

WESTERN ENERGY IMBALANCE MARKET

Briefing on Policy Outlook

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Overview

Review status of policy stakeholder initiatives:

- EIM focused initiatives
- EIM related initiatives
- Non-EIM related initiatives

EIM focused policy stakeholder initiatives

- EIM greenhouse gas attribution enhancements (primary, E1)
 - Scope:
 - Enhanced methodology for assigning greenhouse gas obligations for EIM transfers into California
 - Addresses “secondary dispatch”
 - Status:
 - Air Resources Board recently issued second 15-Day Notice
 - Draft final proposal posted in May
 - EIM Governing Body informational briefing in July
 - CAISO developing two-step model prototype prior to finalizing design
 - Late 2017/early 2018 EIM Governing Body and ISO Board meetings for final approval

EIM focused policy stakeholder initiatives (continued)

- Management of EIM imbalance settlement for bilateral schedule changes (primary, E1)
 - Scope:
 - Mechanism to manage bilateral schedule changes
 - Would allow EIM schedule change based on difference between source and sink prices
 - Status:
 - Start stakeholder process in June
 - Q4 2017 EIM Governing Body and ISO Board meetings

EIM focused policy stakeholder initiatives (continued)

- Donation by third party of transmission capacity available for EIM transfers (primary, E1)
 - Scope:
 - Mechanism to allow third parties to make transmission available for EIM transactions
 - Would leverage existing congestion rent allocation methodology
 - Status:
 - Start stakeholder process in July
 - Q4 2017 EIM Governing Body and ISO Board meetings

EIM focused policy stakeholder initiatives (continued)

- EIM wheeling charge (primary, E1)
 - Scope:
 - Compensation for transmission used by EIM transfer wheeling across an EIM balancing area
 - Addresses transmission revenue declines
 - Status:
 - June – Stakeholder working group to kick-off analysis of reductions in transmission sales
 - Q4 – Publish issue paper or straw proposal

EIM related policy stakeholder initiatives

- Gas constraint operational tools (advisory, E2)
 - Scope:
 - Extending Aliso Canyon mitigation measures beyond November
 - Extending gas burn constraint for use by all EIM balancing areas
 - Status:
 - Stakeholder process starting in May
 - July EIM Governing Body and ISO Board meetings
- Generator contingency and remedial action scheme modeling (advisory, E2)
 - Scope: Modeling generator contingencies and remedial action schemes in market
 - Status:
 - In progress
 - July EIM Governing Body and ISO Board meetings

EIM related policy stakeholder initiatives (continued)

- Energy storage and distributed energy resources - phase 2 (advisory, E2)
 - Scope: Market enhancements to more efficiently use energy storage and distributed energy resources
 - Status
 - In progress
 - July EIM Governing Body and ISO Board meetings

EIM related policy stakeholder initiatives (continued)

- Commitment Costs and Default Energy Bid Enhancements (advisory, E2)
 - Scope:
 - Basis for bid cost reference levels
 - Market power mitigation methodology for generator commitment costs
 - Bid validation needed required for FERC Order 831 compliance
 - Status:
 - In progress
 - September EIM Governing Body and ISO Board meetings

EIM related policy stakeholder initiatives (continued)

- Economic outages (TBD)
 - Scope:
 - Provisions for “economic” outages
 - Addresses longer-term outages in CAISO balancing area
 - Assessing whether to include intra-day outages
 - Status:
 - Stakeholder process starting this month
 - November EIM Governing Body (if applicable) and ISO Board meetings
- Bid cost recovery enhancements (advisory, E2)
 - Scope:
 - Two-tier allocation of real-time market bid cost recovery costs
 - Status:
 - Stakeholder process put on hold pending outcome of FERC proposed rule making addressing uplift cost allocation

EIM related policy stakeholder initiatives (continued)

- Real-time market enhancements (advisory, E2)
 - Scope:
 - Various enhancements to improve performance and efficiency of the real-time market
 - Reduces EIM base schedule submission lead time
 - Status:
 - Start stakeholder process in June
 - Early 2018 EIM Governing Body and ISO Board meetings

Non-EIM related policy stakeholder initiatives

- In progress:
 - Frequency response – phase 2
 - Contingency modeling enhancements
 - Blackstart and system restoration
 - Congestion revenue right auction efficiency
 - Flexible resource adequacy criteria and must-offer obligation – phase 2
- Planned this year:
 - Capacity Procurement Mechanism risk-of-retirement process enhancements