

Portland General Electric Comments on Commitment Costs and Default Energy Bid Enhancements August 30, 2017 Draft Final Proposal

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Portland General Electric

On October 1, 2017, Portland General Electric (PGE) will become the fifth entity to join the Western Energy Imbalance Market (Western EIM). At that time, PGE will begin managing its diverse generation and transmission assets in concert with the Western EIM, while also continuing to participate in the California Independent System Operator's (ISO) forward intertie markets and the bilateral gas and power markets in the Western Interconnect. As such, PGE has a vested interest in the policies of the ISO's day-ahead and real-time markets, as well as the Western EIM, as they relate to price formation and managing inefficient market seams.

PGE's specific interest in the ISO's Tariff extending adequate bid flexibility to suppliers is two-fold:

Reliability:

PGE retains its responsibility in the Western EIM to operate a reliable balancing authority for its customers and comply with all applicable mandatory NERC standards. To do so, PGE's participating resource scheduling coordinator function (ie., its power supply division) must manage its fleet of resources to be able to provide sufficient power and ancillary services at all times. Managing these resources requires operating within environmental (emissions, non-power obligations, etc.) and physical (run time, fuel supply, maintenance, etc.) constraints. PGE will be challenged to efficiently and reliably meet its on-system priorities, while at the same time participating meaningfully in the Western EIM, if it is unable to express through its bids and various market mechanisms when a portion of its resource portfolio is truly surplus to its self-service obligations and can be made available for redispatch to meet the needs of other balancing authority areas. PGE has historically been able to do so, and has maximized the value of its diverse generation and transmission portfolio including making off-system sales in the Northwest bilateral market and in the ISO's intertie fifteen-minute market, while meeting or exceeding its reliability requirements as a balancing authority area, and is simply seeking the flexibility to continue to do so while participating in the Western EIM.

Economics:

PGE has made long-standing investments in its diverse generation and transmission portfolio to meet the power needs of its customers. In order to maximize the value of its assets for those customers, PGE manages its periodic surplus and optimizes its generating capacity by trading economically with its fellow wholesale energy market participants. To the best of PGE's understanding, the Western EIM is intended to be a voluntary market that optimizes residual generating capability between participating entities; it is not a market intended to meet firm load service requirements on a forward basis, replace an entity's resource adequacy or reliability planning process for capacity, or compel an entity to bid its generation into the market through a must-offer program. As such, PGE expects that its participation in the Western EIM should be similar to its existing participation in the wholesale energy markets. That is, PGE expects it should

be able to make wholesale off-system sales to other entities, at its own discretion, when making those sales are in the economic best interest of its customers, and not make those sales when they are not. PGE is simply seeking adequate bidding flexibility through this initiative to do so.

General Comments

PGE reiterates its strong support for the end goal of the ISO's Commitment Costs and Default Energy Bid Enhancements (CCDEBE) Draft Final Proposal (Proposal): to provide suppliers the flexibility they need to reflect costs and business needs, especially in light of the Western EIM, increasing instances of constrained conditions, and growth of its fleet to include increasingly diverse supply resources. PGE very much agrees with the ISO that "[i]f the market overly limits supply offers, [it] could undermine market efficiency and discourage participation by [...] Energy Imbalance Market resources."

PGE believes the changes in this Proposal will likely incrementally improve the opportunity for suppliers to receive due compensation when participating in the ISO's various markets.

However, PGE continues to view the ISO's overall bid mitigation framework, even with the proposed enhancements, as unduly restrictive for suppliers participating voluntarily in the Western EIM, and questions the ISO's ongoing assumption that a single mitigation framework should be applied to the ISO's internal day-ahead/real-time market and the Western EIM¹.

Specific Comments

(1) PGE supports the Joint Parties Comments submitted to the ISO on September 8, and reiterates its previous comments in this initiative, which request the ISO establish a 300% circuit breaker cap *at a minimum* while considering whether a higher cap would be more appropriate under competitive market conditions given the expected increased market volatility likely over the coming years due to significant changes in net-load and ramping patterns.

(2) It remains unclear to PGE how the competitive path assessments used to identify critical constraints for ex ante testing will be applied to the Western EIM areas. PGE requests the ISO and DMM provide examples showing how the test and framework would be applied to both internal constraints and external transfer paths in the EIM, with particular attention paid to the impact of mitigating EIM exports and the treatment of participating off-system resources.

(3) In response to the ISO's request for "stakeholder input on the nuance in this discussion specifically what if any requirements for "when" should be considered if fuel replacement costs were to be considered in reference levels", PGE wishes to convey that considerations related to pricing fuel replacement costs are highly-complex and vary by season, especially for Western EIM market suppliers who are in the unique position of managing long-term fuel storage for both reliability and economics, implying that a one-size-fits-all approach to identifying all considerations is not prudent. PGE would prefer the ISO and DMM work with market suppliers to understand the fluctuations in market dynamics and deliverability constraints across the year and extend increased pricing flexibility to those entities where justified. This is especially important for Western EIM participants who have significant market optionality for optimizing gas and hydro-electric storage, gas-transport, and cross-market opportunities.

¹ PGE notes that at the September 8 Market Surveillance Committee meeting, similar questions were raised by the Committee members.

(4) PGE wishes to clarify that its support for the use of cost based offers, as referenced by the ISO in Section 8.2.2, for the energy component of the supply offer was expressed specifically in the context of providing *additional options* for market participants, *not as a substitute* in any way for the market based offer framework under development. PGE remains supportive of increasing options for market participants wherever possible.

(5) PGE agrees with the comment made by NV Energy² with regard to unit commitment and a supplier's ability to constrain its dispatch, and will support their submission of this item into the Stakeholder Catalog:

The ISO stated that there are no specific constraints in the unit commitment process to constrain a resource commitment to the hours the resource submitted the bid. NV Energy reiterates that an hour without a minimum load and energy offer should be considered an hour that a market participant does not wish to participate in the market.

(6) PGE requests that, following implementation of this Proposal, the ISO monitor closely whether in practice market participants actually experience increased and/or adequate bidding flexibility such that they are able to use economic bids to instruct the dispatch of their resources through the market clearing engine. If market participants continue to report concerns of inadequate bid flexibility or the ISO observes ongoing issues with market depth and liquidity, especially with regard to the Western EIM, it is imperative that the ISO revisits conclusions made in this stakeholder process, adjust its principles, and modify its policies and Tariff accordingly, with as little delay as possible.

Conclusion

PGE appreciates the opportunity to comment on this Draft Final Proposal and the ISO's openness to stakeholder input throughout this initiative process. PGE looks forward to continuing to work with the ISO and stakeholders to improve the functionality and sustainability of the Western EIM market design and associated market rules and business practices going forward, with a goal of increasing the benefits realized by Western EIM participants' customers.

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http://www.caiso.com/Documents/NVEnergy_CommitmentCosts_DefaultEnergyBidEnhancementsDraftFinalProposal.pdf