

Local Market Power Mitigation Enhancements October 10, 2018 Working Group Meeting

Chelan County Public Utility District's Comments¹ October 17, 2018

Chelan PUD, a consumer-owned utility in Washington, is an active participant in the bilateral, wholesale power markets in the West and a NERC-registered balancing authority. Chelan PUD operates three FERC- licensed hydropower projects generating approximately 10 million megawatt hours of clean, renewable, low-cost electricity annually.

Chelan PUD submitted comments on October 3, 2018 responding to CAISO's Local Market Power Mitigation Enhancements issue paper/straw proposal. Chelan PUD provides these supplemental comments in response to potential changes to the local market power mitigation proposal discussed during the October 10, 2018 working group meeting.

With respect to addressing flow reversal and economic displacement, Chelan supports eliminating rules that extend mitigation to future intervals or market runs, calculating the competitive LMP independently for each interval and improving the calculation of the competitive LMP. Further, since the EIM is a voluntary market, EIM exports used for economic displacement should not be mitigated.

With respect to the development of a use-limited DEB, Chelan supports CAISO adopting a DEB approach that recognizes the opportunity costs associated with multiple price locations and time horizons. During the working group meeting, Powerex presented preliminary analysis evaluating the impact of the straw proposal's DEB on different categories of hydro resources—short-term, medium-term and long-term. Powerex's analysis confirms Chelan's concern that a DEB comprised of day-ahead and month-ahead forward prices with a 10% adder does not adequately capture the opportunity cost associated with a short-term hydro resource's ability to shape its output to the highest-priced hours within a day. For short-term hydro resources, Chelan believes it is necessary to include a significantly higher multiplier coupled with a \$/MWh floor. Powerex's analysis also highlights that a hydro resource's opportunity cost is dependent, in part, on that resource's storage capability. Accordingly, Chelan PUD supports CAISO grouping hydro resources into categories based on their storage horizons and evaluating adopting a unique DEB formula for each category.

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¹ Chelan PUD supports the Public Generating Pool's October 17, 2018 comments.