

**PUGET SOUND ENERGY COMMENTS**  
**LOCAL MARKET POWER MITIGATION ENHANCEMENTS DRAFT FINAL PROPOSAL**  
**FEBRUARY 8, 2019**

Puget Sound Energy (PSE) appreciates the opportunity to provide the following comments on the Local Market Power Mitigation (LMPPM) Enhancements Draft Final Proposal (DFP) dated January 31, 2019. PSE believes that the DFP reflects significant progress by the California Independent System Operator (CAISO) and stakeholders to make these enhancements feasible for all market participants, and appreciates CAISO's efforts to incorporate feedback throughout the process. As such, PSE is pleased to support the elements of the proposal that pertain to the prevention of flow reversal, the new hydro resource default energy bid, reference level adjustments, and gas price indices. As discussed below, however, PSE requests additional clarification on the section of the proposal that pertains to economic displacement between mitigated balancing authority areas (BAAs).

In Section 6.1.2 of the DFP, CAISO proposes to prevent "economic displacement" by utilizing a rule that limits transfers between two Energy Imbalance Market (EIM) BAAs to a specified amount between the market power mitigation run and market run for a specific interval. However, the proposal is not clear about the allocation of congestion rents between the two BAAs. The proposal is also not clear about how the election of using the proposed rule in the Master File of the two EIM BAAs will influence the allocation of congestion rents. PSE believes that CAISO should provide this clarification in a clear and transparent manner (with supporting examples) since unfair allocation of congestion rent due to market mitigation can lead to the exercise of market power.