

## Western Power Trading Forum Comments on EIM Year 1 Enhancements

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WPTF appreciates the opportunity to comment on the CAISO's EIM Year 1 Enhancements as last described in the ISO's February 11, 2015 Draft Final Proposal.

WPTF offers comments on the phase 1 issues. Limited comments on select phase 2 issues follow the phase 1 comments.

**Settlement of Non Participating Resources** – WPTF has been supportive of the ISO's proposal to (1) fully model the resource characteristics of Non-Participating Resources and (2) avoid Bid Cost Recover (BCR) payments for Non-Participating resources, just as it does for self-scheduled internal resources. We would appreciate further information about how and when the ISO plans to accomplish the remedy, particularly given the ISO's new view that tariff changes are not required.

**Greenhouse Gas Flag** – Please see WPTF's prior comments opposing what the ISO's proposed – essentially automated - mitigation of participants' GHG costs. We continue to find this proposal to be an excessive forcing of participants' bids to the ISO's expectations of cost and CARB treatment that could harm market efficiency. We also continue to be concerned about distortions that will be created by disparate treatment between the CAISO's DA and FMM bidding and this EIM bidding.

### **Use of ATC for EIM Transfers & Enforcing EIM Transfer Limits** –

The CAISO should confirm that its implementation of the EIM and use of ATC does not reduce the value of OATT transmission rights. In order to do so, the ISO should implement the EIM in such a way that allows OATT transmission holders to maintain their transmission rights, including the financial benefit of those rights, up through the WECC and OATT submission deadline of T-20. The CAISO could achieve this by altering its algorithms to allow scheduling of OATT rights through T-20 without incurring EIM imbalances, by seeking changes to WECC scheduling practices, or by converting OATT rights into an allocation right to EIM congestion rents (i.e. providing congestion payments to the owners of Firm OATT rights). The CASIO should not, and cannot, allow EIM entities the discretion to charge firm OATT rights holders congestion charges that have never, heretofore, been part of the settlement or calculus of the value of OATT rights.

Additionally, WPTF seeks further clarity regarding the creation of transmission tagging "priorities" as suggested at the February 18 stakeholder meeting. WPTF understands the proposal is intended to place very small penalty factors on various parallel transmission paths merely to facilitate transmission tagging, and to not affect dispatch. We are not convinced that this process will not (1) affect pre-

existing OATT scheduling rights or (2) affect dispatch. Further, we seek clarity on when these penalty factors would be placed – in the Scheduling Run, the Pricing Run, or both.

**Additional Resource Sufficiency Elements** – WPTF supports the CAISO’s proposal to bias imports and exports based on historical performance in order to ensure resource sufficiency. WPTF requests that the CAISO consider further measures of variability that may be important in evaluating the sufficiency of base schedules. For example, including measures of load and resource variability such as forecast error may reduce instances of price spikes and/or energy balance constraint violations in the EIM.

**Administrative Pricing Rules** – WPTF supports EIM administrative pricing policies that mirror to the greatest extent possible administrative pricing rules applied in the CAISO BAA. WPTF understands the need to use an “administrative” price under certain circumstances of market disruption. We do not support a full delegation of the choice of such a price to the EIM Entity, as this price will be a part of the ISO settlements system. There should be a stakeholder review of alternative prices and/or priorities provided by the EIM Entity, but it is the CASIO’s obligation to select and support the price and the CAISO’s obligation to transparently publish those pricing parameters.

**EIM GMC** – WPTF has no philosophical objection to the CAISO’s proposed modifications for the GMC. WPTF simply asks the CAISO to work to ensure that costs attributable to the EIM reflect the significantly large proportion of staff time that is being devoted to the EIM.

#### Phase 2 Comment

WPTF offers the following limited input on one of the Phase 2 items and otherwise will look forward to commenting more fully when Phase 2 is more fully underway.

**Transmission Rates** – WPTF continues to support alternative transmission charge treatment, having argued that reciprocal is not fully reciprocal at this time. We also anticipate that a hurdle-rate type approach will be found to reduce market efficiency. We encourage the ISO to offer more details on the possibility of a TAC rate for the expanding EIM/CAISO regions.

Thank you for your consideration.