

Submitted by	Company	Date Submitted
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Comments Regarding CAISO’s EIM Local Market Power Mitigation Enhancements

The Public Power Council (PPC) appreciates the opportunity to comment on the CAISO’s *EIM Local Market Power Mitigation Enhancements Updated Draft Final Proposal*. PPC represents nearly 100 public power and co-operative utilities across the Northwest. PPC’s members have a significant interest in improving Local Market Power Mitigation as they consider BPA’s possible participation in the EIM as well as their own. As BPA preference customers, all PPC members share an interest in BPA’s possible participation in the EIM, as they would be directly impacted by this.

Overview

Resolving issues of uneconomic default energy bids, flow reversal and economic displacement are vital if the EIM is going to successfully expand to include large amounts of additional hydro generation in the Northwest. CAISO staff has already observed that these issues deter both new entrants to the market and active participation in the market for existing EIM Entities.

PPC is actively involved in BPA’s ongoing evaluation of whether to join the EIM. PPC is concerned that if all the elements included in the Local Market Power Mitigation Draft Final Proposal are not adopted it will be untenable to support BPA’s participation in the market. BPA cannot risk having its resources depleted in ways that violate statutory or binding obligations or result in poor economic outcomes. Additionally, if BPA chooses to limit participation in the market due to inefficient dispatch, the result will impact the total value of participating in the EIM, potentially making it unfeasible to join.

PPC believes recent updates to the proposal are important to adequately valuing hydro generation and is supportive of the proposal as it stands.

Hydro Default Energy Bid

Among other positive changes made by CAISO staff in response to NW stakeholder input, PPC particularly appreciates improvements to the calculation of the default energy bid (DEB) for

hydro generators. Some of the key changes to the DEB include the addition of a gas floor based on a peaking gas resource and the ability for both long-term and short-term resources to elect multiple trading hubs.

These elements are essential to adequately valuing the opportunity costs of hydro resources and encouraging their participation in the market. The inclusion of multiple trading hubs is necessary to account for regional trading opportunities that generators are forgoing by being dispatched in the EIM. Northwest entities have made long-term investments on transmission rights to retain access to these bidding opportunities. Their energy and transmission are largely transacted as a bundled product and should be valued as such. If these resources are dispatched inefficiently in the EIM, there is limited opportunity to recoup transmission investments. CAISO staff correctly identifies the importance of this issue in their updated Draft Final Proposal.

As CAISO staff also notes, access to additional hubs, where the zero-carbon quality of hydro distinguishes it from generic energy resources, is an important component of the opportunity cost of participating in the EIM for hydro resources. In addition to its carbon benefits, the operational flexibility that hydro generation brings to the market is crucial to integrating additional renewables in the EIM footprint.

PPC thanks CAISO staff for their work on this issue and encourages them to continue to pursue the important improvements identified in their updated Draft Final Proposal. If you have questions regarding these comments, please contact Aaron Bush at 503-595-9778 or abush@ppcpdx.org.