

April 21, 2021

Angelina Galiteva, Chair
Ashutosh Bhagwat, Vice Chair
Severin Borenstein
Mary Leslie
Jan Schori
CAISO Board of Governors

Dear Chair Galiteva, Vice Chair Bhagwat and the CAISO Board of Governors,

Powerex is writing to express its concerns with the CAISO's Final Proposal for Market Enhancements for Summer 2021 Readiness, and specifically the proposed changes to the CAISO's existing export, load and wheeling priorities. Numerous aspects of the Final Proposal provide disparate treatment between uses of CAISO transmission service to serve load in the CAISO BAA versus uses to serve load in an external BAA. The Final Proposal stands in clear contrast to the non-discriminatory open access transmission service provided by other transmission service providers throughout the western region.

Powerex is particularly concerned by the Final Proposal's priority treatment of forward Import Resource Adequacy arrangements to serve load in the CAISO BAA where:

- (i) the seller has not identified a supply source (that it has secured on a forward basis, that is surplus to the source BAA, and that has not been double-sold), and
- (ii) the seller has not committed to firm transmission service to deliver the supply to the CAISO BAA boundary.

This aspect of the Final Proposal can be expected to result in the inappropriate displacement of forward contractual arrangements between Southwest load-serving entities and Northwest physical suppliers (with commitments of identified physical supply and external firm transmission service to the CAISO BAA boundary). Such displacement will occur in order to make room for imports to serve load in the CAISO BAA where, in contrast, the seller is relying on the last-minute procurement of spot market supply and/or as-available external transmission service to deliver on its commitments. This will have the effect of the CAISO affording priority transmission service to California LSEs *that have elected not to compete in the forward markets* with Southwest LSEs for the procurement of identified forward physical supply from Northwest physical suppliers, arranged on external firm transmission service to the CAISO boundary.

In short, the Final Proposal will improperly leverage the CAISO's role as a *transmission service provider* in an attempt to backstop the *forward supply deficiencies* of California LSEs, created by design gaps in the California Resource Adequacy program. Adopting rules that so clearly place the reliability interests of California load customers over the reliability interests of load elsewhere in the region is contrary to a vision of regional collaboration founded on a competitive forward market for physical supply and non-discriminatory open access transmission service.



Powerex urges the Board of Governors to oppose the Final Proposal's changes to export, load and wheeling priorities. Powerex encourages the Board of Governors to direct the CAISO to craft workable solutions to the reliability challenges of the CAISO BAA in a manner that does not create unfair or inequitable outcomes for entities outside the CAISO BAA.

Respectfully,

Powerex Corp.