

**Comments of Powerex Corp. on
EIM Readiness Criteria Tariff Language**

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to comment on CAISO’s draft tariff language concerning EIM readiness that was posted on July 31, 2015.

CAISO’s draft tariff language sets out standards that CAISO and a balancing authority area (“BAA”) seeking to join CAISO’s EIM must meet prior to the BAA’s participation in the market and reflects criteria that CAISO proposed in an abbreviated stakeholder process conducted over the course of May and June of this year. CAISO incorporated its proposed readiness criteria into draft tariff language in response to a July 21, 2015, Federal Energy Regulatory Commission (“FERC”) order directing CAISO to submit a compliance filing within 60 days revising its tariff to include readiness criteria developed in collaboration with stakeholders.¹

Powerex is concerned that CAISO’s process has short-circuited the collaborative process FERC directed in its July 21 order. It is critical that the development of the standards used to assess whether a BAA is ready to begin participation in the EIM be clear and effective, with opportunity for meaningful stakeholder input and meaningful collaboration, rather than driven by artificial deadlines or an EIM Entity’s target date for integration into the EIM. FERC recognized as much in the July 21 Order, stating that “carefully developed, measurable readiness criteria should be the basis for determining the actual date on which a potential EIM Entity begins financially binding participation in the EIM” and that “meeting a potential EIM’s preferred start date should not be a determining factor.”² Given that stakeholders will be forced to bear the consequences in the event that a BAA begins participation in the EIM before it is ready, it is also essential that stakeholders be given a voice in the development of readiness criteria, with ample time both for stakeholders to review and provide input on CAISO’s proposals and for CAISO to meaningfully consider and address their concerns.

Unfortunately, thus far, the highly expedited process CAISO has used to develop its readiness criteria appears to have been driven primarily by the goal of accommodating NV Energy’s anticipated start date rather than crafting robust measures of system and operational readiness

¹ *Cal. Indep. Sys. Operator Corp.*, 152 FERC ¶ 61,063 (2015) (“July 21 Order”).

² *Id.* at P 39.

in collaboration with stakeholders. With CAISO affording stakeholders with extremely limited time for review and input, there simply has been insufficient time for stakeholders to play a meaningful role in the development of the readiness criteria reflected in CAISO's draft tariff language. And with CAISO announcing the date on which it planned to complete its evaluation of the readiness criteria before it even posted the criteria for stakeholder review, there has been little opportunity for stakeholders to participate actively in the process.³ Regrettably, this same approach has been carried forward to the development of CAISO's proposed tariff language, with CAISO expressing an intention to file its proposed tariff revisions with FERC less than four weeks after it posted this language for stakeholder review and well before the deadline for the submission of CAISO's compliance filing.⁴

Rather than allowing NV Energy's proposed start date to take precedence over the development of meaningful readiness measures, Powerex urges CAISO to establish a process that affords stakeholders with the time necessary to engage in a careful evaluation of the challenges faced by BAAs integrating into the EIM. This process should include a full exploration of the issues that have been experienced since the EIM commenced operations and, at a minimum, should address the issues detailed below. Only after CAISO and stakeholders have had an opportunity to craft a robust set of readiness criteria that address these and other issues, and NV Energy has demonstrated that it is capable of passing these criteria, should CAISO and NV Energy set a date for NV Energy's integration into the EIM.

1. Resource Sufficiency

Currently, CAISO's criteria only require a BAA to demonstrate that it passes the flexible ramping sufficiency test in 90% of the monitored hours on a single day prior to parallel operation and two days before full activation. As numerous stakeholders have pointed out, a 10% failure rate tolerates a level of resource insufficiency higher than what prompted FERC to initiate a Section 206 proceeding on the CAISO EIM and direct CAISO to develop readiness criteria in the first place, and is unduly permissive.⁵ In addition, experience with the EIM to-date suggests that

³ *Cal. Indep. Sys. Operator Corp.*, Compliance Filing, Docket No. ER15-861-002, Transmittal Letter at n.7 (filed May 6, 2015) ("The CAISO intends to publish readiness criteria for stakeholder comment shortly after the submission of this compliance filing. The CAISO will host a call to discuss the criteria and stakeholders will have approximately two weeks to review and comment on the proposed criteria. It is expected that this stakeholder process should be completed by June 15, 2015.").

⁴ CAISO has indicated that it plans to submit its proposed language to FERC no later than August 24, 2015. The deadline for the submission of the compliance filing is September 21, 2015.

⁵ Thus far, CAISO has not provided a meaningful response to these comments, stating only that it believes that these thresholds are "sufficiently rigorous" and that the use of higher thresholds "for balancing the EIM Entity will have to use production e-tag information." CAISO Stakeholder Comments Matrix, Draft Energy Imbalance Market Entity Readiness Criteria – May 7, 2015 at 11, available at http://www.aiso.com/Documents/StakeholderCommentsMatrix_EnergyImbalanceMarketEntityReadinessCriteria.pdf. It is unclear why the limitations on the availability of production e-tag information requires the use of a 90% threshold as opposed to a 95% or 99% threshold.

measuring resource sufficiency over one or two days will not provide a meaningful test of whether a BAA is offering sufficient resources through the EIM to meet the imbalance needs of its customers.⁶

Powerex believes that the thresholds used to measure resource sufficiency should be sufficiently rigorous to ensure that the BAA has sufficient resources available to meet the imbalance needs of its customers under a full range of operating conditions. For that reason, Powerex recommends that a BAA be required to demonstrate that it has passed the flexible ramping sufficiency test for 100% of the hours during an extended period of time prior to being permitted to integrate into the EIM. For example, the BAA could be required to pass the flexible ramping sufficiency every hour for 30 consecutive days or for several weeks.

2. Settlement Accuracy

It is well known that there have been significant issues experienced with the accuracy of EIM settlements in the PacifiCorp BAAs since the EIM commenced operations, leading numerous PacifiCorp transmission customers to submit settlement disputes to PacifiCorp.⁷ As a precondition to the participation of a new BAA in the EIM, both CAISO and the BAA should be required to demonstrate the ability to timely and accurately issue and process EIM settlements, from “bid-to-bill,” for a meaningful period of time.

Although Powerex recognizes that the current readiness criteria include metrics related to the accuracy of settlement statements, it appears that these metrics only require CAISO and the BAA seeking to participate in the EIM to verify that the settlement statement and invoices for a single month accurately reflect system and market data.⁸ In order to fully ensure the accuracy of EIM settlements, Powerex believes that CAISO and the BAA should issue draft settlement statements and invoices to market participants and transmission customers for an appropriate period of parallel operation (e.g., 30 days), and do so within the specified timelines for issuing statements. Giving market participants and transmission customers the ability to review EIM settlements and invoices will provide an additional safeguard to ensure that CAISO and the BAA are capable of issuing accurate and timely settlement statements and invoices prior to a BAA’s integration into the EIM.

⁶ *Cal. Indep. Sys. Operator Corp.*, June 15 Informational Report, Docket No. ER15-402-000 at Fig. 21 (filed Aug. 6, 2015) (showing dramatic increases in the number of failures of the flexible ramping sufficiency test following periods of relative stability).

⁷ See generally PacifiCorp Open Access Same-Time Information System (detailing EIM billing disputes), available at <http://www.oasis.oati.com/ppw/>.

⁸ Energy Imbalance Market (EIM) Entity Readiness Criteria at 11 (posted Aug. 10, 2015), available at <http://www.caiso.com/Documents/EnergyImbalanceMarketEntityReadinessCriteria.pdf>.

3. Price Formation

It also is well known that CAISO has experienced substantial price formation issues over the past year due to CAISO's decision to implement a series of significant market changes in quick succession, including CAISO's Fifteen Minute Market, the expanded Full Network Model, and the EIM.⁹ Integrating a new BAA into CAISO's markets at a time when CAISO is already experiencing significant price formation issues needlessly increases the complexity of CAISO's markets and may make it more difficult to address outstanding issues. For that reason, Powerex recommends that CAISO be required to address any outstanding price formation issues prior to integration of another BAA into the EIM. Identifying the metrics by which such a demonstration may be made should be the subject of further stakeholder discussion with the CAISO.

4. Transmission Rights To Facilitate EIM Transfers Across Third-Party Systems

The next BAA expected to join the EIM after NV Energy is the BAA operated by Puget Sound Energy, Inc. ("PSE"). Unlike PacifiCorp or NV Energy, PSE is not directly interconnected to any BAAs participating in the EIM. Accordingly, PSE has indicated that it will need to enter into an agreement with Bonneville Power Administration ("BPA") to facilitate its use of BPA's transmission system for EIM Transfers. Powerex believes that PSE—and any other BAAs that plan to rely on the use of third-party transmission systems for the dispatch of EIM Transfers—should be required to demonstrate that they have entered into any necessary contractual arrangements with the appropriate transmission providers. The third party transmission provider whose system will be used to facilitate EIM Transfers should also be required to certify its readiness to accommodate such service.

⁹ See, e.g., Cal. Indep. Sys. Operator Corp., Market Notice: Modeling of CELILO/SYLMAR DC Intertie Scheduling Point (describing modeling errors on Pacific DC Intertie following implementation of expanded Full Network Model); *Cal. Indep. Sys. Operator Corp.*, Informational Report – Performance of Energy Imbalance Market, Docket No. ER15-402-000 at 45-47 (filed Mar. 26, 2015) (describing price formation issues experienced following implementation of the EIM).