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California ISO

Subject: EIM Year 1 Enhancements Draft Final Proposal

The Public Generating Pool (PGP) appreciates the opportunity to comment on the California ISO Draft Final Proposal entitled Energy Imbalance Market Year 1 Enhancements dated February 11th, 2015 (Draft Final Proposal). PGP is a trade association comprised of 11 consumer owned utilities in Oregon and Washington. Four of the PGP members own and operate Balancing Authority (BA) Areas, six reside in the Bonneville Power Administration (BPA) BA, and one resides in a Northwest IOU BA. PGP members have an interest in the impacts that the ISO's current and proposed rules have on adjacent transmission systems, specifically the BPA transmission system. PGP finds many issues identified in the Draft Final Proposal impact adjacent systems. As a result, PGP asks that the ISO specifically engage with Northwest entities to identify and address these issues through an ongoing and collaborative process aimed at supporting the various needs of those BAs operating in the West.

COORDINATION WITH PACIFIC NORTHWEST ON SEAMS ISSUES

Managing a BA is a complex activity and no BA is entirely insulated from the rules and practices of an adjacent system. PGP members are concerned about the potential impacts to neighboring systems associated with the expanding ISO footprint through its EIM. These concerns are highlighted through a number of topics and proposed resolutions identified in the current Draft Final Proposal and topics being considered for Phase 2 of this process, including:

- Use of ATC for EIM transfers
- Enforcement of EIM transfer limits
- Bidding rules on external EIM inerties

As a specific example, the proposed use of ATC for EIM transfers and enforcement of intertie scheduling limits are ISO rules that will impact neighboring transmission systems. The ISO has evolved in a way that does not require a distinction between firm and non-firm transmission within the ISO. Instead, the ISO market optimization for the fifteen minute and real-time markets ensures that energy schedules are within the transmission path limits of the system. All economic bids therefore compete equally for available transmission without regard to transmission priority on non-EIM entity systems. The Draft Final Proposal indicates that the ISO is proposing to extend that practice to the EIM by allowing NV Energy to dedicate ATC and dynamic capability for EIM purposes prior to the close of the transmission scheduling window.

Conversely, Pacific Northwest bilateral markets do recognize firm transmission as having priority over non-firm transmission. Therefore, Pacific Northwest transmission service providers have developed tariffs and revenue recovery strategies around that principle. In turn, transmission customers are incentivized to make long-term investments in reliance on the priority of firm transmission over non-firm transmission.

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As a result, the ISO award system does not respect the priority of firm transmission over non-firm transmission on external transmission systems. This exemplifies a practice within the ISO that is not consistent with Pacific Northwest transmission practices and is therefore disruptive to the revenue recovery strategies in place with Pacific Northwest Transmission Service Providers.

Presumably this impact on Pacific Northwest entities is an unintended consequence and therefore we assume that the ISO would be willing to make attempts to minimize negative effects on its neighbors. For this reason, PGP proposes that the ISO establish a forum designed to specifically engage entities that own or operate adjacent transmission systems to the ISO. Such a forum would be specifically aimed at addressing the seams issues such as those listed above. Such coordination could harness our combined interests to ensure the most efficient and cost effective service for all retail customers in the West.

CONCLUSION

The electric system in the West has worked together successfully for many years and it is PGP's objective that this tradition continue for many more. However, given the ISO's expansion and the shifting rules and practices between adjacent systems there is a threat for disruption that will create unnecessary winners and losers between systems. A forum designed to host a conversation to identify and address seams related issues could help to avoid such an outcome and instead lead to an enhanced working relationship among transmission service providers within the Western electric system.

Thank you for the opportunity to comment. The PGP members look forward to the ISO's response and offer their assistance in exploring the appropriate timing and venue for such a conversation.

Sincerely,



Therese Hampton
Executive Director, Public Generating Pool

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