



**PACIFICORP'S COMMENTS ON THE
EIM YEAR 1 ENHANCEMENTS
FEBRUARY 11, 2015
DRAFT FINAL PROPOSAL**

I. INTRODUCTION

PacifiCorp hereby submits the following comments to the California Independent System Operator Corporation ("ISO") for its Energy Imbalance Market ("EIM") Year 1 Enhancements Stakeholder Process on the Draft Final Proposal dated February 11, 2015 ("Draft Final Proposal"), including discussion from the February 18, 2015, stakeholder workshop. PacifiCorp appreciates the opportunity to provide these comments on this initiative for the ISO's consideration.

II. COMMENTS

A. Settlement of Non-Participating Resources

In its Draft Final Proposal, the ISO determined upon further review that an ISO tariff modification is *not* necessary to align imbalance energy settlement of EIM non-participating resources with the imbalance energy settlement of ISO resources, which receive FMM Price settlement for FMM schedule changes as instructed imbalance energy to account for operational ramping characteristics. PacifiCorp supports the further proposal but requests that the ISO 1) confirm that an ISO tariff modification is *not* necessary to achieve this settlement result (there appeared to be contradictory ISO views expressed on this issue during the stakeholder workshop), 2) apply the calculation effective November 1, 2014, and 3) clarify that "operational ramping characteristics" should be considered "physical changes" to an EIM non-participating resource, in which case PacifiCorp should similarly not need to make a tariff modification to achieve this settlement result.

B. GHG Flag and Cost Bid Adder

The ISO states in its Draft Final Proposal that it has revised its greenhouse gas ("GHG") flag proposal to provide additional flexibility, based on stakeholder feedback and the ISO's compliance with the Federal Energy Regulatory Commission's ("FERC") directives in its June 19, 2014, order approving the EIM design. The ISO modified its proposal to allow an EIM participating resource to submit a GHG bid segment, independent of its energy bid range, which will create a "flag" when the GHG bid segment is zero. Each hour, an EIM participating resource will submit a single MW quantity and price at which the resource is willing to be deemed

delivered to the ISO. The GHG bid is independent of the energy bid range of the resource, effectively creating a “flag” during intervals when the GHG bid segment is zero. PacifiCorp continues to support this proposal.

The ISO has also modified the allowed cost-based bid adder proposal. The ISO proposes to calculate a maximum allowed daily bid price based on the resource's highest heat rate and the GHG compliance obligation costs. PacifiCorp understands that in each hour, the EIM participating resource bid must be either less than or equal to the daily maximum allowed price. The ISO has clarified that a Scheduling Coordinator can bid on an hourly basis less than its daily maximum GHG bid. In addition, if a MW quantity is submitted, but no price, the daily maximum GHG bid will be used by default. PacifiCorp supports this proposal.

PacifiCorp also understands that an EIM participating resource can request that a portion of the resource's output be subject to the flag. PacifiCorp further understands that this is not directly related to the dispatch, unless the amount the participating resource is producing is below the MW bid. For example, assume the participating resource has the following market characteristics and dispatch:

100MW PMax
50MW PMin
Base schedule 75MW
Energy bid range 50MW to 100MW
GHG Bid 10MW
Energy Schedule/dispatch = 50MW

In this example, as long as the resource is generating above 10MW, then the maximum GHG award it can receive is 10MW. This will always be the case because the PMin is above the GHG bid MW. PacifiCorp agrees with and supports this feature of the proposal.

C. Enhancement to the Resource Sufficiency Evaluation

In its evaluation of resource sufficiency, the ISO has proposed to consider differences between submitted base schedules at T-40 and actual e-tag values at T-20, allowing the ISO to determine if the EIM Entity is EIM participating resource sufficient during the given operating hour. The ISO also proposes to develop a monthly probability for hourly imports and exports tagging different values. PacifiCorp reiterates as it did during the last stakeholder workshop that it is not comfortable with the proposal to use prior-month tagging data to inform the resource sufficiency evaluation. Prior-month tagging data is not representative of the seasonal nature of transaction types and volumes in PacifiCorp's BAAs. Ideally, seasonal tagging data would be utilized for this purpose. In the absence of an established data set, PacifiCorp suggests that tagging data from

a period much closer to real-time be used and refreshed on a rolling basis. PacifiCorp understands the ISO has responded that this would provide insufficient time for the EIM Entity to increase the bid range from participating resources which could result in additional failures of the resource sufficiency evaluation. PacifiCorp nevertheless reiterates its desire for a solution that does not rely on prior month data. PacifiCorp requests that the ISO revise the details of this proposal, which could be done through its business practice manual.

PacifiCorp supports the ISO's proposal to also perform the resource sufficiency evaluation on the ISO's BAA.

D. Mandatory 15-Minute Bidding on Intertie Scheduling Points

PacifiCorp supports the ISO's decision to defer this proposal to Phase 2 of the initiative and intends to actively participate in the stakeholder process on this matter. PacifiCorp clarifies that, if it decides to implement 15-minute bidding on intertie scheduling points through a tariff filing to be made effective sooner than the conclusion of the Phase 2 process, it will not be prevented from doing so.

E. Establishment of EIM Transfer Limits Using ATC

The ISO proposes to settle deviations for participating imports and exports directly with the EIM participating resource scheduling coordinator ("SC"). For non-participating intertie schedules, the ISO proposes to settle the deviations directly with the EIM Entity SC, and the EIM Entity will then sub-allocate those settlements in accordance with its open access transmission tariff ("OATT"). PacifiCorp understands that the ISO will provide the EIM Entity with all necessary settlement data to pass the settlements through to non-participating customers. PacifiCorp supports this proposal.

To effectuate the proposal, the ISO has proposed that between EIM BAAs, each EIM Entity will create an export tag. Between the ISO and an EIM Entity, the EIM Entity will create both the import and export tag. Multiple tags can be created per intertie scheduling point (for example, tags for a 15-minute static schedule or two dynamic schedules, etc.). While PacifiCorp understands the need for an entity to create both an import and an export tag in order to effectuate EIM Transfers, PacifiCorp would note that typical western scheduling protocol is for the purchaser in the sink BAA to create the tag. PacifiCorp acknowledges that EIM implementation in this regard is unique and may require unique solutions. For example, BAAs do not create tags, but this has been proposed for utilization of ATC for EIM Transfers and is needed to effectuate this market mechanism. PacifiCorp would also caution the ISO that its underlying assumption for this component of the proposal is that capacity amounts will always be exactly matching on either side of an EIM interface. PacifiCorp's experience is that this is not always the case. For example, there is a constraint south of Malin which is not present north of

Malin and which needed to be taken into account for EIM Transfers across this particular interface. While this example did not involve utilization of ATC for EIM Transfers, it is nevertheless illustrative of the possibility of capacity differences across interfaces.

F. Modification of the EIM Transfer Limits

In its effort to modify EIM Transfer limits, the ISO is proposing to implement an "EIM transfer cost" described as an "intertie transmission cost." The ISO determined that this cost will effectuate the market optimization to place a higher priority on the most optimal path over less optimal paths. The ISO further submits that this cost will minimize the number of e-tags that must be updated and will reduce the complexity of settling the financial value of the EIM Transfer used for neutrality calculations. In its previous comments, PacifiCorp expressed concern about the impact of this EIM Transfer cost on the locational marginal prices ("LMP"). PacifiCorp appreciates the ISO's clarification that the EIM Transfer cost will be reflected in the LMP only if an individual EIM Transfer limit is binding, or if the cost influences the market dispatch, consequently affecting the LMP. PacifiCorp understands that the cost is intended to be of such small magnitude that it is not expected to cause a binding constraint.

PacifiCorp's understanding is that the ISO proposes that EIM Entities will work in consult with the ISO to determine priority levels of EIM Transfer optimal intertie paths using several factors, including:

- Direct paths will have higher priority over indirect paths.
- Paths that 5-minute scheduling is allowed on will have higher priority over paths that only 15-minute scheduling is allowed on.
- Paths with firm transmission will have higher priority over paths with non-firm transmission
- Paths that experience with less-frequent curtailments will have higher priority than paths with more-frequent curtailments

During the last stakeholder workshop, PacifiCorp expressed concern about discretion provided to EIM Entities to determine priority levels of EIM Transfer optimal intertie paths in consult with ISO. Priority setting in this manner could potentially result in higher levels of tagged EIM Transfers over the designated paths. As such, while PacifiCorp understand the ISO's need to modify the market design so that optimal EIM Transfer paths can be identified and then tagged for EIM Transfers, PacifiCorp continues to be concerned about the manner in which it will be asked to contribute to setting priorities among various commercial paths. As an EIM Entity, PacifiCorp requests clear guidance on this issue, preferably using methods reviewed and endorsed by the Department of Market Monitoring if that is deemed appropriate.

PacifiCorp appreciates the ISO's clarification during the stakeholder workshop that this proposal will facilitate multiple EIM Transfer interfaces on a single path (i.e., where *two* EIM interfaces are needed for one path interface to account for materially different EIM Transfer mechanisms, capability, commercial or operational considerations).

As a point of clarification, PacifiCorp notes that the bullet in the ISO's presentation that states "Paths with firm transmission will have higher priority over paths with non-firm transmission" could cause confusion. PacifiCorp's understanding of this bullet is that an EIM Entity might indicate priority for an EIM Transfer path that is utilizing an Interchange Rights Holder mechanism to facilitate the transfers because this mechanism relies on underlying firm transmission rights made available to the EIM. By contrast, a lesser priority might be assigned to an EIM Transfer path that is utilizing the proposed ATC mechanism to facilitate the transfers because these transfers are not affiliated with underlying firm transmission rights.

G. Allocation of Congestion Neutrality on EIM Internal Interties

PacifiCorp appreciates and strongly supports the ISO's proposal offered at the February 18, 2015, stakeholder workshop to modify allocation of congestion neutrality so that 100% will be allocated to EIM Entities which provide transmission for EIM Transfers to, but not across, an intertie scheduling point. As previously stated in PacifiCorp's last set of comments, under these circumstances, the allocation should not be based upon a 50/50% assumption. PacifiCorp requests that the ISO address and implement a fix for this issue as soon as possible, and preferably back to November 1, 2014, despite this issue being included as part of "Phase 2". This issue is material to PacifiCorp, is based upon an erroneous assumption, and should be corrected without delay.

H. Administrative Pricing Rules

PacifiCorp continues to support the ISO proposal to use the EIM Entity OATT approved price used for market suspension in the event that FMM or RTD prices are not available. PacifiCorp understands that the ISO will make a change in its tariff providing that when both FMM and RTD prices are not available in the EIM, for each EIM Entity, the ISO will use that EIM Entity's pricing for market suspension established in the EIM Entity's OATT.

I. EIM Administrative Charge

PacifiCorp supports the ISO's proposal to redesign the EIM Administrative Charge to mirror the existing ISO grid management charge to ensure all market participants are charged the same cost for the same real-time market services. While PacifiCorp recognizes and acknowledges that the ultimate amount charged under this proposal will in large part be dictated by actual imbalance

volumes, PacifiCorp emphasizes the importance of the quarterly review and adjustment process to ensure that PacifiCorp does not over-pay. Accordingly, PacifiCorp reiterates its recommendation that the ISO perform an analysis prior to the implementation of the redesign using actual historic EIM imbalance volumes to confirm that the redesign will not also result in market participants being charged amounts in excess of what is anticipated. If this analysis confirms a continued over-collection from market participants then PacifiCorp would recommend that the interim rate design stay in effect until the next ISO cost of service study is completed or a preemptive quarterly adjustment is put in place prior to the redesign going into effect.

J. Flexible Ramping Constraints BAA Combinations

PacifiCorp recognizes the ISO's need to limit the flexible ramping constraint combinations and enforce one constraint in each EIM BAA and one system-wide constraint for the combination representing all EIM Entities and the ISO, beginning with the addition of NVE as a new EIM Entity. PacifiCorp reiterates its request that the ISO provide additional information about how this proposal could potentially relate to calculation of EIM benefits and if there is a connection between the reduction of possible flexible ramping constraint combinations and diversity benefits accruing in the EIM or value to PacifiCorp of offering resources used to resolve constraints in other EIM Entity BAAs.

PacifiCorp has also identified an issue regarding the number of ramp rate segments currently allowed for its coal multi-stage generators ("MSG"). In order to provide sufficient ramp time in between cycling coal resources through mill points, more ramp rate segments are required than what is currently allowed in the ISO's tariff. Increasing the number of ramp rate segments will enable these resources to provide more accurate ramp rate data to the ISO through mill point levels. Transitioning through up to three mill points requires six segments; the ISO's tariff section 30.7.7 currently allows for "up to four segments." PacifiCorp requests that the ISO address this issue during Phase 2 of the EIM Year 1 Enhancements initiative.

III. CONCLUSION

PacifiCorp appreciates the ISO's consideration of these supplemental comments and understands that the ISO plans to present its proposals to the ISO's Board of Governors for decision at its March, 2015 meeting.