



Energy Imbalance Market (EIM) Stakeholder Comment Form

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To submit multiple comments, copy and paste additional fields below.

ISSUES:

Allocation of EIM Administrative Charge and Uplifts

OPEN ACCESS TRANSMISSION TARIFF (OATT) REFERENCE:

Schedule 1-A; Attachment O § 8.5

ICNU ORIGINAL COMMENTS (12/1/2015)

EIM Administrative Costs. Administrative Costs pursuant to the proposed schedule 1-A should be assigned only to Transmission Customers with PSE Participating Generation Resources. Transmission Customers with PSE Participating Generation Resources are the beneficiaries of the EIM because they have the ability to recognize sub-hourly dispatch benefits through the 15- and 5-minute instructions from the CAISO Market Operator. Non-participating Transmission Customers that do not operate PSE Participating Generation Resources do not recognize any of these incremental market benefits, and therefore, should not be responsible for the Administrative Costs, or other similar costs, associated with PSE's entrance and ongoing participation in the EIM.

Uplifts. The uplift charges detailed in § 8.5 should be assigned only to Transmission Customers with PSE Participating Generation Resources. Transmission Customers with PSE Participating Generation Resources are the beneficiaries of the EIM because they have the ability to recognize sub-hourly dispatch benefits through the 15- and 5-minute instructions from the CAISO market operator. Non-participating Transmission Customers that do not operate PSE Participating Generation Resources do

not recognize any of these incremental market benefits, and therefore, should not be responsible for the uplift associated with PSE's entrance and ongoing participation in the EIM.

PSE RESPONSES (12/15/2015)

EIM Administrative Costs. The EIM enables PSE to provide imbalance service in a more efficient manner and more accurately reflect the costs associated with providing this service. Schedule 1A allocates ongoing EIM administrative costs to PSE transmission customers consistent with the cost.

Uplifts. The EIM enables PSE to provide imbalance service in a more efficient manner and more accurately reflect the costs associated with providing this service. PSE is proposing pricing that is closer to real-time and aligned with PSE's imbalance costs. Uplift charges and payments are allocated to transmission customers, regardless of whether they elect to become a Participating Resource, and are allocated consistent with the cost. The allocation of uplifts to all customers based on Measured Demand has been accepted as just and reasonable in the case of PacifiCorp and NV Energy. See *PacifiCorp*, 147 FERC ¶61,227 at P 184 (2014).

ICNU RESPONSE (12/31/2015)

ICNU continues to disagree that EIM Administrative Costs and Uplifts—specifically uplifts §8.5.1 through §8.5.6—should be assigned to all Transmission Customers on the basis of Measured Demand. Allocation of these items to Transmission Customers should be made in proportion to the benefit each customer receives as a result of market operations and in conformance with principles of cost causation. The use of Measured Demand as the billing determinant assumes that the market benefit will be shared among Transmission Customers equally and in proportion to the amount of OATT transmission capacity acquired. This assumption, however, does not accurately represent how market benefits will accrue to individual Transmission Customers under the EIM.

On the contrary, market benefits will predominantly accrue to Transmission Customers with PSE EIM Participating Resources. The use of locational marginal pricing, rather than average costs, as the price for supplied imbalance means that PSE—the sole entity with PSE EIM Participating Resources—will earn incremental revenues as a result of supplying instructed imbalance into the market. Despite receiving this incremental economic benefit, however, PSE will receive no greater proportion of the Administrative Costs and Uplifts in comparison to other Transmission Customers.

ICNU recognizes that the billing determinants used to allocate EIM Administrative Costs and Uplifts were evaluated in FERC Docket No. ER14-1578. The arrangements between PSE and its Schedule 449 Retail Wheeling Service customers, however, represent a different situation that was not evaluated in the context of the PacifiCorp EIM proceeding. PacifiCorp does not have any Retail Wheeling Service customers comparable to those Customers on Schedule 449 and its state-jurisdictional retail tariffs do not contain any provisions similar to the Retail Load Following services included in Schedule 449. Under the provisions of the settlement stipulation in Docket Nos. UE-001952 and UE-001959 before the Washington Utilities and Transportation Commission (“WUTC”), the Company agreed to provide Retail Load Following service, as well as several other services to Retail Wheeling Service customers. ICNU

believes that the application of these new charges is fundamentally inconsistent with the terms of the stipulation in those Dockets, and accordingly, believes that the charges should not apply to Schedule 449 customers.

ISSUE:

Energy Imbalance Service

OPEN ACCESS TRANSMISSION TARIFF (OATT) REFERENCE:

Schedule 4R

ICNU ORIGINAL COMMENT (12/1/2015)

ICNU objects to PSE's proposed revisions to Schedule 4R. These revisions are inconsistent with the stipulation agreement reached in Docket Nos. UE-001952 and UE-001959 before the Washington Utilities and Transportation Commission, and the Schedule 448 and 449 tariffs that implement that settlement. The stipulation requires PSE to provide Retail Load Following Service at prices dictated by the stipulation, to which PSE is bound. The current version of PSE's OATT accurately reflects these requirements and should not be changed.

PSE RESPONSE (12/15/2015)

PSE proposes to balance its obligations under the stipulation agreement with its responsibility to fairly allocate costs along cost causation principles. Furthermore, PSE is committed to ensure fair treatment of all OATT transmission customers as it prepares to participate in the EIM, which will bring a more efficient and effective system for providing energy imbalance service for all customers. PSE is proposing pricing that is closer to real-time and aligned with PSE's imbalance costs.

ICNU RESPONSE (12/31/2015)

Under the provisions of the settlement stipulation in Docket Nos. UE-001952 and UE-001959 before the WUTC, the Company agreed to provide Retail Load Following service to Schedule 449 Retail Wheeling Service customers. That service was based on 100% of the hourly market index prices within a deviation band, rather than PSE's proposal to now use the marginal Load Aggregation Point ("LAP") price. ICNU disagrees that the use of the LAP is more indicative of the Company's actual cost to provide imbalance service, and objects to the Company's proposal to remove the deviation band. The deviation band was a key component of the Schedule 449 settlement. In addition, ICNU believes that the application of a LAP price is fundamentally inconsistent with the terms of that settlement, and accordingly, continues to recommend that Schedule 4R not be modified.

ISSUE:

Losses

OPEN ACCESS TRANSMISSION TARIFF (OATT) REFERENCE:

Schedule 12; § 15.7, §28.5

ICNU ORIGINAL COMMENT (12/1/2015)

Under the stipulation agreement reached in Docket Nos. UE-001952 and UE-001959 before the Washington Utilities and Transportation Commission, and the Schedule 448 and 449 tariffs that implement that stipulation, customers taking service under Schedules 448 and 449 self-supply their own losses. A separate financial settlement for Real Power Losses under proposed Schedule 12 is inconsistent with this requirement of the stipulation and may result in these customers being charged twice for losses.

PSE RESPONSE (12/15/2015)

PSE will ensure that no customer is charged twice for losses under the final EIM construct. Accordingly, PSE will propose modifications to the State Tariff (Schedules 448 and 449) necessary to incorporate EIM-related changes. The adjustment for losses will be removed from the calculation for energy imbalance and will be billed separately under the OATT's Schedule 12. This will ensure that Schedule 448 and 449 customers will not be double charged for losses.

ICNU RESPONSE (12/31/2015)

Schedule 449 customers have contracts for Supplied Power, which includes losses, for a minimum of a five-year term. Thus, these customers may be locked in to self-supplying their own losses beyond the effective date of PSE's proposed OATT revisions. ICNU, therefore, continues to have concerns that Schedule 449 customers will be charged twice for losses. ICNU continues to believe that it is important for Schedule 449 customers to retain the ability to self-supply losses and recommends that the tariff be modified to achieve that objective.

ISSUE:

Applicability of Attachment O to Schedule 448 and 449 customers

OPEN ACCESS TRANSMISSION TARIFF (OATT) REFERENCE:

Attachment O

ICNU ORIGINAL COMMENT (12/1/2015)

Attachment O should not apply to Schedule 448 and 449 Transmission Customers. These customers have no ability to participate in the EIM. They schedule their loads on an hourly basis and are subject to imbalance charges or credits on an hourly basis. Therefore, there is no opportunity, nor ability, for Schedule 448 or 449 customers to participate in a sub-hourly market. While Schedule 448 and 449 customers utilize PSE's transmission system, they are retail customers and, therefore, are fundamentally different from other Transmission Customers that use PSE's transmission to transfer their generation either into or through PSE's BAA.

PSE RESPONSE (12/15/2015)

PSE's Schedule 448 & 449 customers are also Network Integration Transmission Customers under PSE's OATT. PSE, as the transmission provider, is treating all transmission customers fairly, regardless of the specific type of transmission service they receive. The EIM enables PSE to provide imbalance service in a more efficient manner and more accurately reflect the costs associated with providing this service. PSE is proposing pricing that is closer to real-time and aligned with PSE's imbalance costs. Loads and generators are eligible to participate in the EIM, pursuant to PSE's OATT.

ICNU RESPONSE (12/31/2015)

ICNU continues to disagree that Attachment O should apply to Schedule 449 Retail Wheeling Service Customers.

Under the provisions of the settlement stipulation in Docket Nos. UE-001952 and UE-001959 before the WUTC, the Company agreed to provide Retail Load Following service, as well several other services, for Schedule 449 Retail Wheeling Service customers. Application of attachment O to Schedule 449 Retail Wheeling Service customers would result in a retail wheeling product that is fundamentally different than what was negotiated in the context of that stipulation, and therefore, it is not appropriate to modify the terms of those services through the application of Attachment O.

ISSUE:

Schedule 4R Imbalance Calculation

OPEN ACCESS TRANSMISSION TARIFF (OATT) REFERENCE:

Attachment O, § 4.2.4.3

ICNU ORIGINAL COMMENT (12/1/2015)

This section seems to provide a formula to calculate the load component of the base schedule. The formula is not entirely clear, nor is it clear why it is necessary to use the term “Forecast Data” to modify each component of the calculation. Please clarify.

PSE RESPONSE (12/21/2015)

The load component calculation in Attachment O Section 4.2.4.3 will be covered in more detail in the PSE EIM BP. The load component is the sum of the Transmission Customer’s forecast generation, Interchange and Intrachange. For example, if a customer submits a forecast of 10 MW generation, and Interchange export e-tag of 4 MW would equal 6 MW of load (10 MW generation – 4 MW export = 6 MW load component). If a customer without load in the PSE BAA does not own any generation in PSE’s BAA, their load component calculation (Base Schedule) is simply the sum of the e-tags as of 57 minutes prior to the Operating Hour sinking at their load. Forecast Data is a defined term in the PSE OATT.

ICNU RESPONSE (12/31/2015)

ICNU appreciates PSE’s clarification. The details surrounding the load component of the imbalance calculation are significant enough, however, that they should not fall to a business practice to effectuate. ICNU requests further clarification in the filed tariff, to the extent PSE has additional details regarding the calculation of the load component.

ISSUE:

Operating Reserve Payments

OPEN ACCESS TRANSMISSION TARIFF (OATT) REFERENCE:

Attachment O § 8.12.2

ICNU ORIGINAL COMMENT (12/1/2015)

Application of additional operating reserves costs to Transmission Customers with load is duplicative of cost-based Schedules 5 and 6 of the OATT. Schedule 449 customers are already paying for operating reserves based on metered loads. Any payments for incremental operating reserve should be assigned to participating generation resources, not assigned to imbalance.

PSE RESPONSE (12/15/2015)

Schedules 5 and 6 provide operating reserve service for load and generation inside the PSE BAA, whereas Attachment O Section 8.12.2 allocates operating reserve charges from generation from outside PSE's BAA when PSE is importing energy for its imbalance service. The Attachment O operating reserve charge (Section 8.12.2), as part of the revised imbalance service, is separate and distinct from the operating reserve service provided under Schedules 5 and 6. PSE will revise Attachment O Section 8.12.2 to allocate these charges based on measured demand rather than the positive load imbalance originally proposed.

ICNU RESPONSE (12/31/2015)

ICNU continues to disagree that it is appropriate to allocate additional operating reserve costs to Schedule 449 Retail Wheeling Service customers. Schedule 449 customers are already paying for the portion of operating reserves attributable to load, pursuant to the Company's OATT. Under the Retail Load Following service provision, Schedule 449 customers have never been required to pay for incremental operating reserves attributable to generation as a component of Schedule 4R imbalance services, and it would be inconsistent with the nature of the Load Following Service provided under Schedule 449 for the Company to begin applying such a charge at this time.

Balancing authority imbalance imports pursuant to the EIM will serve to displace imbalance capacity that, pursuant to the terms of the stipulation in WUTC Docket Nos. UE-001952 and UE-001959, PSE would otherwise be obligated to provide to Retail Wheeling Service customers at a rate free of any incremental operating reserve charges. Accordingly, ICNU continues to support an allocation that assigns these operating reserve costs to Transmission Customers with PSE Participating Resources, or, in the alternative, that reassigns the portion of operating reserve costs attributable to Schedule 449 Retail Wheeling Service Customers directly to PSE.