

**BPA Comments on CAISO's Final Draft Proposal posted September 23, 2013**

Submittal Date: October 8, 2013

Submitted by: Russ Mantifel, BPA Transmission & Policy ([rxmantifel@bpa.gov](mailto:rxmantifel@bpa.gov))

**I. Overview**

Bonneville Power Administration (BPA) appreciates the opportunity to participate in the CAISO's Energy Imbalance Market (EIM) stakeholder process and to provide comments that reflect BPA's principles as an intermediary Balancing Area Authority (BAA). BPA is primarily interested in ensuring the use of the BPA transmission system will be consistent with the principles of comparability and Open Access; that operation of the transmission system will be consistent with NERC and WECC reliability standards; and that BPA's customers in neighboring BAAs receive fair and comparable service. BPA will continue to work collaboratively with PacifiCorp (EIM Entity) and with the CAISO (Market Operator) to ensure that these principles are taken into account in the development of the EIM. That work may also help address the specific questions and the comment below. Recently, BPA initiated its own stakeholder process to engage its regional customers, share activities to-date and, more importantly, assure that any BPA customer concerns and issues related to implementation of the CAISO-PacifiCorp EIM are addressed in a timely fashion.

**II. Comment**

- 1) Transmission Service Section 3.8: One of BPA's general principles is that its transmission system is used consistent with comparability and Open Access principles, as described in its OATT. BPA is participating in ongoing discussions with PAC, the ISO, and other stakeholders with respect to this principle. The following questions are advanced in the spirit of recognizing this fundamental principle.
  - a) Pg. 82 states that "since it is anticipated that there are existing contracts through Bonneville Power Administration's BAA for the full capacity of the California-Oregon Intertie" that an additional transmission access charge is not necessary at this time. Later, on the same page, it is stated that "PacifiCorp expects their EIM use to not exceed their reserved capacity for the long-term firm point-to-point customers or prior month coincident peak demand for network customers, any EIM use in excess of rights would be assessed an unreserved use charge." Please clarify the following:
    - i) BPA would also like an explanation for how potential excess use of such transmission capacity will be tracked, monitored, and assessed unreserved use or any other penalty charges and what mechanism will be used to redistribute penalty revenues collected.
    - ii) And, please explain how future EIM Entity access to transmission for EIM transactions will be handled.
  - b) What is the CAISO's response to PacifiCorp's EIM Entity Proposal that asserts "because EIM transmission is over firm transmission rights, PacifiCorp does not believe it should be subject to a zero curtailment priority?" Please clarify the following:
    - i) BPA believes additional stakeholder discussion is needed on this topic, particularly regarding whether PacifiCorp intends to allow customers to use their aggregated long-term firm PTP rights with the same curtailment priority of the parent contract, irrespective of path.
    - ii) BPA needs to understand how existing rights and quality of transmission service will not be compromised by customers now being allowed to be dispatched on a 5-minute basis over a specific path without having their own rights over that path.

c) **Greenhouse Gas Proposal Comments**

- i) CAISO proposal, page 8, states:

“Greenhouse gas compliance costs will not affect the LMPs in an EIM Entity. Rather, the market optimization will calculate the marginal cost difference between EIM generation serving load in the ISO and serving load outside of the ISO. This difference will be the marginal greenhouse gas regulation compliance cost and will be the rate the ISO will use to calculate a payment to each generator in an EIM Entity for its output that served ISO load. This payment will be funded by ISO load through the LMPs within the ISO. “

BPA wishes to confirm that this language means that loads located in other EIMs (such as PacifiCorp’s) will not pay LMPs that include GHG costs, even if resources located in CAISO participate in PacifiCorp’s EIM.

- ii) Section 3.9 – Comment. BPA is concerned that the CAISO’s proposed rules regarding GHG compliance may unfairly exclude future participants. BPA is legally prohibited from purchasing carbon allowances. Therefore, BPA proposes that the CAISO take on the obligation for any CARB carbon allowances needed for the EIM market and develop a cost allocation method for those costs, rather than have the generator be notified after the fact that the generator must procure a carbon allowance. BPA appreciates the EIM’s proposal to use opportunity costs (for carbon allowances) in an attempt to prevent a resource from being dispatched into California. Unfortunately, this proposal does not go far enough; BPA must ensure that there is no circumstance under which its resources would be dispatched to serve the CAISO. Again, BPA is prohibited from buying carbon allowances and unable to sell directly to the CAISO (except under emergency circumstances, which CARB has stated do not incur a carbon compliance obligation). Accordingly, this proposal does not provide an adequate means for federal entities to participate, if they choose to do so in the future. Additionally, BPA requests that there be a mechanism that provides a way for a participating resource to indicate they only want to be dispatched in the NW.

d) **Generation and Registration Comments**

- i) Section 3.3.1 of the proposal states that “[r]egistration is required for resources that would not explicitly participate in EIM because these resources would still be subject to EIM settlements for their potential uninstructed imbalance energy.” Is registration (and providing the data noted in section 3.3.1) required for generation that is behind-the-meter? Section 3.3.1 appears to say this, but section 3.3.5 states that the EIM Entity Scheduling Coordinator’s demand forecast should be “net of ‘behind-the-meter’ generation. . .”
- ii) In addition, will the registration and data input requirements of section 3.3.1 be required for generators located in an EIM Entity that are currently delivering energy under “grandfathered” pre-OATT agreements?

**e) Load and Non-Participating Resource Forecasting Comments**

- i) BPA requests further clarification of the CAISO's proposal for requesting and developing forecasts from non-participating resources and loads located in an EIM. Specifically, BPA would appreciate clarification of the following:
  - (1) Whether loads or non-participating resources will be required to produce a forecast, and if so, whether the forecast is provided to the EIM Entity or the Market Operator?
  - (2) If loads or non-participating resources are required to submit a forecast to the Market Operator, will the present system used by the EIM Entity (such as PacifiCorp's e-tag system) be sufficient to act as this forecast?
- ii) Section 3.3.4 of the proposal states that the Market Operator will develop short-term and mid-term "Demand Forecast Zones" within each EIM Entity. The proposal also states that this forecast will be based on "historical data, applicable meteorological data, and the State Estimator solution." BPA would appreciate further clarification regarding the source of this data, how it will be compiled, and how its accuracy can or will be verified.
- iii) Will loads or non-participating resources be required to schedule energy in accordance with the Market Operator's forecasts? If so, will loads or non-participating resources have an opportunity to adjust the Market Operator's forecast? If not, what recourse will loads or non-participating resources have if the Market Operator's forecast is dramatically off? Will loads or non-participating resources have the ability to "opt out" of the Market Operator's forecast?

**f) Section 3.8 – Transmission Comments**

BPA remains concerned that the only energy flows from CAISO that do not pay a Transmission Access Charge ("TAC") are the EIM flows to PacifiCorp as the EIM Entity. Loads and exports must pay TAC, since flows to PAC for solving imbalance energy are an export the ISO should consider including them in the TAC. Exempting these flows from the requirement to pay for that transmission has the potential to create market distortions, and the CAISO should consider adding the TAC to these flows to bring them into comparability with all other market participants. CAISO's Alternative 4 suggests removing TAC for all exports is a substandard solution from a policy perspective as it is likely that the loads in California will object to paying a TAC while other users do not.

**III. Closing**

We look forward to continued collaboration with the CAISO to find mutually agreeable solutions to implementation issues related the CAISO EIM that is scheduled to become effective Fall 2014.