

6/18/2013
Portland General Electric
CAISO Energy Imbalance Market Design Straw Proposal

Portland General Electric Company (PGE) appreciates the opportunity to submit these comments to the California Independent System Operator (CAISO) regarding the Energy Imbalance Market (EIM) Design revised Straw Proposal posted on May 31st, 2013. PGE commends the CAISO's effort to extend a portion of its organized market, a stand-alone EIM platform, to entities outside of the CAISO's footprint. PGE understands the CAISO is under pressure to develop a firm market proposal as soon as possible given their implementation timeline with PacifiCorp. However, PGE is concerned that certain of the CAISO's policy choices presented so far in the areas outlined below have not received sufficient consideration, given their potential significant impact to the region, as a result of the accelerated timeline.

Governance

PGE believes strongly that an EIM should operate under its own governance structure, with an independent body. PGE understands this model would likely incur additional costs compared to sheltering the governance within the existing CAISO Board, but believes these are necessary costs to insure a well-functioning, transparent, independent management that respects the diverse interests of all parties and gives sufficient weight and representation to their views. PGE appreciates the CAISO's offer to separate the governance discussions into a new stakeholder process and looks forward to participating in that forum.

Transmission Service

In order for the EIM to remain a discreet, sub-hourly (or sub-15-minute) balancing market, transmission policies must be carefully crafted to avoid giving an incentive for parties to change trading practices and push all market optimization to the EIM, thereby disrupting the market fundamentals both within and outside the EIM footprint.

PGE encourages the CAISO to reassess its initial transmission policy proposal in light of the following principles, which PGE believes should guide transmission rate and policy design in any market, bilateral or organized:

- Open access principles should apply broadly to all market participants – no one entity should be given undue priority in their access to transmission.
- All market participants who utilize a transmission provider's system should pay for the service they receive – no one entity should be given "free rider" opportunities.

These principles have been consistently applied by the FERC and are foundational to transmission policy and rate design across the country.

Capacity Treatment

PGE strongly supports the concept of creating resource sufficiency requirements for EIM participants that standardize the balancing capacity requirements for each entity and properly give incentive for new capacity market entrants over time. These requirements would ensure that no single entity could lean on the capacity of another to solve their imbalance requirements through the EIM and would ensure that sufficient capacity resources are developed to meet the region's needs going forward. They would also ensure that each entity would carry the appropriate *quality* of balancing capacity on their system (e.g., fast ramping) to meet their on-system needs without degrading interconnect reliability. PGE wishes to acknowledge and support the detailed comments made by Powerex on this topic, and looks forward to exploring these concepts further with the CAISO as the stakeholder process continues.

Bilateral Market Interface

PGE is concerned that the CAISO proposal does not adequately address seams issues arising at the interface between the EIM and the bilateral markets, both from a physical standpoint and from a market coordination standpoint. PGE encourages the CAISO to clarify their expectations for coordinating activity, including with import/export bids following the FERC Order No. 764 changes, and how they will minimize market disruption and reliability impacts when operating their EIM within a highly interconnected Western grid.