

**PGE Comments on the  
CAISO Energy Imbalance Market Year 1 Enhancements**

*February 25, 2015*

PGE appreciates the opportunity to comment on CAISO's Energy Imbalance Markets Year 1 Enhancements, based on the Draft Final Proposal posted on February 11, 2015 and the meeting in Las Vegas, Nevada on February 18, 2015. We recognize the complexity of developing the EIM framework within the context of CAISO's existing market structures. PGE hereby comments on the following topics at this time:

Settlement of Non-participating Resources:

PGE supports CAISO's efforts to align the EIM and ISO markets so that resources in both markets are treated equally. However, PGE requests a specific example of how the CAISO will calculate the average imbalance energy and bid-cost recovery for a particular non-participating resource.

Additionally, CAISO states that

*The EIM entity's OATT should not restrict the ISO settlement of imbalance energy if an EIM entity is using the locational marginal price for settling EIM non-participating resources. The OATT must recognize the instructed imbalance energy from the energy categories above will occur based upon the operational characteristics of the non-participating resource.*

PGE recognizes that the EIM entity's OATT must align with the CAISO's settlement practices; however, utilities are also obligated to conform to State requirements, including PURPA obligations.

PGE is concerned that this framework could result in a cost transfer to the EIM Entity from non-participating resources. PGE asks that CAISO consider the multifaceted obligations that an EIM Entity must meet when developing these requirements.

Green House Gas (GHG) Flag and Cost Based Bid Adder:

PGE appreciates CAISO's efforts to develop a flexible mechanism for the GHG adder to indicate deliverability into the CAISO. While the bid-based GHG proposal represents a significant improvement over the status quo, PGE is still concerned that it does not provide sufficient protection against unintentional dispatch into the CAISO. PGE would prefer for the deliverability "flag" to be specified in the Master File. This would ensure that resources that cannot be exported out of the State for operational or regulatory restrictions would not be unintentionally dispatched under a contingency event or exceptional dispatch scenario. PGE requests that the CAISO consider providing the option to either flag hourly, or provide an input into the Master File. This would provide entities with certainty that a resource that is legally restricted from delivering into the CAISO will never be accidentally dispatched.

Management of EIM Transfers and Intertie Scheduling Limits

PGE supports a flexible framework that allows parties to maximize benefits of participation in the EIM; however, PGE remains concerned that the use of ATC on the AC intertie for EIM transfers could create seams issues and/or market disruptions. PGE recognizes that different solutions are needed for EIM participants to maximize their own benefits, but these solutions must be considered within the context of the broader market. For example, solutions that work well for EIM Entities that are contiguous to the CAISO such as NV Energy may not work as well for EIM Entities that rely on contractual rights over third party transmission. PGE encourages CAISO to continue working with BPA, the path operator, and other co-owners of the AC Intertie to identify agreeable solutions, and recommends that the CAISO convene a regional technical workgroup to bring these parties together in the same forum.

### EIM Transfer Costs

PGE supports CAISO's efforts to maximize the efficiency of the transmission system. However, PGE is concerned that the proposed approach would use an administrative structure to select one transmission path over another. This could create the perception of one transmission provider receiving preference over another.

Additionally, PGE would like to better understand the long-term implications of this approach, particularly if it could be developed into a tool for transmission compensation. PGE requests that CAISO provide stakeholders with additional examples of how this structure would be implemented.

### Import/Export Deviations and the Resource Sufficiency Evaluation

PGE supports CAISO's work to improve the resource sufficiency evaluation, particularly the utilization of actual operating data to establish requirements. However, PGE is concerned that basing the requirements for both flexible ramping and the import/export deviation on the previous month's data may not be good predictors of the current month's operating conditions. Additionally, this approach may not provide the granularity needed to reflect the seasonal and regional differences experienced by entities in the EIM footprint. In order to capture the seasonal variability and represent the actual operational experience, CAISO should consider expanding the data set to a timeframe that is more representative of the operational variability. This could include extending the data set to cover an entire year, on-peak/off-peak calculations, or another metric that more accurately reflects the portfolio variance of the EIM Entity.

PGE suggests that this topic would also benefit from a regional technical workgroup that includes both EIM participants and non-participants. This would help CAISO develop solutions that include the operational protocols of 3<sup>rd</sup> party transmission providers whose systems are impacted by EIM transfers. This would also help EIM participants reduce the charges that result from 3<sup>rd</sup> party initiated schedule curtailments.

Finally, PGE understands that CAISO must sequence the proposed market design changes; however, PGE believes that getting the resource sufficiency evaluation right is a cornerstone of a good market design. PGE would prefer to see the framework for the Resources Sufficiency determination captured in the CAISO tariff, with technical details in the Business Practice Manual.

### Administrative Pricing Rules

PGE supports the development of clear and realistic administrative pricing rules to promote transparent pricing during market disruptions specific to the EIM. However, PGE would appreciate more clarity around the components that are used to calculate each EIM Entity's "proxy price" during EIM market disruptions, and its relationship to the EIM Entity's OATT. If liquidity in the market underlying the various real time index prices declines as more entities join organized markets, what alternatives are available to develop the proxy price? PGE requests that CAISO provide more information on how the proxy price will be developed, including the regulatory approval process.

### EIM Administrative Charge

PGE generally supports the proposal changes to the EIM administrative charge as it increases the alignment of EIM charges with the actual costs incurred. However, PGE is concerned that there is no mechanism to address refunds in the event of an overcharge. PGE suggests the CAISO Administrative Charge be updated, positive or negative, on a quarterly basis when the CAISO updates their EIM Entity rates.

### EIM Scheduling Timing and Use of Sub-Hourly OATT Rights In Adjacent Markets

PGE is concerned about the timing of CAISO's EIM market windows and those of adjacent markets, particularly the timing of intra-hour scheduling between systems. This capability was expressly promoted by FERC under Order 764 as a way to enhance reliability and efficiency in operations and Western Balancing Authorities and Transmission Service Providers have been working diligently to harmonize business practices over the past few years specifically to reduce transactional friction and allow for more consistent scheduling of OATT rights across multiple providers' systems.

PGE has been a strong supporter of the efficiencies that can be gained from sub-hourly scheduling across a wide geographic footprint and encourages the CAISO to work with stakeholders on these issues. PGE believes business practices within the CAISO EIM should be aligned with non-EIM OATT-governed practices to promote broad use of 15-minute scheduling across the Western markets. We would welcome the opportunity to work with the CAISO on that initiative.