

## CAISO EIM Straw Proposal Process

### General Comments

The Third Revised Straw Proposal shows progress toward a workable EIM. We appreciate the effort expended by the CAISO to address the issues raised by the stakeholders and look forward to further improvements. As described more fully in our comments, we remain concerned with revenue neutrality issues. We believe the design proposal requires more substantive coordination with non-participating transmission providers and the Western Interconnection Reliability Coordinator.

### High Priority Issues:

#### Participant definitions, obligations and agreements

Based on the CAISO's response to Xcel Energy's comments on the Second Revised EIM Straw Proposal, we look forward to modification to the sections of the straw proposal describing the roles and responsibilities for each EIM participant. We support EIM process modifications that would allow participating loads and resources to provide information directly to the CAISO rather than have the Balancing Authority gather and submit data from multiple parties for the reasons stated in our previous comments.

#### Section 3.4.2 Congestion Management

There appear to be conflicting statements in the congestion management section in this document. In response to a comment by Xcel Energy related to withholding, the CAISO states that since participation is voluntary, neither physical nor economic withholding are prohibited behaviors. However, Section 3.4.2. Congestion Management in the Third Revised EIM Straw Proposal reads "EIM Participating Resource Scheduling Coordinators *must submit energy bids with sufficient generating capacity in EIM to enable efficient congestion management on these constraints*" (emphasis added). This appears to put a requirement on the resource owners to provide some level of dispatch capability. We request these two statements be reconciled. Further, the amount of generating capacity to manage a constraint is not equivalent to the amount of capacity

needed solely to supply load, hence the amount required under this provision is indeterminate until an after-the-fact evaluation. We recommend that the CAISO strike the sentence quoted above, in part due to the sentence which follows in the proposal stating that if there are not sufficient bids, the CAISO will address the issue through administrative measures.

We remain strongly concerned with the language in the straw proposal as it discusses dispatch for congestion. Language such as found at the top of page 54 stating “...EIM Entities use of UFMP *when the EIM has exhausted available, effective bids*” (*emphasis added*) seems to be a recipe for revenue neutrality uplift problems. We recommend more detail be added to clarify when these costs will be borne by the EIM participants versus when the costs will be borne by all impacting entities, whether within or outside of the EIM.

The additional detail may need to include coordination proposals to be established with the Western Interconnection Reliability Coordinator. Revenue neutrality uplifts associated with an incomplete design around congestion management could inappropriately push costs onto some market participants that should be borne by others, whether participating in the market or not. For example, if base schedules of the market participants use firm network or firm point-to-point priority service, then non-firm external loop flow contributions to congestion within the EIM footprint should be first curtailed and no redispatch costs incurred internal to the EIM footprint until firm curtailment obligations are established.

In the second paragraph, first sentence of Section 3.4.2, we believe the CAISO should add language at the end of the current sentence so it would read:

The marginal congestion component of the 15-minute and 5-minute LMPs in all locations (both ISO BAA and EIM Entity BAA) will include congestion contributions from binding network constraints within the ISO-EIM Entity footprint, *as well as redispatch obligations due to external curtailments enforced on the ISO-EIM Entity through UFMP or ECC. (added language in italics)*

Finally, we believe the document needs more detail addressing the issue of coordination measures to address constraints impacted by loop flow, as mentioned in the final paragraph on Section 3.4.2. Depending on the transmission rights of different parties, it may be appropriate for the EIM to dispatch with an impact on these constraints. If the market

operator plans to coordinate measures needed to address the congestion, how will the market operator pass the cost of the coordination to the appropriate parties?

### **Over and Under Scheduling Penalties**

Xcel Energy appreciates CAISO's consideration of the over-scheduling issue. We still believe that it would be better to address the issue up front rather than monitor for potential abuse after the market begins. What threshold of abuse would be required for CAISO to act? What systems would CAISO employ to detect this abuse? We would appreciate reassurance to stakeholders that market abuse will be detected and mitigated.

### **Greenhouse Gas**

Xcel Energy appreciates the modifications made by the CAISO to address concerns related to the GHG issue. We believe the revised proposal allows an entity to manage their own price risk exposure associated with retirement of GHG certificates. The revised design does not eliminate potential new compliance obligations for parties outside of California. However, this design revision provides more flexibility than the previous straw proposal.

### **Market Costs**

Xcel Energy is concerned the CAISO has not yet provided a summary of settlement cost codes that will be part of the EIM design. Therefore, it is not possible to make an evaluation related to settlement cost accounting under the EIM. Based on the response to Xcel Energy's previous comments, it appears that the CAISO is assuming that the \$0.19 is just one of the cost components to settle in the EIM market. We would like to review the details of the proposed charge types and estimated magnitude of these charge types for some sample operating days. This will help us evaluate potential costs and benefits to our customers. If there are costs beyond those currently identified, it is unclear if the minimum administrative costs identified in Section 3.7.10.2 would include or exclude any of these additional costs. Please provide this information in the final draft straw proposal.

## **Additional Issues:**

### **Interaction with Reliability Coordinator (RC)**

The CAISO provides a short section related to interactions with the WECC RC in the Third Revised Straw Proposal. Xcel Energy appreciates this addition and believes it provides very high-level expectations related to the interactions with the RC. As the EIM progresses, we expect that the CAISO and the RC will develop more detailed operating procedures as needed.

### **Local Market Power Mitigation (LMPM) and Market Monitoring**

Xcel Energy recommends the Market Monitor provide reports to the EIM Transitional Committee during the two-year period. We recommend addressing this briefly in the straw proposal and in more detail in the proposed governance document.

The CAISO market monitor proposes to use an LMPM methodology somewhat similar to that used within the CAISO market for the EIM footprint. Xcel Energy agrees with a need to have clearly stated market monitoring and supports a methodology adjusted for differences between the CAISO and EIM structures. However, the current proposal does not recognize the impact of significant differences between the EIM and CAISO structures. Instead, the market monitor will remove most of the rules related to the CAISO structure and assume comparable rules are not needed in the EIM.

As an example, the CAISO and market monitor are proposing to look only at resources within the EIM Entity BA to determine market power. The BA boundary has no bearing on whether a resource can or cannot provide comparable relief to a congested element. Therefore, the market monitor should not use the BAA boundary as a limitation on the market power evaluation. Failing to consider external resources with strong influence on congestion could allow the undue exercise of market power in circumstances where internal resources to manage the constraint have been exhausted.

### **Flexible Ramping**

One concern caused by the CAISO proposal relates to the 15 minute scheduling requirements and the hourly flexible ramping constraint proposed by the CAISO. The CAISO is proposing to limit the amount of EIM energy flow between EIM Entities if one of the EIM Entities does not provide sufficient flexible ramp capability. The CAISO

states that the market operator will not allow any incremental interchange for the full hour in which an EIM Entity does not provide sufficient ramping capability. However, this position could change significantly within the hour due to changes in scheduled interchange, variable generation output, etc. We request that the CAISO consider the inter-relationship between these two issues and ensure that the proposal provides balance between the concerns of leaning on the market and market access to all like-situated resources. We recognize that the hourly review may require fewer market operator administrative resources than a review for each 15-minute period.

Xcel Energy also requests that the CAISO provide clarity on its interpretation of “providing flexible capability” in the EIM. If the EIM Entity has physical control of a quick-start unit, it should count toward the flexibility needs of the EIM Entity, regardless of the market offers made. From discussions in the paper and at stakeholder meetings, the CAISO suggests that only those units that are able to participate in the RTUC process would count toward the flexible capacity requirement. This is an unnecessary requirement. Any unit that may be called upon by either the CAISO or the EIM Entity should count toward the flexible capacity requirement in the EIM.

Xcel Energy supports the goal of reliable and efficient operations within the EIM. However, overly restrictive practices will reduce the amount of benefit seen by all parties by increasing unit commitment costs for ramping at the BA level.

### **Real-Time Uplift Charges**

We appreciate the revisions to section 3.7.8 to provide more detail. In the paragraph at the top of page 62, it appears that the CAISO used the wrong term in the discussion. In two places in this paragraph, the CAISO states something “results in neutrality”. These statements should state they result in lack of revenue neutrality or similar. If something results in neutrality, there would be no uplift.

### **Section 3.3.11. Load Aggregation Points (LAPs)**

Xcel Energy appreciates the CAISO review of our stated concern and looks forward to modifications in the final straw proposal document.

### **Section 3.3.12. Network Constraint & Contingency Definition**

Based on the addition of the last sentence in this section, Xcel Energy asks if only the transmission operator portion of the EIM Entity can submit this information to the CAISO or if *any* Transmission Operator within the EIM Entity BAA will be able to submit information conferring the status of transmission lines within the EIM footprint? This is similar to the EIM Participating Resources submitting information directly to the Market Operator as opposed to providing the information to the EIM Entity and then the EIM Entity submitting it to the Market Operator. The CAISO will receive the information sooner if the transmission operator that administers the transmission line provides it rather than going through an intermediary

### **Section 3.6.8 Business Continuity**

We recommend adding the following language to the straw proposal in this section:

*The CAISO and the EIM Entities will develop procedures providing details to address assumptions used by both the EIM Entity and the Market Operator in the event of loss of communications. At a minimum, these procedures will address assumptions for interchange between the EIM Entity and the rest of the CAISO/EIM footprint. The CAISO will also ensure that procedures exist to address an instance of communications failure with an EIM Entity that causes a separation of the market dispatch area into distinct market islands.*

### **Section 3.7.1. Settlement of Non-Participating Resources**

Xcel Energy recommends that the last sentence of the second paragraph in this section be deleted and replaced with the following sentence:

*The EIM Entity will determine how it will address these charges with the non-participating parties under its OATT.*

The proposed language makes it clear that the settlement between the EIM Entity and any non-participating resource/load is beyond the scope and outside of the EIM. The current language makes it appear that the CAISO plans to require one of the two methods mentioned. We do not believe that is the case, but it is unclear with the current language in the straw proposal.

### **Sections 3.7.5. Inadvertent Energy Accounting and 3.7.7.1 e-Tagging**

Xcel Energy understands CAISO's intent to utilize dynamic schedules to reflect the energy transfers between BAAs under the EIM. While we continue to believe a waiver from the tagging requirements would allow more efficient operations, the CAISO's proposal may be a workable solution. However, the CAISO did not address the primary issue in our previous comments related to these two sections. In both Sections 3.7.5 and 3.7.7.1, the CAISO has included the exact same language related to dynamic schedules and tagging. Since Section 3.7.5 discusses Inadvertent Energy Accounting, we recommend that the language in Section 3.7.5 be revised to read as follows:

In the WECC region, each BAA is responsible for tracking inadvertent energy and administering the inadvertent payback through processes established by WECC. This responsibility does not change with the EIM. To assist BAAs within the EIM with accounting for inadvertent energy between BAAs, the Market Operator will maintain a dynamic schedule with resources in each EIM Entity BAA. Therefore, the EIM transfers will not constitute inadvertent energy. [END OF SECTION]

The rest of Section 3.7.5 is currently included, and more appropriate, in Section 3.7.7.1.

### **Section 3.7.8.3 Real-time Bid Cost Recovery Allocation**

Xcel Energy understands the proposal for an EIM Entity to elect whether it will participate in the CAISO RTUC process and the commitment of short-start units. Based on what the CAISO has in different sections of the document, it appears an off-line short start unit could meet an entity's Flexible Ramping needs only if that EIM Entity elected to participate the RTUC process. Is this interpretation correct? Why would a short-start unit under the authority of the EIM Entity not qualify to meet the reliability issue around the flexible ramping requirement in a comparable manner? Additional details with respect to this aspect of the EIM proposal will help potential stakeholders evaluate their options for RTUC participation. We note that the CAISO discusses parts of this issue in several different sections of the straw proposal. To the extent that the CAISO can move this discussion to a single location, it would provide a clearer discussion and understanding by all parties.