on ISO's June 30, 2015 "Issue Paper & Straw Proposal" (Proposal) regarding the Energy Imbalance Market (EIM) Year 1 Enhancements Phase 2. PGP is a trade association comprised of 11 consumer owned utilities in Oregon and Washington. PGP member utilities own approximately 7,000 MW of generating resources and purchase 35 percent of the requirements power sold by the Bonneville Power Administration (BPA). Four of the PGP members own and operate Balancing Authority (BA) Areas, six reside in the Bonneville Power Administration (BPA) BA, and one resides in a Northwest IOU BA.

PGP is encouraged that the Proposal includes EIM market design aspects that provide opportunities for Northwest entities but have concerns that other components could negatively impact existing market constructs in the Northwest. It is our hope that ISO will continue to take into consideration the combined interests of neighboring BAs in order to ensure efficient and effective coordination within the West. Given this, PGP's comments are focused on the following topics: (1) reconsideration of transmission rates that apply to EIM Transfers (Section 3) and (2) use of third party transmission facilities for EIM Transfers (Section 8.1).

Section 3: EIM-Wide Transmission Rate

The potential for an EIM-wide transmission rate (or lack of a transmission rate) to influence market behavior and/or shift bilateral transactions into the EIM market is an important aspect of this decision. PGP questions the appropriateness of exempting certain types of transactions from paying for the use of the transmission system and urges the ISO to thoroughly evaluate the potential impacts of the current design and proposed alternatives. The data analysis identified in Section 3.1 is an important starting point to informing this issue. PGP encourages the ISO to make information available as early as possible and assure that any evaluation of alternatives considers the potential for unintended consequences and/or undesirable transmission revenue recovery impacts.

Section 8.1: Compensation for third party transmission owner to support incremental EIM transfers

PGP has a direct interest in the use of the BPA transmission network and the Pacific Northwest AC Intertie to support EIM Transfers. PGP is reassured that the ISO acknowledges the need to compensate third party transmission owners, however defining an approach in this forum is premature. PGP believes the use of third-party transmission systems to support EIM transfers is not a matter of negotiating appropriate compensation. Rather, the approach itself raises a host of complex technical, policy, and legal issues that need to be resolved first. Significant questions still remain regarding the appropriateness of a third party to permit such use on their system and whether firm rights-holders have the right to use their capacity reservation in this manner. Given the outstanding nature of these questions it is inappropriate for the ISO to attempt to resolve the compensation issue at this time. PGP recommends that the ISO avoid a final determination regarding compensation until the issues and rules associated with access issue are resolved with third party owners.

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Chelan County PUD / Clark Public Utilities / Cowlitz County PUD / Douglas County PUD / Eugene Water & Electric Board
Grant County PUD / Klickitat County PUD / Lewis County PUD / Pend Oreille County PUD / Snohomish County PUD / Tacoma Power

Conclusion

PGP sees the opportunities for commercial transactions that benefit Northwest entities and ISO load. However, as PGP believes it is important that the rules and practices put in place recognize and take into account the potential impacts to neighboring utilities, balancing authorities, and existing markets.

Sincerely,



Therese Hampton
Executive Director, Public Generating Pool