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VIA ELECTRONIC SUBMISSION: INITIATIVECOMMENTS@CAISO.COM

DON TRETHERWAY
CALIFORNIA INDEPENDENT SYSTEM OPERATOR
250 OUTCROPPING WAY
FOLSOM, CALIFORNIA 95630

July 6, 2017

Dear Mr. Tretheway,

Please accept these comments on behalf of Seattle City Light (City Light) regarding the California Independent System Operator's (CAISO) EIM Greenhouse Gas Enhancement Revised Draft Final Proposal (Revised Draft Final Proposal), issued on June 23, 2017.

Seattle City Light provides retail electrical service to more than 415,000 residential, commercial, and industrial customers in the City of Seattle, Washington and six adjacent cities. City Light relies on hydroelectric resources for more than 90% of the energy we deliver to our customers. Meaningful action on greenhouse gas (GHG) emission reductions is a critical issue to the City of Seattle, and we are proud to be GHG neutral as an electric utility since 2005. City Light has executed an Implementation Agreement with the California Independent System Operator (CAISO) and intends to begin participating in the Energy Imbalance Market (EIM) in April 2019.

City Light recognizes the importance of accounting for the atmospheric effects of the CAISO's least cost dispatch attributable to California load, and supports CAISO's development of the two-pass market optimization as a long-term solution. The proposed two-pass optimization will result in a more accurate accounting of GHG emissions attributable to California, while also preserving the resource-specific cost and GHG attribution components within the optimization. Importantly, this approach also provides for price signals that meaningfully represent the value of low- or zero-emitting resources and/or resources located outside of California in the CAISO-administered markets.

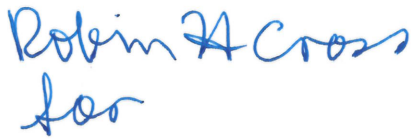
City Light appreciates the work CAISO has done to develop and refine the two-pass market optimization. City Light agrees conceptually with the addition of the "California" supply flag in the Revised Draft Proposal, however, to improve accuracy and fairness, City Light recommends two revisions. First, there should be clear criteria outlining what is eligible to be flagged as "California" supply. This will ensure that use of the flag is limited in its application to the intended generation. Second, the flag should only apply to the specific MW quantity that is deemed to be "California" supply, rather than a generic flag that applies to the entire GHG bid quantity. A MW quantity-specific flag would ensure that any additional generation beyond what meets the criteria to be flagged as

"California" supply would be treated the same as other non-"California" supply resources, and, thus, would not be eligible for delivery to California on the first pass.

In its discussion of the modified second pass optimization, the Revised Draft Proposal states, "No two-pass solution can eliminate all secondary dispatch; therefore, the solution must balance the objective of minimizing secondary dispatch with optimization solution performance and price/dispatch consistency." While most of the information provided in this stakeholder process has addressed the accounting for secondary dispatch, little, if any, has been provided regarding the CAISO's assessment of what impact this the two-pass solution will have on the optimization, dispatch or prices, or how CAISO is balancing that impact against the effort to reduce secondary dispatch. CAISO should provide stakeholders with additional details on these critical issues at this stage. Additionally, CAISO stated that after the two-pass market optimization runs in parallel with the current dispatch for several months, it will provide a report in Q4 2017 evaluating how effective the design is in minimizing secondary dispatch. At that time, stakeholders should also receive information regarding the impact the two-pass solution has on the performance of the optimization, dispatch, and prices.

Thank you for this opportunity to comment. Please don't hesitate to contact Stefanie Johnson at (206) 386-4539 or stefanie.johnson@seattle.gov for any questions or clarifications regarding these comments. City Light looks forward to updates on the development of the proposed solution and continued engagement on these issues.

Sincerely,

A handwritten signature in blue ink that reads "Robert W. Cromwell, Jr." followed by a stylized signature.

Robert W. Cromwell, Jr.
Director, Regional Affairs & Contracts