



## Market Design Principles

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The Public Generating Pool (PGP) is composed of nine consumer-owned electric utilities in Washington and one consumer-owned electric utility in Oregon. Collectively, PGP member utilities serve approximately one million customers with a utility owned asset base that is 94% carbon-free.

The PGP member utilities participate in and rely on the existing short-term and long-term bilateral markets to manage their load service and system reliability obligations. PGP supports the development of new centralized markets that provide clear and accurate price signals and respect existing bilateral markets. The following outlines PGP's key principles associated with current and potential future markets<sup>i</sup> in the West.

### MARKET PRINCIPLES

- 1. Ensure governance and decision making is reflective of all interests.**
  - Ensure the interests of all states that have load serving entities and/or generators impacted by the market are part of all formal decision making.
  - Consider impacts to entities within adjacent balancing authority areas that are not part of the market.
  
- 2. Fairly compensate generators for capacity and ramping capability required to ensure system reliability and enhance the integration of renewable resources.**
  - Ensure well-designed and functioning Resource Adequacy (RA)<sup>ii</sup> and Resource Sufficiency (RS)<sup>iii</sup> frameworks that address long-term and short-term capacity requirements.
  - Incent entities to procure and set aside sufficient capacity and flexibility to meet obligations and operating needs in a reliable manner.
  - Assure that resources that have been procured for resource adequacy and resource sufficiency perform consistent with obligation.
  
- 3. Ensure market rules produce fair energy dispatch and price formation.**
  - Allow market prices to accurately signal shortages and scarcity.
  - Send proper signals that reflect when the Resource Adequacy and Resource Sufficiency frameworks are not functioning properly.
  - Provide safeguards or self-supply options for Schedule 4 and 9 customers to protect against market dysfunction.
  
- 4. Appropriately compensate for the value of environmental attributes provided by the Northwest's low carbon emitting resources.**
  - Ensure market design provides fair market value for a specified source and its associated environmental attributes.

**5. Treat resources comparably, whether they are inside or outside the market footprint.**

- Eliminate artificial limits or economic hurdles associated with the efficient import and export of energy and capacity products.
- Ensure market rules:
  - Provide for participation of external entities at energy imbalance market intertie points.
  - Avoid barriers that inhibit an external entity's ability to offer and be dispatched.
  - Allow demand response from outside the market footprint to bid into capacity and energy markets.

**6. Fully assess the utilization of the regional transmission system due to evolving market demands in light of existing and future load service and system reliability obligations.**

- Preserve sufficient transfer capability and dynamic transfer capability to support future load service needs.
- Allocate transmission costs and benefits consistent with cost causation principles.
- Pursue collaborative solutions with stakeholders to address seams issues.
- Pursue opportunities for enhanced state awareness, congestion management and reliability tools.

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<sup>i</sup> This includes the California ISO's day-ahead, energy imbalance and real-time markets and any future markets that may evolve in the west.

<sup>ii</sup> Resource Adequacy is a year-ahead and month-ahead planning and procurement process in a fully integrated market (Regional Transmission Organization) that ensures adequate physical generating capacity is dedicated to serving all load requirements and planning and operating reserves.

<sup>iii</sup> Resource Sufficiency is a day-ahead and hour-ahead procurement process in a short-term market (Energy Imbalance Market) that ensures sufficient resources are available to operate reliably in the operating hour.