

Southern California Edison Stakeholder Comments

CAISO EIM Readiness Matrix for CAISO and EIM Entities issued May 6, 2015

| Submitted by | Company | Date Submitted |
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Southern California Edison’s (SCE) herein comments on the Energy Imbalance Market (EIM) Readiness Matrix published on May 6, 2015.¹ The Readiness Matrix is being developed through a stakeholder process to be in compliance with the FERC Order² on March 16, 2015, for the CAISO to update their tariff to “include requirements to ensure readiness prior to new EIM Entities commencing EIM operations.” Furthermore, the Order included “a requirement that CAISO and the new entrant each submit a market readiness certificate at least 30 days prior to full activation in the EIM, certifying the readiness of the new EIM Entity’s processes and systems”. The readiness matrix would identify those process and systems that must be certified ready 30 days prior to full activation of a financially binding EIM. SCE supports the categories included in the matrix but notes there is a critically important process of settlements (both the CAISO and EIM Entity) that are missing which should be included in the matrix. In addition, under either System Readiness or Parallel Production there is a lack of detail surrounding the learning curve that troubled PacifiCorp during the first few months of EIM operation. Many of these readiness issues resulted in artificial shortfalls that resulted in high prices due to constraint violations.

1. Settlements should be added as a category to the EIM Readiness Matrix

Settlements related to EIM occur for both the CAISO and the EIM Entity. The CAISO submits a settlement statement to the EIM Entity and Participating EIM Resources showing their imbalance. The EIM Entity sends settlements statements to Non-Participating EIM resources for

¹ http://www.caiso.com/Documents/Presentation_EnergyImbalanceMarketEntityReadinessCriteria.pdf

² March 16, 2015 order in EL15-53, 150 FERC ¶ 61,191, P 34

their respective imbalance plus any allocations of EIM settlement charges (from the CAISO) to both participating and non-participating resources. Settlements are a critical process for a functioning market and is in scope with the FERC Order for EIM Readiness.

SCE recommends adding a settlements criteria with the following two metrics, one for CAISO and one for the EIM Entity, be added to the Reliability Matrix:

Settlements

For the CAISO

Metric: CAISO Settlement Statement and Invoice Publication to EIM Entity and EIM Participating Resources

Criteria: Settlement statements and invoices match the operational data fed into Settlement System and the calculations correspond to the formulas defined in CAISO's BPMs.

Threshold: 1 clean monthly settlement statement and invoice with corresponding clean daily statements produced during market simulation and/or parallel process.

For the EIM Entity

Metric: EIM Entity Settlement Statement and Invoice Publication to EIM Participating Resources and non-EIM Participating Resources

Criteria: Settlement statements and invoices match the input data from the CAISO and allocations correctly performed per EIM Entity tariffs and BPMs.

Threshold: 1 clean monthly settlement statement and invoice with corresponding clean daily statements produced during market simulation and/or parallel process.

2. More detail surrounding the criteria and threshold of a successful parallel process is needed in the EIM Readiness Matrix

From the CAISO reports on EIM results and statements made at the FERC technical conference³ on EIM, a significant issue was PacifiCorp operators' learning curve in implementing the new tools that are required for the EIM. For example, there were delays in notifying EIM of manual dispatches, system outages, and exchanges with sharing agreements with neighboring balancing authorities. Many of these problems could have been avoided if there was a longer parallel process for PacifiCorp's system operators to become accustomed to what they learned in training sessions. SCE notes that during the parallel process for PacifiCorp

³ Held at the FERC on April 9, 2015, as part of the FERC 206 investigation on the reasonableness of EIM pricing in docket EL15-53.

there were only two good days of pricing results to determine if the market was functioning as intended. Both the CAISO and any new EIM Entity need to improve their efforts to document that systems, and the people using those systems, are actually ready to begin a financially binding EIM. The readiness matrix lacks sufficient detail of how issues will be documented that may be discovered in a parallel process with a new EIM Entity and the actions taken to resolve those issues. For example, during the parallel process, a metric on the number of manual dispatch occurrences and system outages can be kept. In addition, a metric tracking how long it took for operators to input the information into the EIM process should be documented. Only once the threshold criteria is met, then the EIM Entity can certify that their processes and people are ready to begin a full financially binding participation in EIM.

3. The implementation schedule with Nevada should be adjusted in order to comply with the FERC order.

SCE notes the implementation schedule for Nevada Energy lacks sufficient time for both the EIM Entity and CAISO to certify that their processes, systems, and people are ready to begin a binding EIM on October 1. Currently, the schedule is to begin parallel operation on September 1, which would also be when the 30 day readiness certifications is due to the FERC. SCE fails to see how readiness certifications can be made without the experience from real data from the parallel process. CAISO and Nevada Energy need to adjust the implementation schedule to include a parallel process of at least 30 days prior to the requirement to notify FERC of system readiness. This may result in a parallel process for 60 days prior to go-live, which would allow for an additional 30 days of fine tuning to improve processes and systems as necessary.