

Energy Imbalance Market Year 1 Enhancements
Phase I Draft Tariff Language
Comments of Puget Sound Energy
April 27, 2015

Puget Sound Energy, Inc. (PSE) appreciates the opportunity to provide its comments on the draft tariff language posted on April 15, 2015 regarding Phase I of CAISO's Energy Imbalance Market (EIM) Year 1 Enhancements. PSE provides comments on the following portions of the proposed tariff language:

I. Section 29.11 – Settlements and Billing for EIM Market Participants

There appear to be two drafting errors in this section. Specifically, sub-sections 29.11(b)(1)(A)(ii) and 29.11(b)(2)(A)(ii) are both captioned "Non-Participating Resources", but contain identical language indicating that "CAISO will include any Energy from an EIM Manual Dispatch of the EIM *Participating Resource*..." PSE suggests that CAISO change the language to "*Non-Participating Resource*."

II. Section 29.17 – EIM Transmission System

Sub-section 29.17(f) provides several mechanisms by which EIM Entity Scheduling Coordinators will determine the EIM Transfer limit, and must communicate that limit to CAISO. However, the tariff language does not specifically set forth how CAISO will use the transfer limit information. The CAISO should clarify the application of these transfer limits by inserting the following sentence immediately prior to section 29.17(f)(1): "The CAISO shall use the following EIM Transfer Limit determinations, as applicable, by each EIM Scheduling Coordinator for each EIM Transfer Limit." This language would make clear that CAISO will abide by the limits determined by EIM Entity Scheduling Coordinators, and would not alter the import of the rest of this section as proposed.

It is PSE's understanding that EIM Transfer Availability under the interchange rights holder mechanism, described in 29.17(f)(1), includes both firm and non-firm transmission rights. As a result, 29.17(f)(1) should be revised to strike the term "firm" in both the title and text of the section; so, the title would be "Use of Transmission Rights." With this revision, the text of 29.17(f)(1) would state "The EIM Entity Scheduling Coordinator shall determine the EIM Transfer limit made available for use in the Real-time Market through transmission rights...."

III. Section 29.32 – Greenhouse Gas Regulation and EIM Bid Adders

a. Clarification of Terminology

Terms in this section are used similarly, and may cause confusion for market participants.

- "EIM Greenhouse Gas Maximum Compliance Cost", as used at 29.32(a)(2)(A);
- "EIM Greenhouse Maximum Cost", as used at 29.32(a)(3);
- "Greenhouse Gas Allowance Price", as used at 29.32(a)(3)(A); and

- “EIM Greenhouse Gas Compliance Price”, as used at 29.32(a)(3)(C).

“Greenhouse Gas Allowance Price” is defined in Appendix A of CAISO’s tariff, but only by reference to tariff section 39.7.1.1.1.4; the other terms are not specifically defined. CAISO should review proposed section 29.32 to ensure that standardized terminology is used throughout the section where possible, and that to the extent the terms noted above have independent meaning, they be independently defined in Appendix A of CAISO’s tariff.

b. Additional Language for 29.32(a)(2)(A)

The indicated subsection places the EIM Participating Resource’s [greenhouse gas maximum compliance cost] as the maximum permissible price component of a GHG bid adder. While 29(a)(2)(B) explains the treatment of bids lacking any Bid Adder component, there is no comparable discussion of how a GHG bid adder *above* the [greenhouse gas maximum compliance cost] will be treated. PSE suggests that CAISO include, either as the final sentence in 29.32(a)(2)(A) or as a new 29(a)(2)(B), the following language: “If the Bid Adder is above the [EIM greenhouse gas maximum compliance cost] as determined in accordance with section 29.32(a)(3), CAISO will reduce the Bid Adder to the [EIM greenhouse gas maximum compliance cost] calculated in accordance with section 29.32(a)(3).” It is PSE’s understanding that the default treatment described in 29(a)(2)(B) applies only when the megawatt component of the EIM Bid Adder is left blank. If the megawatt value is filled in, but the price component is left blank, the price component of the EIM Bid Adder would be set to the default price of the [greenhouse gas maximum compliance cost]. Section 29(a)(2)(B) should be clarified to reflect this understanding.

The [bracketed] terms noted above be addressed and defined in accordance with its request above for terminological clarity and consistency in section 29.32.

c. Incorporation of the 10% Adder

In the February 15 Draft Final Proposal for Year 1 Enhancements, CAISO noted that there would “be a 10% adder to the calculated cost” of greenhouse gas emission costs. The 10% adder is not specifically incorporated in section 29.32(a)(3)(A) as part of the “applicable Greenhouse Gas Compliance Price.” The 10% adder should be specifically inserted into the methodology for EIM Greenhouse Gas Maximum Cost determination.

d. Requested Clarification Regarding Calculation and Application of Default GHG Prices

Proposed section 29.32(a)(3)(C) provides for the formulation of “a default EIM External Intertie transaction price set to the highest EIM Greenhouse Gas Compliance Cost that has been submitted to the CAISO prior to the Trading Day.” The CAISO should clarify in what circumstances the default price would actually be used, and what impact it might have on external resources; as part of this inquiry, PSE is attempting to understand whether an external resource could enter an EIM External Intertie Bid with its own, bid-in GHG adder, or whether (in the alternative) a default GHG locational marginal price would instead be applied to Non-Participating Resources. Additional clarity from CAISO regarding

circumstances in which it expects this section to apply would aid market participants in evaluating the proposal.

e. Changing “Bid Adder” to “[Non]Zero-Megawatt Bid Adder”

In proposed section 29.32(b), subsections (1) and (2) have captions referencing “Bid Adders.” Both sections would more accurately use the term “Megawatt Bid Adders”, as the specific language of those subsections contemplates units being able to make available only a specified portion of their output for delivery to CAISO. 29.32(b)(1) would then be captioned “Dispatch of EIM Participating Resources with Nonzero Megawatt Bid Adders”, and 29.32(b)(2) would be captioned “Dispatch of EIM Participating Resources with Zero-Megawatt Bid Adders.”

f. Reference to “Participating” Resources

In proposed section 29.32(b)(1), the tariff language reflects an incomplete change from the term “EIM Resources” to “EIM *Participating* Resources.” The remaining reference to “EIM Resources” should be changed to reflect only participating resources.

IV. Additional Information on Sufficiency Determinations

In section 29.34(m)(4)(E)(ii), regarding the addition of incremental requirements to an EIM Entity’s flexible capacity requirement, additional detail should be supplied on how an EIM Entity would calculate the incremental requirement, resolve any questions of its propriety with CAISO, and eventually remove the need for the incremental requirement. Specifically, CAISO should explain whether the calculation will be “reset” on a monthly cycle, or make clear the process that will be used.