

WESTERN ENERGY IMBALANCE MARKET

Decision on Real-Time Market Neutrality Settlement Proposal

Don Tretheway

Sr. Advisor, Market Design Policy

EIM Governing Body Meeting

General Session

June 28, 2019



Management is proposing two changes to more accurately account for real-time market neutrality

1. Eliminate EIM transfer adjustment in the real-time imbalance energy offset (RTIEO)
2. Modify financial value of EIM transfers between non-California BAAs to remove cost of GHG

EIM Governing Body has primary authority over both proposed changes

1. Eliminate EIM transfer adjustment

- The issue that was the primary driver was specific to EIM and was raised by EIM Entities (expanded authority)
- SCE disagrees with Management's decisional classification and believes the proposed change should be advisory for the EIM Governing Body

2. Modify financial value of EIM transfers between non-California BAAs to remove cost of GHG

- This rule is EIM-specific (original authority)

Uplifts have direct cost causation to EIM transfers; whereas, offsets have indirect cost causation

- Real-time bid cost recovery has direct cost causation
 - A resource can be committed to support EIM transfer out
 - Appropriate to move costs between BAAs
- RTIEO has an indirect cost causation
 - Can argue cost of serving demand, but magnitude of offset caused by how BAA manages its system not transfer volume
 - More accurate to not move credits/charges between BAAs
- Propose to eliminate the current EIM transfer adjustment that moves RTIEO charge/credits between BAAs

Financial value of EIM transfers is needed since EIM transfers are not settled as imports/exports

- Currently, all EIM transfers are valued at the system marginal energy cost (SMEC)
 - SMEC includes GHG cost paid by California load
- Propose to align financial value with the payments made to generation that support the EIM transfer
 - SMEC is the financial value with California BAAs
 - SMEC less GHG cost is the financial value between non-California BAAs

Stakeholders generally support the proposed changes, but have expressed the following concerns

- Need comprehensive review of offset and uplifts
 - Include within scope of real-time market enhancements scheduled for next year
 - Scalability to other GHG programs within scope of multi-GHG area initiative currently planned for later this year
- Assessment of business process to mitigate future issues
 - Existing processes identify issues and prioritize quick resolution once identified.
- Sufficient consideration of feasibility of retroactive settlement
 - For all issues, explore if implementation consistent with tariff
 - Current implementation is consistent with tariff

Management recommends the EIM Governing Body approve the proposed changes

- Eliminating the EIM transfer adjustment will no longer shift RTIEO charges/credits between BAAs
- Removing the cost of GHG from the financial value of EIM transfers between non-California BAAs will better reflect the payments to generation supporting the EIM transfers between non-California BAAs
- Given the financial impact to participants, the ISO will seek waiver of FERC 60-day notice period in order for an effective date of August 1