



BPA EIM Stakeholder Meeting

Public Generating Pool Comments

October 25, 2018

The Public Generating Pool (PGP) appreciates the opportunity to comment on BPA's Energy Imbalance Market (EIM) Stakeholder meeting held on October 11, 2018. PGP represents ten consumer-owned utilities in Oregon and Washington that own almost 6,000 MW of generation, 4,500 MW of which is hydro. Three of the PGP members operate their own Balancing Authority Area (BAA), while the remaining members have service territories within BPA's BAA. Nine PGP members purchase 37 percent of the requirements power sold by BPA.

A decision by BPA to join the EIM would significantly impact PGP members. Among other things, PGP members have a strong interest in BPA's decisions on issues such as treatment of transmission, allocation of costs and benefits, changes to products and services, resource sufficiency, billing, disputes, and settlements. If BPA decides to join the EIM, PGP members will need to make investments into their own systems and processes to conform to various EIM requirements. As BPA moves forward in evaluating its future participation as an EIM Entity, we request BPA engage with customers on their decisions and the associated system and process impacts with their power and transmission customers.

PGP appreciates the initial discussion of key issues BPA is considering as part of their participation in the EIM and looks forward to continued dialogue on these issues. PGP remains concerned over final resolution of market power mitigation for hydro resources in the EIM, particularly given the value and flexibility the Federal Columbia River Power System stands to offer the EIM, and look forward to a discussion on the issue in a future meeting.

PGP's comments are limited to the issues discussed at the October 11 meeting, namely BPA's process and timeline, treatment of transmission, generation participation, and EIM governance.

I. BPA EIM PROCESS AND TIMELINE

PGP thanks BPA for providing a high-level EIM process map and timeline along with the list of issues that will be discussed in the monthly stakeholder meetings before summer 2019. PGP looks forward to engaging with BPA on the eight issues identified at the July 24th meeting in these stakeholder meetings. There are also other areas of interest PGP would like to have more discussion on, and it is unclear where and when some of these other topics will be discussed.

For example, BPA has indicated that important issues such as the allocation of costs and benefits and impacts to current BPA products and services will be discussed in the rate case and tariff processes, but those processes are scheduled to take place after BPA issues a Record of

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Decision and signs the EIM Implementation Agreement. PGP requests BPA provide an outline of what issues will be discussed in what forum.

PGP also requests that BPA provide a draft schedule of what issues will be addressed during each of the public meetings between now and BPA's letter to the region, scheduled for July 2019. We recognize that changes may need to be made to the schedule, but an initial draft of the schedule will provide a good reference point for customers. Further, it provides an opportunity to identify issues that customers feel are key to their response to BPA's Record of Decision that may not currently be on the list of identified issues.

II. TREATMENT OF TRANSMISSION

PGP strongly supports BPA's initial determination to make transmission available for EIM transfers via customer donation of firm PTP transmission only. PGP agrees that BPA will be a "net wheeler" in the EIM and that providing O-NX transmission to the EIM at no charge would result in cost shifts and free-ridership.

With regard to the use of transmission internal to BPA's network, PGP believes beginning discussions in the BP-22 pre-rate case workshops and TC-22 forums - after the record of decision is issued and implementation agreement is signed - is too late. PGP has concerns about potential cost shifts and free-ridership on BPA's internal network and requests that BPA move the discussion of the use of its internal transmission network ahead of the record of decision issuance.

III. GENERATION PARTICIPATION MODEL

PGP supports BPA's initial determination to use three aggregates (i.e., Upper Columbia, Lower Columbia, and Lower Snake) for participation in the EIM. PGP found BPA's analysis of the three options very helpful and agrees with BPA's conclusion. If BPA decides to join the EIM, PGP expects BPA will monitor the performance of its participation using three aggregates and modify as needed to improve BPA's participation benefits in the future.

IV. GOVERNANCE

PGP appreciates the presentation and discussion of BPA's perspectives on EIM Governance. Governance is a critical issue for PGP. The governance structure of a centralized market determines the market rules and how those rules are implemented determine how value is distributed in the market.

PGP understands that BPA has determined that there are no legal barriers to BPA joining the EIM given the current EIM Governance Structure. PGP believes there are enhancements

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needed to the current EIM Governance structure to ensure that current governance represents all affected parties, provides the EIM Governing Body with appropriate input to the ISO Board of Governors' decision-making authority, and establishes a strong governance foundation for any future market expansion. PGP understands the venue for addressing these governance issues will be in the EIM Governance Review, scheduled to begin in 2019 and looks forward to working with BPA to advance these enhancements.

Below are some key areas from BPA's October 11 presentation material that PGP believes needs clarification:

- Slide 38: The initial EIM Governing Body members were recommended by a Nominating Committee and approved by the ISO Board of Governors. However, all subsequent EIM Governing Body members are also recommended by a Nominating Committee but approved by the EIM Governing Body.
- Slide 38: The Regional Issues Forum is an "information only" body.

Section 6.1.1 Charter for the Energy Imbalance Market: *"Generally speaking, the Regional Issues Forum would not consider individual policy issues that are currently part of an ongoing stakeholder process, but rather address broader issues of EIM operations. The Regional Issues Forum may, on occasion, discuss items that may already be in an ongoing ISO stakeholder process. In such instances, the function of the Forum will be to facilitate discussion or to provide educational or information content and not to serve as a means for duplicating or circumventing the formal ISO stakeholder process. Such discussion should not be considered to be part of any such formal stakeholder process and should not result in an opinion of the Forum on such issues."*

- Slide 38: The Body of State Regulators advisory role is limited to "upon request" from the EIM Governing Body.

Section 5.1.2.3 Charter for the Energy Imbalance Market: *"The Body of Regulators should provide advice to the EIM Governing Body upon request, and otherwise provide input to the EIM Governing Body."*

- Slide 39: This slide seems to suggest that the EIM Governing Body has independent decision-making authority on issues that are considered "primary." However, it is important to note that the EIM Governing Body does not have any tariff filing authority and that all EIM Governing Body decisions are subject to review and approval by the CAISO Board of Governors.

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PGP supports the recommended improvements to the EIM Governing Body identified by BPA on slide 40. In addition, PGP recommends consideration of transitioning the Regional Issues Forum and the Body of State Regulators into Advisory Bodies consistent with other ISO/RTOs in the country. This would require a change to the existing charters and could include changes to provide for more direct public power representation. Given that the EIM is fully based on the ISO real-time market, another area of consideration is expanding the primary authority of the EIM Governing Body to include market design rules of the real-time market. As mentioned above, PGP understands the best opportunity and venue to address the EIM Governance Structure will be during the EIM Governance Review in 2019.

V. CONCLUSION

PGP appreciates the thoughtfulness with which BPA has approached the last two public meetings on this topic. We look forward to future discussions and meetings.

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