

Memorandum

To: ISO Board of Governors

From: Western EIM Governing Body

Date: March 14, 2018

Re: EIM Governing Body Advisory in Support of Commitment Costs and Default Energy Bid Enhancements with ISO Management's Commitment

This memorandum does not require Board action.

On March 8, 2018, the Second Revised Draft Final Proposal of the ISO Management's Commitment Costs and Default Energy Bid Enhancements (CCDEBE) policy initiative was presented to the Western Energy Imbalance Market (EIM) Governing Body. The CCDEBE policy initiative has gone through a very extensive stakeholder process since November, 2016, to address the increasing need from suppliers for more bidding flexibility to submit prices reflective of cost expectations and business needs. This policy initiative has been classified as "advisory" to the Western EIM Governing Body. At its March 8 meeting, the Governing Body unanimously voted to provide advisory input in support of this initiative. This memo serves as written advisory on the CCDEBE proposal before the Board of Governors on March 22, 2018.

The Western EIM Governing Body appreciates the diligence and significant contributions made by Management and staff, stakeholders including EIM entities, the Department of Market Monitoring, and the Market Surveillance Committee in developing and advancing the final proposal. Recognizing that the final proposal was not unanimous in support of proceeding as proposed, the Western EIM Governing Body considered all viewpoints presented verbally or in writing and concludes that this proposal as presented is an important and positive step forward in achieving the CCDEBE goals of increasing bidding flexibility while maintaining appropriate monitoring and mitigating controls. The complexity inherent in the CCDEBE proposal results in no easy fix or solution, and after careful deliberation through the open and transparent stakeholder process, the final proposal balances the needs and viewpoints of all.

Consequently, the Western EIM Governing Body advises the Board to support the final CCDEBE proposal as presented with the addition of Management's commitment to provide an update and assessment of the market following the first 12 months of CCDEBE implementation to both the Western EIM Governing Body and the Board. The Western EIM Governing Body requests the update so that stakeholders, MSC and DMM have an opportunity to review the results of the first 12 months of operation prior to any automatic action Management would otherwise take. Based on the assessment, Management will provide an explanation, prior to taking any automatic action or FERC filing, of the decision to proceed with either an automatic increase of the circuit breaker

cap to 300% and decrease the headroom scalar to 110%, or a FERC filing to delay the automatic changes proposed until any necessary fixes are applied. We respectfully request Management to include in their assessment, response to the concerns and issues raised by stakeholders, DMM and MSC during this initial policy formation process.

The Western EIM Governing Body applauds the extensive efforts of all market participants, staff, DMM and MSC in developing this proposal.