

DRAFT - BPA Comments on CAISO EIM Year-One Enhancements Revised Straw Proposal

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I. OVERVIEW

Bonneville Power Administration (BPA) appreciates the opportunity to comment on the CAISO's Energy Imbalance Market (EIM) Year-One Enhancement Revised Straw Proposal. BPA encourages the CAISO to continue a robust stakeholder discussion on these very complicated topics, and to allow sufficient time for reasoned decision making. BPA's comments focus on the prospective impacts on transmission usage and accounting.

II. COMMENTSThe Year-One Enhancement Proposal for Transmission Optimization at Interties Needs Further Study in Some Areas

The CAISO's January 8 presentation contemplates a unique proposal for managing bids and transmission at interties between EIM Balancing Authority Areas (BAA). BPA understands that this proposal will initially be applicable to the use of NV Energy ATC at the intertie between the CAISO and NV Energy BAAs. The use of ATC vs. Firm transmission is a new construct and should be fully explored in a stakeholder process. Many of the comments below pertain to any prospective application of this proposal in the Pacific Northwest (PNW). Further, BPA uses its own practices in these comments for the purpose of being representative of common practice in the PNW.

Existing Market Mismatches

CAISO recognized in its presentation some mismatches in market timing and that the use of tag profiles can add to or decrease market efficiency/transmission utilization. BPA would like to reiterate its comments from the January 8 meeting that the current marketplace has deficiencies that should be addressed prior to any proposed implementation in the PNW.

In particular, the assumptions regarding transmission use and accounting that are at the foundation of the proposal.

Market Timing Issues – CAISO acknowledged that there are current issues between the timing of the CAISO markets and the WECC energy scheduling guidelines that need to be addressed.

E-tagging Issues - Transmission and energy profile assumptions delineated in the CAISO slide deck profile (presentation at slide 17):

Transmission and energy profile assumptions

- BAAs sell non-firm transmission that exceeds the intertie scheduling limit
- **BAAs check out e-tags based upon the energy profile on the tag, not the transmission profile** (presentation at slide 17, bold added)
- The CAISO is correct that BAA's check out on energy profile but Dynamic Transfers for Dynamic transaction types is not included before the fact. BPA must set aside the Transmission to be utilized for the Dynamic for delivery. But the following description of BPA's practices for managing schedules

on its own paths highlights the potential for major seams issues. For NORMAL (i.e., “static”), Recallable, others e-tags, it IS the case that BPA utilizes the Energy Profile to meet contractual and scheduling obligations, but BPA manages e-tags for Dynamic, Pseudo, and Capacity schedules based on the transmission profile, not the energy profile. This practice allows BPA, as a Transmission Service Providers (TSPs), to ensure that they have encumbered sufficient capacity for the maximum potential transfer.

- o Further, the CAISO 5-minute dispatches are conducted on DYNAMIC tags because the energy is accounted for on a sub 15-minute basis (the new standard scheduling period due to Order 764 implementation). The result is that transmission is withheld or encumbered differently for the CAISO Fifteen-Minute Market (FMM) than it is for the 5-minute EIM Real-Time Dispatch (RTD) market (see below).

	Transmission ATC Withheld for EIM
FMM (NORMAL eTags)	Energy Profile
RTD and Ancillary Services (DYNAMIC eTags)	Transmission Profile

As a result of this distinction, the use of a Dynamic tag as described in the Straw Proposal could lead to an over encumbrance of transmission if it were implemented as-is in the PNW. The result of which could lead to an inefficient use of PNW transmission with significant impacts on customers and TSPs. BPA has serious reservations about any implementation of such a construct in the PNW absent significant changes to accounting methods for transmission in the PNW. Such changes should only result from regional discussions that explore all of the potential impacts on customers and TSPs.

CAISO assumes that BAAs sell transmission in excess of scheduling limits. This is often true, where unscheduled Firm is sold as Non-Firm. This can lead to situations where Transmission Service RESERVATIONS (TSRs) can exceed the total scheduling limit. However, SCHEDULES (as measured in the table above) do NOT exceed scheduling limits.

Further Discussion of Market Mismatch Using The Example Graphic On The CAISO Proposal From January 8.

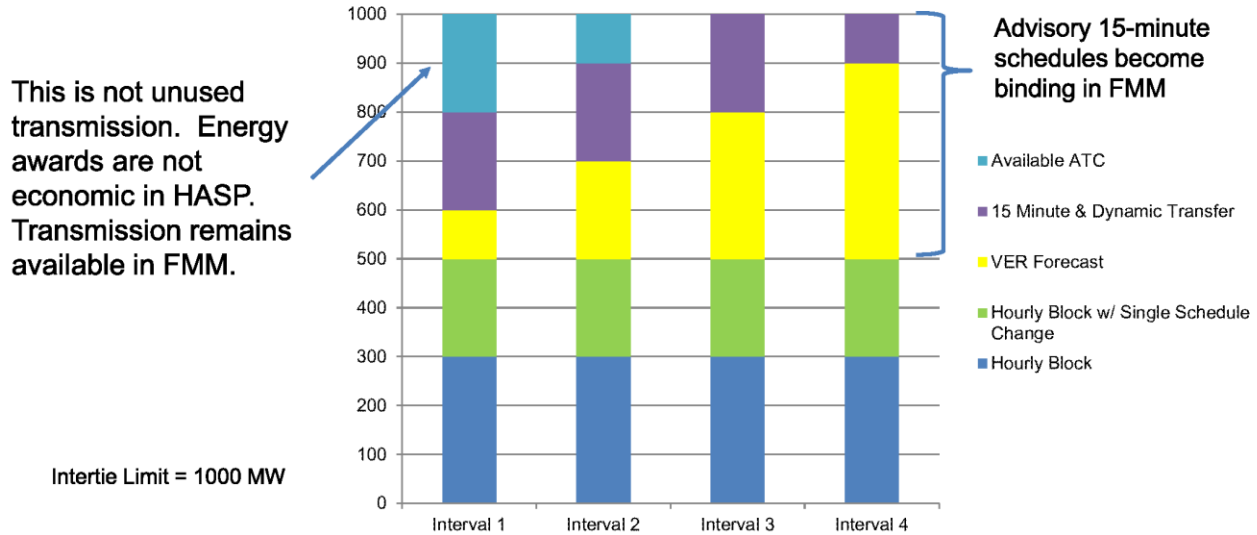
CAISO allows static tags using either firm or non-firm transmission; however, market participants can receive ISO awards when there is no available firm or non-firm intertie transmission available for purchase.

The CAISO appears to assume BPA sells non-firm transmission in excess of the intertie rating on the COI, but then manages flows through the different energy profile combinations on each of the different 15-min increments. This does not fully describe how BPA operates. As discussed above, BPA measures the use of Firm transmission as described above and only sells non-firm transmission to the extent firm transmission is not scheduled. In both cases, the maximum amount of firm and non-firm transmission SCHEDULES must fall

under the inertia rating. In addition, BPA has contractual obligations for their allocation of COI, plus has access to other COI some other participants' unused only 20 minutes prior to interval.

BPA's concern can be seen in the example provided on slide 16 of the CAISO's January 8, 2015, presentation.

HASP economically allocates inertia scheduling limit to hourly block schedules and 15-minute schedules*



ISO will approve e-Tags with transmission profiles \geq scheduling limit
 ISO ensures market awards in 15-minute interval \leq scheduling limit

On slide 16, it appears the CAISO assumes a transmission limit of 1000 MWs. However, the ISO also assumes that it can award 500 MWs in hourly blocks (Green and Blue sections on the bottom) + up to 400 MWs in potential VER schedules (taking the yellow section from interval 4) + 200 MWs FMM and Dynamic Transfer awards (purple section in interval 1 and 2) which adds up to 1200 MW of transmission that is needed to be scheduled prior to the hour. BPA, however, would not allow 1200 MWs of hourly inertia transmission to accommodate all the possible combinations of energy profiles that could be needed in any of the 15-min intervals. It is also worth noting that many paths in the PNW have shared ownership, so the scheduling limits may only represent a particular party's share of the total limit. Instead, schedules would be curtailed prior to the interval based on the transmission priority. Also, any dynamic schedules would continue to be measured by their Transmission Profile in terms of transmission encumbrance.

In general, BPA is willing to engage in regional discussions with the CAISO that explore the potential impacts on customers and TSPs of its Straw Proposal. However, it is imperative that the CAISO establish a work group to focus on the current mismatches in the market in addition to the expansion of the EIM and its related issues.

III. CLOSING

Thank you again for taking the time and opportunity to review these comments on the Revised Straw Proposal. We look forward to ongoing discussions about finding responsible methods for implementing such significant changes.

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