

Powerex Corp. Comments on First Draft Tariff for Energy Imbalance Market

Submitted By	Company	Date Submitted
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Powerex appreciates this opportunity to provide comments on the First Draft Tariff for the Energy Imbalance Market (EIM) posted by the CAISO on November 12, 2013. Powerex has submitted a redline suggesting certain changes to the Tariff, in addition to explaining its suggested changes, concerns or questions relating to certain provisions below. Powerex looks forward to participating in the discussion on such comments scheduled to occur on December 16.

As an initial matter, Powerex's major concern is that the EIM has been designed as a California-centric proposal. As the comments set forth below will highlight, the draft tariff language is repeatedly one-sided in favor of implementing CAISO's determinations, often without even consultation to consider other EIM Entities' views. Many of the actions CAISO would be permitted to take could be over the objection of such other EIM Entities as the tariff is worded. Indeed, the draft tariff language goes so far as to define the EIM as "CAISO's voluntary real-time market . . .". Without any clear justification, CAISO also proposes that participants subject themselves to the jurisdiction of various regulatory agencies of the state of California. There is no corresponding jurisdiction of the regulatory agencies in any other participating state(s). CAISO merely is administering this market but should not consider EIM to be a CAISO market, yet this view permeates the tariff. These design features are not necessary and should be expected to impede participation in the EIM to the detriment of the overall effort's scope and long-term viability.

Powerex believes that the stakeholder process with regard to the EIM was not robust, did not benefit from the involvement of a broad-cross section of interested parties, and proceeded in an unduly compressed timeframe that impeded comprehensive input from the handful of parties that did submit comments. As a result, and unfortunately, CAISO cannot state that it had broad stakeholder support across the Western Interconnect for this initiative, because it did not have broad stakeholder involvement in the initiative. This should lead CAISO to have concerns as a process goal should be robust stakeholder participation.

Powerex's specific comments as to tariff provisions are discussed below and noted in a redline version of the proposed tariff:

This will be a CAISO Tariff initially even though the ultimate EIM governance may not require the existence of a CAISO tariff. As such, the existence of a FERC-approved interim Tariff should not be a reason that the governance cannot change. Thus, a

provision should be added to the tariff indicating that it is interim in nature and will terminate when a replacement governance mechanism is instituted.

“29.1(d)(1) Temporary Reversion. The CAISO may, within thirty (30) days following the implementation date of the EIM for an EIM Entity, and upon Market Notice, temporarily revert to pre-EIM operations for a period not to exceed 60 days with respect to that EIM Entity if market or system operational issues adversely impact the EIM Area or any EIM Entity Balancing Authority Area.”

Comment: implies that CAISO alone will decide if the EIM operations are adversely impacting the EIM Area of any EIM BAA. However, each involved EIM BAA should have some say in this decision; it should not be CAISO’s unilateral decision to make judgments as to areas outside of the CAISO footprint.

“29.1(d)(2) Permanent Reversion. If the CAISO is not able to resolve the system or market issue during the temporary reversion, the CAISO may, upon Market Notice, permanently revert to pre-EIM operations with respect to an EIM Entity.”

Comment: a permanent reversion to pre-EIM operations should require a FERC filing rather than being pursued solely by Market Notice.

“29.2(b) Access as an EIM Entity.

(1) Implementation Agreement. A Balancing Authority that wishes to become an EIM Entity must first execute an implementation agreement with the CAISO that establishes—

- (A) the activities the parties must undertake to enable the Balancing Authority to participate in the EIM;
- (B) the date upon which the Balancing Authority will become an EIM Entity; and
- (C) the implementation fee the Balancing Authority must pay to the CAISO for the start-up costs the CAISO incurs.”

Comment: This provides for CAISO to sign the implementation agreement to become an EIM entity. To afford a seamless transition to the ultimate governance, it should be clarified that such agreements should transfer to the ultimate governing entity without the need for any later CAISO approval.

“29.4(c)(3)(B) may not also be an EIM Participating Resource Scheduling Coordinator ;”

and

“29.4(c)(4)(D) register in the manner set forth in the Business Practice Manual, all EIM Participating Resources of each EIM Entity it represents, and all non-participating resources in each EIM Entity Balancing Authority Area, and update such information in a timely manner;”

Comment: 29.4(c)(3)(B) and 29.4(c)(4)(D) appear to be internally inconsistent in that one states that an EIM Entity SC may not also be an EIM Participating Resource SC and the other discusses the EIM Entity SC registering for the EIM Participating Resources it represents. A comparison of 29.4(e)(3)(B) versus 29.4(c)(4)(D) raises a similar issue.

“29.4(d)(1)(C) meets California Air Resources Board registration and reporting requirements.”

Comment: Requiring that EIM Participating Resources meet CARB registration and reporting requirements will create jurisdictional issues for some participants and exclude certain entities from participation. Powerex urges the CAISO to consider and adopt alternatives that would not artificially constrain EIM participation through this requirement.

“29.4(d)(3)(D) register in the Compliance Instrument Tracking System Service of the California Environmental Protection Agency Air Resources Board.”

Comment: Registration with the California EPA is not required of other imports in the CAISO tariff and does not appear necessary for EIM. As indicated earlier, this is not a California-only market; participants are not being required to subject themselves to the jurisdiction of other states’ regulatory agencies. This requirement should be explained and justified or abandoned as requirements such as these will impede participation and EIM success.

“29.7(f)(2) treat an EIM Entity manual dispatch to an EIM Participating or non-participating resource as an imbalance instruction and settle it at the respective Locational Marginal Price, but the dispatch will not set that Locational Marginal Price.”

“29.7(h)(1) Declaration. The CAISO may disrupt the EIM when in its judgment—“

Comment: in lieu of treating a manual dispatch as an imbalance instruction settled at the respective LMP, CAISO should consider adding this to the list of actions that may trigger an EIM disruption set forth in 29.7(h). It is unclear what the “respective LMP” would be in this situation. In other contexts, CAISO uses the last good LMP, which may be the LMP for the previous interval.

To further address this issue, we suggest that 29.7(h)(1) be modified to add the underlined text: “The CAISO may disrupt the EIM when the EIM Entity is performing Manual Dispatches for reliability or operational issues or in its judgment” to recognize the requirement for Manual Dispatches.

In the absence of Manual Dispatches, 29.7(h)(1) permits CAISO to disrupt the EIM if “in its judgment” continued operation would cause an abnormal condition in an EIM BAA or the CAISO BAA. The EIM BAA at issue should have a say in the event of an abnormal condition in its own area rather than leaving this to CAISO’s sole discretion as worded. Similar concerns exist in 29.7(h)(2).

“29.7(h)(5) System Restoration. The CAISO shall reinstate normal operation of the EIM at such time as it determines that the EIM disruption has been resolved.”

Comment: if the CAISO determines the EIM disruption has been resolved but an EIM BAA disagrees, this would allow the CAISO unilaterally to implement the decision to reinstate normal operation regardless of such disagreement. CAISO should consider the EIM BAA’s views.

“29.10(e) EIM Imbalance Energy With External Balancing Authority Area. For each intertie bid that clears the EIM resulting in a 15-minute intertie schedule at an intertie between an EIM Entity Balancing Authority Area and an external Balancing Authority Area, the EIM Entity Scheduling Coordinator must submit to the CAISO the corresponding hourly transmission profile and 15-minute energy profiles from the respective e-Tags, which must reflect the point of receipt and point of delivery that was declared in market bid submittal, at least 20 minutes before the start of the hour.”

Comment: Powerex has questions regarding this proposed tariff text. This appears to expand EIM to interties that are not connected to CAISO but are connected to another EIM Entity. What transmission pricing treatment will be afforded to such wheel through transactions? Powerex believes it will be detrimental to investments in firm transmission service to use, much less expand the use of, CAISO’s free transmission proposal.

“29.11(b)(1)(A) Calculation. The CAISO will calculate a resource’s 15-minute Instructed Imbalance Energy as the algebraic difference between its 15-minute energy schedule, which is the outcome of the 15-minute market, and the hourly base schedule (for EIM Participating Resources).”

Comment: This appears to expand the lack of transmission assessments to the 15 minute market rather than limiting it to the 5 minute market. Powerex objects to any expansion of the free transmission proposal, which it believes should be eliminated.

“29.11(b)(4)(ii) Settlement. The CAISO will settle the Uninstructed Imbalance Energy with the EIM Participating Resource’s Scheduling Coordinator at the 5-minute Locational Marginal Price.”

Comment: CAISO here proposes that both instructed and uninstructed energy will be paid the LMP. This removes incentives to actually bid into the market as uninstructed energy will fare just as well as instructed energy. There should remain an incentive to provide instructed energy and to follow EIM dispatch. In western markets outside of California, uninstructed generator imbalances are treated asymmetrically and not dissimilar to the provisions for under/over charges for load in Section 29.11(d).

“29.11(e)(4)(i) Individual Constraint Calculation. For each constraint in an EIM Entity Area, the CAISO will calculate a convergence bid adjustment as the product of the 15-minute market shadow price and the lesser of (1) the flow contribution of convergence

bids and (2) the flow contributions of all day-ahead energy and EIM base schedules less the flow contributions of 15-minute energy schedules, but not less than zero.”

Comment: CAISO’s proposal to calculate a convergence bid adjustment for each constraint in an EIM Entity Area is problematic from a cost-causation standpoint and does not appear to have been justified as part of the tariff on any explained policy grounds. CAISO should explain why this provision is in the tariff and justify its consistency with cost causation principles.

“29.26(b) Non-CAISO Facilities. The determination and charges for transmission service charges for EIM transactions on facilities that are part of the contractual or ownership rights made available to the EIM by an EIM Entity will be the responsibility of the EIM entity that made the facilities available, except that no EIM Transmission Service Provider may impose a separate charge for EIM Transfers that use its facilities.”

Comment: As written, this precludes charges for EIM Transfers by EIM Transmission Service Providers in all circumstances. This may be overly broad in the breadth of the circumstances that may arise. For example, it would preclude a transfer that exceeds the transmission made available from being assessed any charge which will violate the FERC approved OATTs of many transmission service providers.

“29.31 Day-Ahead. EIM Entity Scheduling Coordinators and EIM Participating Resource Scheduling Coordinators may not submit bids in the CAISO’s Day-Ahead Market on behalf of EIM Market Participants that they represent.”

Comment: – It is unclear whether such entities require separate Scheduling Coordinators to participate in the DAM or if CAISO is proposing to preclude EIM participants from participating in the DAM.

“29.33 Hour-Ahead Process. Hour-Ahead Processes for the EIM shall be governed by Section 33.”

Comment: the reference to Section 33 does not reflect the Order No. 764 Tariff change renumbering.

“29.34(e)(3)(B) Insufficient Supply. An EIM Resource Plan shall be deemed to have insufficient energy supply if the sum of base schedules from non-participating resources and the sum of the highest quantity offers in the energy bid range from EIM Participating Resources, including interchange with other Balancing Authority Areas, is less than the total demand forecast for the associated EIM Entity Balancing Authority Area.”

“29.34(i)(2) Bidding Intertie Schedules. An EIM Entity Scheduling Coordinator may bid an intertie schedule between the EIM Entity and a neighboring Balancing Authority Area into the 15-minute market if both Balancing Authority Areas support economic bidding of 15-minute intertie scheduling under FERC Order No. 764.”

Comment: The EIM policy seems to include “intertie bids” in the consideration of Insufficient Supply in 29.34(e)(3)(B). The tariff needs to clarify when an EIM Entity bids on an intertie between the EIM Entity and a neighboring Balancing Authority Area, what validation is performed to ensure the bids represent actual physical capacity able to perform if awarded a schedule.

“29.38(c) providing recommendations about potential market design flaws or ineffective market rules to the CAISO and FERC”

Comment: Since the role of the DMM contemplated in EIM is to provide services to all EIM Entities and not just the CAISO, DMM should consult with EIM Entities about perceived market design flaws, not just CAISO and FERC.

“29.39(a)(4) the CAISO may establish different reference buses for each Balancing Authority Area, which need not be within the Balancing Authority Area, for determining shift factors used in market power mitigation procedures, based on the typography of each Balancing Authority Area and consideration of the bus at which the congestion component of Locational Marginal Prices is least influenced by market power.”

Comment: typography should be topography

“Energy Imbalance Market (EIM)

The CAISO’s voluntary real-time market to manage transmission congestion and optimize procurement of imbalance energy (positive or negative) to balance supply and demand deviations for the EIM Area through economic bids submitted by EIM Participating Resource Scheduling Coordinators in the fifteen-minute market and five-minute markets.”

Comment: Definition of EIM is that it is “CAISO’s” voluntary real-time market, This should be changed to reflect that the EIM is the market of the EIM Participants. CAISO is merely the operator of the market but it is not a CAISO market.

Powerex may have additional comments at a later time.