



California ISO

WESTERN EIM

Decision on adjustment to intertie constraint penalty prices

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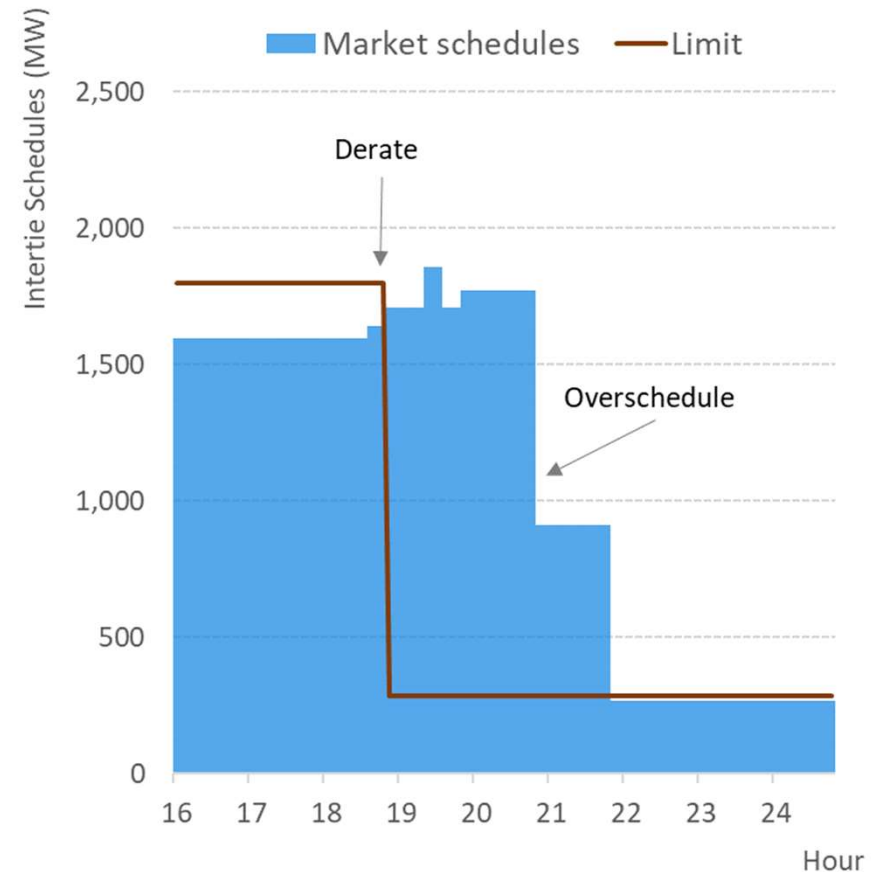
Board of Governors and EIM Governing Body Joint Meeting

General Session

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On July 9, 2021 two Northern interties experienced significant derates due to the Bootleg fire

- Under the current market set-up, the market scheduled imports above the Malin and NOB intertie limits
- The market solution resulted in overscheduling of interties



Overscheduling of interties is a reliability risk

- Overscheduling results in:
 - clearing excess imports that system operators will have to curtail manually after the market has cleared
 - an inefficient market solution because demand and exports are met with supply that is not available because of the physical derate
- During tight supply conditions, such as in the summer, overscheduling poses a greater reliability risk

Penalty prices in the ISO markets are used to ensure a feasible market solution and effect the priorities of constraints and schedules

- Penalty prices are pre-defined values assigned to all schedules and constraints, and they work all together to achieve an optimal market solution
- The specific values of penalty prices set scheduling and constraint relaxation priorities
- The specific penalty price values for transmission and intertie constraints are currently defined in the ISO's tariff

Management proposes to increase penalty prices for intertie constraints to prevent overscheduling of intertie constraints

- The increased penalty prices for intertie constraints will ensure the market does not overschedule imports
- The changes will be applicable to the reliability unit commitment in the day-ahead market and the real-time markets
- The proposed changes will not change the existing scheduling priorities
- No stakeholders oppose this change

Management requests the EIM Governing Body support and the Board of Governors approve the proposed changes to prevent overscheduling on interties

- Proposed changes to penalty prices will prevent overscheduling on interties and clear imports at a feasible level
- The proposed change will:
 - more accurately reflect in the market actual supply available to the system to meet demand
 - mitigate the reliability risk of overscheduling