



2018 Draft Policy Initiatives Catalog
Public Generating Pool Comments
November 29, 2017

Public Generating Pool (PGP) appreciates the opportunity to comment on the California ISO's 2018 Draft Policy Initiatives Catalog (Catalog). PGP represents ten consumer-owned utilities in Oregon and Washington that own more than 6,000 MW of generation, 96% of which is carbon-free. PGP offers comments on four initiatives listed in the Catalog: (1) Day-Ahead Flexible Reserve Product, (2) Hourly EIM Resource Sufficiency Evaluation, (3) Intertie Deviation Settlement, and (4) EIM Default Energy Bid Options.

(1) Day-Ahead Flexible Reserve Product

PGP is pleased to see the addition of the Day-Ahead Flexible Reserve Product to the Catalog. In PGP's policy initiatives catalog submission, dated August 21, 2017, PGP proposed three specific market enhancements:

- Additional metrics to assess the flexibility needs of the system in the day-ahead, hour-ahead and real-time timeframes
- Market structure and financial incentives for flexible capacity to be set-aside in the day-ahead and longer-term time frames to meet real-time uncertainty
- Market rules that allow for all qualifying loads and resources – including imports – to be eligible as a day-ahead capacity product in addition to bids required from resources receiving flexible resource adequacy capacity payments.

We believe the description of the Day-ahead Flexible Reserve Product initiative captures the essence of our interests and covers our proposal when combined with the CAISO's Flexible Resource Adequacy Criteria and Must Offer Obligation Phase 2 (FRACMOO2) initiative currently underway. PGP requests for clarification on one aspect of the CAISO's description of the Day-Ahead Flexible Reserve Product - whether the day-ahead awards for upward and/or downward capacity would be hourly awards as they are currently for day-ahead awards for ancillary services.

(2) Hourly EIM Resource Sufficiency Evaluation

PGP requests clarification regarding two aspects of the Hourly EIM Resource Sufficiency Evaluation initiative description.

Powerex's Comments regarding accuracy

CAISO includes Powerex as one of the entities that suggested this initiative be added to the Catalog. However, in its submission form¹, Powerex's suggestions for enhancements to the resource sufficiency test differ greatly from those defined in the Hourly EIM Resource Sufficiency Evaluation initiative described in the Catalog. Powerex states clearly that they do not propose a stakeholder initiative to revisit the core premise or approach of the RS requirements in the EIM and they do not propose this stakeholder initiative depart from the core principle that failure of the RS test result in limiting of EIM

¹ <http://www.caiso.com/Documents/Powerex-SubmissionForm-2018PolicyInitiativesCatalog.pdf>

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transfers. Rather, Powerex proposed a stakeholder process to identify enhancements that will improve the accuracy of the RS test. In particular, Powerex proposed that the initiative (1) evaluate the accuracy of the values used by CAISO when applying the RS test to each EIM entity; and (2) reduce erroneous outcomes. The description for the Hourly EIM Resource Sufficiency Evaluation in the Catalog does not appear to include Powerex's proposal, nor does it make clear that Powerex's proposal to not make changes to the limiting of EIM transfers for failures of the resource sufficiency test directly contradicts the proposal of the other EIM entities to rely on the parameter price.

PGP is supportive of Powerex's proposal and requests the description of the Hourly EIM Resource Sufficiency Evaluation more clearly capture the elements of Powerex's proposal as stated in its submission form.

Removal of the Freezing of EIM Transfers for Resource Sufficiency Failures

PGP questions the need to revisit the practice of freezing EIM transfers when an EIM entity or the CAISO fails the resource sufficiency evaluation. The CAISO addressed this issue in its Stepped Constraint Parameters Straw Proposal dated February 28, 2017, in which it decided to not move forward with changes to the freezing of transfers due to limited stakeholder support for moving to a penalty approach². PGP reiterates the foundational principles for enforcement of resource sufficiency as stated in its May 26, 2016 comments³ on the ISO's Stepped Constraint Parameters Issue Paper:

- Resource sufficiency compliance should not be a discretionary economic alternative.
- The resource sufficiency enforcement framework should prevent leaning on neighboring systems or intra-hour markets for flexibility or capacity needs.
- Enforcement measures should provide prompt identification of resource sufficiency failure, and impose consequences that escalate with the frequency and/or severity of non-performance.

If the resource sufficiency test is producing erroneous outcomes, such as an EIM entity is resource sufficient but fails the RS test or an EIM entity is not resource sufficient but passes the RS test, the CAISO should make appropriate enhancements to the RS test itself to reduce erroneous outcomes rather than alter the consequences of failing the test, which can result in other unintended consequences.

Additionally, PGP agrees with the CAISO that if this initiative is added to the roadmap, the initiative should first begin with a stakeholder workshop to fully identify areas to address in the initiative.

(3) EIM Default Energy Bids Option

PGP supports exploring alternatives to calculating Default Energy Bids (DEBs). The three existing mechanisms may be appropriate for generating assets within the CAISO BAA. Generation located outside of the CAISO BAA can access multiple geographic markets. In particular, hydro-electric assets are energy limited and have opportunity costs that are complicated to model and calculate. PGP encourages the CAISO to explore an additional DEB method that is not overly complex and does not cause disincentives for hydro participation. Additionally, PGP encourages the CAISO to explore DEB frameworks used in other ISOs that may work for resources in the West.

² <http://www.caiso.com/Documents/StrawProposal-SteppedConstraintParameters.pdf>

³ <http://www.caiso.com/Documents/PGPComments-SteppedConstraintParameters-IssuePaper.pdf>

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(4) Intertie Deviation Settlement

PGP supports the CAISO addressing the issue of undelivered imports and exports. We encourage the CAISO to begin this initiative with analysis of root causes for undelivered imports and exports prior to proposing solutions. PGP recommends that a stakeholder process begin with analysis of root cause and an opportunity for stakeholder comment on potential solutions. PGP believes there are multiple options that could address the issue, such as requiring day-ahead e-tags for day-ahead market awards, which could help prevent delivery failures by ensuring physical supply is delivered to the CAISO.

High Priority Initiatives for 2018

PGP holds its detailed comments regarding some of the other initiatives listed in the Catalog until CAISO releases its 2018 Policy Initiatives Roadmap. However, PGP offers its support for the following discretionary initiatives to be included in the 2018 Roadmap:

- Day-Ahead Flexible Reserve Product
- EIM Default Energy Bids Option
- Multi-Year Resource Adequacy
- Extended Pricing Mechanisms
- Export Charges

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