



February 7, 2022

To: Energy Imbalance Market Governing Body and the CAISO Board of Governors

Subject: Energy Imbalance Market Resource Sufficiency Enhancements

In August 2020, the CAISO Balancing Authority Area passed the EIM Resource Sufficiency Evaluation capacity test, while it was experiencing Energy Emergency Alert 2 and 3 conditions. Clearly, this was an anomalous result. The CAISO Staff conducted an extensive investigation and identified and corrected software defects that were double counting certain resources as well as incorrectly applying resource derates. In May 2021, the CAISO also instituted a stakeholder process aimed at improving the accuracy of the test.

NV Energy supports these efforts to have an accurate measure of resource insufficiency. However, at the same time it is vital to understand and re-evaluate the reliability consequences the market is imposing on participating EIM Entity Balancing Authority Areas experiencing stressed conditions. ***No market rule should be the cause of or contribute to a blackout.***

Currently, Section 29.34(m) of the CAISO Tariff “freezes” imports into an EIM Entity that fails the Resource Sufficiency Evaluation. In other words, now that we are making clear that an EIM Entity experiencing an EEA-2 fails the test, we are also making it impossible for the EIM to help respond to the emergency. If supply is available within the EIM, it should be used to address the reliability need of the EIM Entity at an appropriate scarcity price. The CAISO Tariff should not contribute to physical withholding of voluntarily-offered supply to respond to an energy emergency situation. With the continued expansion of the EIM, we should be encouraging all supply to be bid into the market, but that leaves less supply to be procured bilaterally to respond to emergencies. This makes this issue even more critical for EIM Entities, including CAISO. As recognized by the Market Surveillance Committee, “the Western EIM FMM and RTD are potentially powerful tools for balancing load across the WECC to use in maintaining reliability in uncertain operating conditions and placing restrictions on their use during unexpected operating conditions has the potential for unacceptable outcomes.”

Under its current roadmap schedule, the CAISO will not resolve this critical issue until the Fall of 2024. That is unacceptable. The CAISO should proceed immediately with an interim fix that would replace the freeze on imports to EIM Entity Balancing Authority Areas in order to prevent or alleviate an emergency condition. A potential scarcity price to be used on an interim basis could be the applicable power balance constraint parameter penalty price which is between \$1,000/MWh and \$2,000/MWh. With this in place, the CAISO could move forward with its Phase 2 stakeholder process to undertake a more comprehensive evaluation of the consequences of failing the Resource Sufficiency Evaluation.

Events such as the Bootleg fire demonstrate that emergency conditions can occur anywhere in the region, even if an EIM Entity had made every effort to be resource sufficient. Western utilities have a long history of cooperation in response to reliability challenges. The EIM, with a simple change to the market rule, can be made to foster and not impede that same cooperative spirit.

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