Local Market Power Mitigation Enhancements
Revised Straw Proposal

Chelan County Public Utility District's Comments[1]
December 7, 2018

Chelan PUD, a consumer-owned utility in Washington, is an active participant in the bilateral, wholesale power markets in the West and a NERC-registered balancing authority. Chelan operates three FERC-licensed hydropower projects generating approximately 10 million megawatt hours of clean, renewable, low-cost electricity annually. Chelan submits these comments in response to CAISO's Local Market Power Mitigation Enhancements Revised Straw Proposal, published on November 16, 2018.

Chelan PUD is currently not participating in the Western EIM but follows EIM development closely. CAISO's existing market power mitigation framework—and the resulting inappropriate mitigation of out-of-state hydro—is one factor that discourages Chelan from joining the EIM. Overall, Chelan is encouraged by the November 16th straw proposal and appreciates CAISO's receptiveness to the NW hydro owners' concerns. From Chelan's perspective, the calculation of the hydro default energy bid requires additional changes to accurately reflect the opportunity costs associated with hydro resources, in particular NW hydro resources with shorter-term storage capability. Chelan requests CAISO consider the following additional modifications to its DEB analysis and proposal.

Perform additional scalar analysis using Powerdex pricing—

Chelan requests CAISO repeat its scalar analysis using the Powerdex bilateral hourly index as an alternative to historical PACW EIM pricing. Chelan believes the Powerdex hourly index is likely a better proxy for future EIM prices than PACW, particularly as the EIM footprint continues to expand. CAISO's previous analysis using PACW pricing supports the need for an adder higher than 35% for some resources with one month or less of storage.[2] Chelan believes the additional analysis using Powerdex pricing will further highlight the need for a higher adder for resources with one month or less of storage, if the elements of the DEB equation remain unchanged.

Increase the efficient dispatch target—

Chelan requests CAISO focus on an efficient dispatch target higher than 95% in evaluating the adequacy of various scalars. Particularly in a voluntary market designed for optimization, the notion that a hydro resource might have its water inefficiently depleted 5% of the time (potentially up to the equivalent of 18.25 days a year) is problematic. Inefficient dispatch is problematic for hydro resource owners because having water used and reservoirs depleted

[1] Chelan PUD supports the Public Generating Pool's December 7, 2018 comments.

[2] CAISO's analysis demonstrated that a resource that has one month of storage with 10% energy availability requires an adder of at least 65% for that resource to potentially be dispatched efficiently 95% of the time. Straw Proposal at page 32.

during time periods the resource owner would otherwise not chose to generate can impact the resource owner's ability to manage its non-power obligations. An excessive rate of potential inefficient dispatch is problematic for a voluntary market in that it discourages participation from hydro owners. Accordingly, to encourage maximum participation from hydro resources and minimize the disruptive impacts from inefficient dispatch, Chelan recommends CAISO establish the scalar value using a higher efficient dispatch target, for example 99%.

Use peaker gas heat rate to establish the gas floor price—

Chelan supports the proposed incorporation of a gas floor price in the DEB equation for hydro resources with less than four months of storage and believes that approach in concept adequately addresses Chelan's request in its prior comments for a $/MWh floor. However, Chelan recommends CAISO use the heat rate for a peaking gas plant rather than the average heat rate for a typical gas resource in the calculation of the gas floor price because peaking gas resources are more likely to be dispatched on a shorter horizon and are more likely to set the marginal price.

Allow longer and shorter term hydro resources access to pricing from multiple hubs—

Chelan supports recognizing pricing from multiple bilateral market locations in the DEB formula in recognition that certain resources have opportunities to sell to multiple market locations. Chelan requests CAISO revise its proposal to allow hydro resources with less than 4 months of storage to demonstrate their ability to access multiple bilateral trading hubs, comparable to what the Revised Straw Proposal allows for longer-term hydro resources. A given hydro resource may have transmission rights providing access to more than one bilateral trading hub, regardless of that resource's storage horizon.

Chelan PUD thanks CAISO for its responsiveness to the concerns raised by Chelan throughout the LMPM stakeholder process and the corresponding revisions to the LMPM proposal. Chelan believes that with the additional modifications described above, CAISO's LMPM framework will be viewed as less of a potential barrier to participation in the EIM for NW hydro resources.

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