

Western Energy Imbalance Market — Regional Issues Forum

Meeting Summary of August 27, 2019

Introductions & RIF Business:

- The RIF liaison Officers Presiding:
 - Therese Hampton (Public Generating Pool), Chair
 - Matt Lecar (Pacific Gas & Electric), Vice Chair
 - Suzanne Cooper (Bonneville Power Administration), Secretary
- RIF liaisons in attendance:
 - Jennifer Gardner (Western Resource Advocates) – Public Interest/Consumer Advocate Sector
 - Pam Sporborg (Portland General Electric) – Transmission Owning Utility Sector
 - Tony Braun (California Municipal Utilities Association) – Publicly Owned Utility Sector
 - Clay MacArthur (Deseret Power) – Publicly Owned Utility Sector
- Agenda Items:
 - Oregon Carbon Policy Office update on the state’s efforts to establish a greenhouse gas (GHG) cap and trade program;
 - The RIF-liaison draft carbon workshop summary document;
 - Avista Energy’s (Avista) decision to join the EIM;
 - Bonneville Power Administration’s (BPA) decision process to join the EIM;
 - The EIM Entities’ Extended Day Ahead Market (EDAM) “feasibility assessment”; and
 - The CAISO’s system market power analysis.
- All meeting agendas and presentation materials may be found at <https://www.westerneim.com/Pages/Governance/RegionalIssuesForum.aspx>
- The next RIF meeting will be held on December 3, 2019, in Las Vegas, Nevada and will be held the day prior to a scheduled EIM Governing body meeting, also in Las Vegas.

Topics Discussed:

Oregon Carbon Policy

- Kristen Sheeran from the Oregon Carbon Policy Office presented an update on Oregon’s efforts to establish a cap and trade program. The effort did not advance in the 2019 session; however, Kristen suggested that it will likely be brought up again in 2020 without substantive changes to the electricity sector. Despite the short 2020 session, it is believed that all the effort to date will help it succeed when it is brought up again.
- While a “100% clean energy” bill has been raised, Oregon has already worked on sector-based approaches. The electricity sector is largely on track given SB 1547 (no coal, 50% RPS) and hydropower. The focus needs to be on broader solutions that include transportation and other sectors as well. The Governor’s preferred path remains cap-and-trade.

Review of June 2019 RIF Carbon Workshop Summary Document

- The RIF reviewed the draft summary document developed by the RIF Liaisons to capture key issues identified and discussed during the June 18, 2019 RIF Carbon Workshop. Stakeholders support the development of the summary document and to also continue using the RIF venue to engage on these issues.
- Written comments on the summary document are requested by September 20, 2019. The Market Notice requesting comments may be found at:

<https://www.westerneim.com/Documents/WesternEIMRegionalIssuesForumCarbonWorkshopSummaryPostedCommentsDue092019.html>

Presentation from Avista on Decision to Join the EIM

- Avista provided an overview of its decision-making process that resulted in a target EIM go-live date of April 2022.
- Avista did not face the same needs and risks as others who joined the EIM earlier in its existence, but with increased renewables penetration, reduced liquidity in the market and most of its neighbors either having joined or planning to join the EIM, it decided to move forward and join as well. Avista's cost benefit analysis also showed positive benefits to joining the EIM.

Presentation from BPA on Decision Process to Join the EIM

- BPA provided a general overview of its stakeholder process, consisting of 5 phases leading to its final decision whether to join.
- BPA is reviewing stakeholder comments on its "letter to the region", and will be issuing a record of decision in September 2019 on whether to sign an implementation agreement with the CAISO and continue with subsequent phases of its decision process.
- BPA is working with the CAISO and others to explore a March 2022 go-live date in order to alleviate concerns that EIM implementation could jeopardize fish operations on the Federal Columbia River Power System if done on the normal April go-live schedule.

Presentation on the Extended Day-Ahead Market (EDAM)

- Sarah Edmonds, Portland General Electric, presented an EIM Entity activity update on the potential EDAM effort. The EIM Entity "feasibility assessment" is a due-diligence exercise to establish if it makes sense for the EIM Entities to support the CAISO initiating a formal stakeholder initiative to explore market design options. Even with a simplified market design and scope (vs. full regional market scope), there are significant regulatory and stakeholder considerations to engage in through a public process.
- Completion of the feasibility assessment is targeted for 3rd quarter 2019. At this point, the assessment has focused on energy-only benefits. Parts of the assessment will likely need to be revisited following the CAISO stakeholder initiative that will help to inform individual entities' decision on whether to join the EDAM under the market design that results from the public process.
- The EIM Entities are still discussing the timing of and how the feasibility assessment results will be released.

Panel Overview of System Market Power Analysis

- CAISO:
 - The CAISO is concerned that metrics indicate growing uncompetitive conditions in the CAISO BAA at a system-level, and as a result, is evaluating whether it would be appropriate to apply system-level market power mitigation.
 - EIM balancing areas outside the CAISO are already subject to system-level market power screens that assume the CAISO energy price is competitive.
 - When market conditions are structurally uncompetitive, suppliers may be able to exercise market power and raise energy prices by withholding supply from the market.
 - Potential policy development would not change the existing EIM market power mitigation design.

- A stakeholder working group meeting will take place in September, followed by a Market Surveillance Committee meeting in October.
- CAISO's full presentation may be found at:
<https://www.westerneim.com/Documents/Presentation-SystemMarketPower-CAISO.pdf>
- The Gridwell Consulting (WPTF):
 - The CAISO's Residual Supplier Index (RSI) results are not a conclusive indicator of market power. RSI is a common metric to predict uncompetitive market conditions—it is a screen, not a conclusive indicator. Additional metrics are needed to determine if all conditions necessary for market power to be exercised exist.
 - RSI is overly conservative if used as a sole screen.
 - Mitigation should not degrade the quality of price signals.
 - Inaccurate mitigation has implications on the west-wide energy markets.
 - Several bigger picture concerns warrant further consideration.
 - WPTF's full presentation may be found at:
<https://www.westerneim.com/Documents/Presentation-SystemMarketPower-WPTF.pdf>
- Powerex:
 - Elevated prices can be an indicator of different challenges—with different solutions.
 - CAISO's day-ahead locational marginal prices (LMP) within the CAISO have been consistent with external bilateral prices.
 - Discussion of methods to prevent/mitigate market power should be balanced with broader examination of efficient market outcomes.
 - Powerex's full presentation may be found at:
<https://www.westerneim.com/Documents/Presentation-SystemMarketPower-Powerex.pdf>
- Pacific Gas & Electric (PG&E):
 - Its analysis of market results in 2017 and 2018 supports its assertion that non-competitive pricing is becoming an increasingly serious issue and likely extracting excess rents from ratepayers.
 - System market power mitigation should include the principles of maintaining efficient dispatch and just and reasonable prices.
 - PG&E proposes that this effort include the objectives of (1) a stakeholder-vetted metric for measuring the existence of market power; and (2) an evaluation of different mitigation measures, with an ultimate selection based risks and benefits.
 - PG&E's full presentation may be found at:
<https://www.westerneim.com/Documents/Presentation-SystemMarketPower-PGE.pdf>