

Aliso Canyon Gas-Electric Coordination Phase 3 Draft Final Proposal

Submitted by Dan Williams (dan.williams@pgn.com)

Portland General Electric Comments:

On October 1, 2017, PGE will become the fifth entity to join the Western EIM. At that time, PGE will begin managing its diverse generation and transmission assets according to the rules of the EIM, while also continuing to participate in the ISO's forward markets. As such, PGE has a vested interest in the price-formation, reliability, and flexible ramping policies of the ISO and Western EIM.

Role of Administrative Measures vs. Market-Based Solutions:

PGE wishes to reiterate its strong preference for the ISO to develop market-based solutions for managing supply constraints. PGE's merchant function has reliably and efficiently managed supply constraints related to gas delivery and availability for its thermal generation portfolio through market-based mechanisms for many years and would prefer to continue to do so while also participating fully in the EIM. The bidding rules of the EIM and the ISO's markets in general, however, challenge this ability as they unduly constrain market-based price formation and do not allow entities to incorporate the impacts of supply scarcity into their bids and offers with sufficient flexibility.

To remedy these legacy market design rules, PGE believes adequate resources should be deployed to work on a comprehensive set of bidding and price formation initiatives such that market-based solutions to supply and demand challenges facing the market can be developed and implemented in the near-term. PGE is concerned the current scope of the CCDEBE initiative and the enhancements likely to be proposed for implementation in 2018 will not add sufficient flexibility on their own or adequately address this growing problem. This is especially true with regard to the unique challenges faced by EIM participants who must manage their under-recovery exposure as related to providing energy and ramping service to entities outside of their area through real-time market LMPs. For the long-term health and viability of the EIM, it is critical that these entities be able to protect the value of their assets without resorting to removing them from participating in the EIM simply because the EIM design does not allow their true value to be expressed.

Extension of the Gas Constraint to the EIM Balancing Authority Areas:

Notwithstanding its comments above, PGE does not necessarily oppose the ISO's proposal to request permission from FERC to extend the gas-constraint management process to the individual EIM balancing authority areas. However, PGE believes this administrative measure needs to be characterized in the filing as a last-resort option, deployable for the specific purpose of maintaining system reliability during outlier events, and should not be presented in any way as an adequate cure for the price formation issues and required bidding enhancements outlined above that impact day-to-day market participation regardless of any specific operating condition.

PGE continues to have a number of questions related to the implementation and functioning of the constraint:

- What are the qualifying conditions for triggering the constraint management process, and who would make the determination as to whether certain conditions required, or allowed for, use of the constraint?
- What are the direct impacts to LMP of using this tool, and has the ISO developed specific examples?
- Does the use of this tool, and specifically the rules affecting settlement and pricing associated with it, undermine an entities ability to hedge their risk exposure in the market?
- Would use of this constraint within the EIM actually be on par with use of the constraint in the ISO's full market given there are gas-supply management and pricing aspects in this proposal that clearly do not apply to the EIM?
- Would not incorporating the impacts of the constraint into resource sufficiency evaluations undermine the value of that process given a unit's ability to provide flexible capacity is inextricably linked to it having sufficient fuel to operate?
- Would implementation of this constraint impact an entity's ability to meet their ancillary service requirements, which must be managed outside the EIM as they are not co-optimized or procured the way ancillary services are within the ISO?
- Why must all generators within a defined constraint be "participating" resources, and what are the impacts of this qualifier?

Finally, PGE requests the ISO and DMM discuss the process for establishing "appropriate" scalars under this proposal as applied to both the ISO and EIM areas. PGE finds DMM's signaling that the Aliso Canyon scalar should be set to zero a troubling indicator for how this constraint may in the future impact an entity's ability to manage its system and express a rational price that represents the true value of their generation under tight market conditions.