

Portland General Electric (PGE) appreciates the opportunity to comment on CAISO's Third (3rd) Revised Straw Proposal on the Energy Imbalance Market (EIM) posted on August 13, 2013. We recognize the challenges that CAISO faces with implementing a market model that consists of many complexities and appreciates the efforts taken by CAISO during the stakeholder process. PGE continues to weigh many of the proposed concepts in this 3rd Straw Proposal, but would like to focus on the following at this time:

Stakeholder process, tariff framework and timeline

Under this new market design, PGE has concerns that the process is moving too quickly with an aggressive timeline that doesn't allow for many of its stakeholders to completely gauge and understand key EIM design concepts. Many stakeholders have expressed concerns related to resource sufficiency in the Day Ahead and Real Time market, flexible ramp sufficiency, transmission usage and cost allocation, uplift and neutrality allocations, CARB obligations and GHG emissions costs, etc. PGE proposes that CAISO take the time to layer in several technical workshops on key critical and independent concepts so that robust discussions can occur and influence the design process. Potential EIM entities would not want to be at risk of market disruptions, uncertainty, reliability and compliance issues, and unwarranted costs that could have been rectified during the planning and stakeholder process. With the current timeline proposed, PGE believes it is premature to start the tariff framework in a matter of a few weeks with the current state in mind. PGE suggests that the CAISO coordinate additional technical workshops that would lead to another revised straw proposal. PGE further believes that CAISO should provide stakeholders with an ample amount of time to evaluate and comment on the draft final proposal.

Cost Uncertainty

PGE does not yet have a clear understanding of the approximate cost of entry into the CAISO EIM. PGE would especially benefit from additional detail on what it would take to participate on the Balancing Authority (BA) side. For example, how many systems need to be installed and/or modified to enable participation? Would entities need to hire additional personnel, and if so, what types of personnel? How much back office work (reporting, settlements, etc.) would entities need to perform as a result of participation? Entities need to have a better understanding of the costs of participating in the EIM in order to accurately assess the potential value to the entity of participating in the EIM.

Governance

PGE looks forward to receiving more detail on the proposed governance structure and timeline for the CAISO EIM. While PGE understands some of the potential benefits of the two-step process described in the August 13 Governance Proposal, PGE believes entities would benefit from more detail on the specific authority (and any limits) associated with the Transitional Committee established under the CAISO's current Bylaws. Additionally, PGE believes the CAISO should consider adding safeguards early in this process to the independent governance structure to ensure that the independent structure does not result in fundamental changes to the EIM structure developed through the stakeholder process. Certain fundamental changes could be subject to a higher approval threshold, for instance. Entities would benefit from some certainty on fundamental governance matters before getting too far into the market design process.

Dynamic Transfer Functionality

To foster optimal EIM functionality, PGE understands that dynamic transfer would be necessary to allow for greater access to external sources and sinks in its market model. It has been stated that there are limitations to this dynamic transfer and that the transfer capability limits are imposed by BPA. Can CAISO comment on how some of these restrictions may be removed in order to encourage potential EIM entities to participate? In Section 3.3.8, it states, *“The EIM will not support dynamic transfers with external BAAs unless there are pre-existing dynamic schedules or pre-existing pseudo-ties registered as EIM Participating Resources.”* PGE would like clarification on these pre-existing dynamic schedules and whether or not CAISO will only allow for dynamic transfers within the EIM model. Currently, BPA has a dynamic pilot in place that allows for sub-hourly adjustments of Variable Energy Resources to CAISO and would like to know if CAISO expects to expand on this pilot outside of the EIM construct.

Over-scheduling and certification

In Section 3.3.11, *“the EIM Participating Resource Scheduling Coordinator must be certified by the Market Operator to use its own forecast for scheduling and can be decertified due to poor forecast accuracy and/or strategic scheduling that undermines market efficiency”*. Can CAISO elaborate on what this certification process will look like and what metrics will be used to determine forecast accuracy? PGE would also like to reiterate the concerns of over-scheduling, particularly overstating VERs forecasts and would suggest that CAISO look into a balanced solution so that EIM entities cannot take advantage of the EIM market whether they are under-scheduling load or over-scheduling generation.

Greenhouse Gas Adder

PGE seeks greater clarity on the GHG adder that can be bid in by the Participating EIM Resource and how it will be accounted for in the EIM. Although a GHG bid adder may be placed on a participating resource, this still prevents an entity outside of California from managing the surplus energy being sent to an EIM. If the unit was dispatched to meet loads outside of California, the adder would not be applicable. If the units were dispatched into California then PGE would want the carb adder to be included in the dispatch price. The GHG adder would send an artificial price signal to energy that may not even transfer into California. How will this adder be extracted from the price when energy only flows into an EIM BAA?

PGE appreciates having the opportunity to comment on the 3rd Revised EIM Straw Proposal and looks forward to CAISO’s comments to its stakeholders and encourages CAISO to continue with additional technical workshops and stakeholder meetings. These intricate EIM concepts need to be closely examined so that potential EIM participants have the time and opportunity to weigh in and understand the impacts of a new market model.