



BPA's EIM Cost Benefit Analysis

Public Generating Pool Comments

May 29, 2019

The Public Generating Pool (PGP) appreciates the opportunity to comment on BPA's EIM Cost Benefit Analysis presented on May 15, 2019. Our intention is to collectively understand and evaluate the different drivers that may impact EIM benefits for BPA. We offer the following additional sensitivities for BPA's consideration.

I. Additional Sensitivities for Consideration

a. Average Price of Northwest EIM Areas

PGP requests BPA run a sensitivity using the average prices of the EIM areas in the Northwest (PacifiCorp West, Puget Sound Energy, Portland General Electric and Powerex). When analyzing market performance, CAISO's Department of Market Monitoring (DMM) groups together the EIM areas in the Northwest because of similar average pricing. DMM's 2018 Annual Report on Market Issues and Performance¹ shows prices in the Northwest EIM area to be much lower than the ISO and other balancing areas because of limited transmission from the Northwest region to the CAISO and the rest of the EIM areas. The DMM report also shows Northwest EIM prices to be relatively flat throughout the day ranging from \$8 -\$18/MWh between the lowest price and highest price of the day. These price ranges are significantly lower than the \$20 - \$25/MWh EIM spreads BPA is showing in their cost benefit analysis based on the use of the DGAP_BPAT prices². It appears BPA's use of the DGAP_BPAT prices does not account for scheduled congestion and as a result, BPA prices track more closely to prices in the CAISO BAA. However, given that the COI and PDCI are typically fully subscribed on a day-ahead basis, PGP believes it is unrealistic to assume CAISO balancing area price levels for the BPA balancing area. Instead, PGP believes using the average price of the Northwest EIM Areas will provide a more accurate representation of what the prices in BPA's balancing area will be.

b. Different Participation Volumes

PGP requests BPA consider how different participation levels impact BPA's EIM benefits. In its original analysis, BPA assumed it would participate only with its balancing capacity. This analysis assumes BPA would participate with available spinning capacity. PGP is not

¹ See pp. 110 – 112 of DMM's 2018 Annual Market Issues and Performance [Report](#)

² See slide 41 of BPA's May 15, 2019 EIM Stakeholder Meeting [Presentation](#)

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advocating that BPA limit its participation in any way, however there may be external constraints that will limit BPA's volume of participation that PGP believes should be considered. For example, there may not be sufficient market depth for BPA to participate with its full spinning capability. To the extent BPA's resources are "on the margin", BPA is not realizing additional EIM economic benefits, yet BPA's analysis does not consider limitations on market depth. Additionally, there may be commercial or physical transmission constraints, such as insufficient donated transmission rights, etc., that limit BPA's ability to transfer energy into and out of its balancing area.

While there may be various external factors that contribute to BPA's inability to transact with its full spinning capability in the EIM, PGP requests BPA run sensitivities that show BPA's participation limited to various percentages of its spinning capability. If it is infeasible to provide a summary of how different participation levels impact BPA's EIM benefits, PGP requests BPA run sensitivities at 50% of spinning capability and 75% of spinning capability.

c. Alternate Futures

The resource mix in the west is changing and the market design for the day-ahead and hourly markets is under discussion. Additional renewables and modified market structures can change the volume, volatility, and price of the EIM. PGP requests some consideration for how to evaluate these potential impacts to the Business as Usual reference case or to the EIM case.

II. Request for Additional Information

In addition to the sensitivities requested above, PGP provides the following thoughts, considerations and questions.

- How did the model handle negative prices? Did BPA only DEC during negative prices? And was the DEC limited to what could be taken in and still maintain energy neutrality? How did the negative prices correlate to BPA's ability to DEC versus its ability to INC?
- PGP understands that 24-hour energy neutrality assumption was for modeling purposes only and recognizes that BPA will optimize the FCRPS over multi-day periods, consistent with operating constraints.
- PGP believes BPA participation in the EIM will have an impact on the market and market prices. We are not suggesting that any additional sensitivity be conducted beyond what has already been done but believe that actual benefits may not be as high as found in this analysis.

III. CONCLUSION

We greatly appreciate BPA's transparency and level of engagement with customers throughout its decision process for potentially joining the EIM and look forward to further engagement as the process continues.

Public Generating Pool

Benton PUD / Chelan County PUD / Clark Public Utilities / Cowlitz County PUD / Eugene Water & Electric Board
Grant County PUD / Klickitat County PUD / Lewis County PUD / Snohomish County PUD / Tacoma Power