Xcel Energy's Comments on CAISO Draft Final Straw Proposal

General Comments

The Final Draft Straw Proposal continues to show progress toward a workable EIM. The CAISO has worked hard to address stakeholder comment and this effort is appreciated. As described more fully in our comments, we remain concerned with the structure of the data flow and how this will impact settlement processes in the EIM footprint. In addition, the process described for congestion management continues to concern Xcel Energy.

High Priority Issues:

Participant definitions, obligations and agreements and Section 3.3.11. Load Aggregation Points (LAPs)

The revised participation processes is a great improvement over previous iterations. There is however continued concern over the proposal. Specifically, the concern is caused by the CAISO definition of the Load Aggregation Point (LAP) and the process proposed by PacifiCorp for determination of the LAP in their Balancing Authority Area (BAA).

In order to explain the concern, we provide the following example:

In the BAA, there is 3 Load Serving Entities (LSEs), one of which is also the BA operator and EIM Entity. Assume this is LSE1. As structured today, each LSE is required to self-provide the resources needed to serve their load and any imbalance is priced at the host BA price as stated in its tariff. Under this structure, we make the following assumptions for a single interval:

LSE1 – Load 2,000 MW, Generation 2,000 MW

LSE2 – Load 500 MW, Generation 500 MW

LSE3 – Load 200 MW, Generation 200 MW

Totals – Load 2700 MW, Generation 2700 MW

After the fact, the meters show the following information:

LSE1 – Load 2020 MW, Generation 2010 MW
LSE2 – Load 490 MW, Generation 490 MW
LSE3 – Load 190 MW, Generation 210 MW
Totals – Load 2700 MW, Generation 2700 MW

Under the EIM Straw Proposal, with a single LAP that covers all three LSEs, there is no load imbalance. There is also only revenue collected from and paid to generators but no revenue collected from the loads within the LAP because there is no Load imbalance. If you assume an LMP price within this LAP is $50, one has the following revenue streams:

LSE1 – Revenue from Load - $0, Revenue to Generation +$500
LSE2 – Revenue from Load - $0, Revenue from Generator -$500
LSE3 – Revenue from Load - $0, Revenue to Generator +$500

Therefore, the EIM will have $500 of uplift required to be revenue neutral. This $500 should come from only LSE1, not the entire market. As proposed in this Final Draft Proposal, Xcel Energy does not see how the Market Operator will address this issue. It appears to be left up to the EIM Entity. Under this scenario, it may be possible for the Market Operator to send a bill to the EIM Entity for the shortfall. However, if there are multiple EIM Entities, this problem will become more complicated. Until the market design addresses this issue by having each LSE provide a balanced schedule rather than just the EIM Entity providing the balanced schedule, there is the potential for significant argument among the LSEs within the EIM Entity to argue about an appropriate allocation methodology. Without this allocation methodology in place, the EIM will not be able to move forward.

Also in this example, energy from LSE3's generation went to LSE1. As structured, it is unclear if the seller will receive any revenue from the buyer. We understand that PacifiCorp may address this through the tariff filings for Schedules 4 and 9. However, the argument will take time since it will cover many variations.

Reciprocal Transmission Access:

We would appreciate full details with respect to the requirements that would be imposed by CAISO and PAC for purposes of establishing rights of reciprocal transmission access among current and future EIM participants.

Section 3.4.2 Congestion Management

We remain concerned there is a problem with the proposed congestion management terms, due to the lack of details or assurance that the regional congestion management process will appropriately identify curtailment obligations associated with external impacts. Failure to correctly assign relief obligations could result in revenue neutrality issues in the EIM. We think it will be necessary to enlist the cooperation of the Peak Reliability Coordinator to finalize these issues.

Market Costs

The CAISO needs to clarify the spreadsheet posted in relation to the EIM charges. We believe that the column titled "EIM Non Participating Load" should have the title "EIM Cleared Load." Based on review of the CAISO charge codes for the CAISO, we believe that the intent here is to allocate charges not to non-participating loads, but rather to the loads cleared through the EIM. If this is correct, the CAISO needs to modify the titles in the spreadsheet so everyone understands exactly what is expected.

Additionally, the CAISO used different terms in the spreadsheet than in the Straw Proposal. As an example, the spreadsheet utilizes the acronym EESC but defines this term as "EIM Scheduling Coordinator." We assume that this actually means EIM Entity Scheduling Coordinator but this is not clear. Please review the spreadsheet to ensure the terms used match those used in the Straw Proposal.

Finally, we note that the charges discussed by the CAISO in relation to the market included charges of $0.005 per bid segment, $0.19 Grid Management Charge and $1,000 per month per SC. We believe that Charge Codes 4515, 4560, and 4575 represent, in order, these three charges on the spreadsheet. The CAISO has not identified other charges by number prior to this listing, although we believe that most of the charges have been discussed at a high level during the EIM stakeholder process.

Xcel questions one charge type listed on the spreadsheet as possibly being outside of the scope of the EIM. This is the charge code 8526, Generator Interconnection Process GIP Forfeited Deposit Allocation. Based solely on the title, this is the allocation of revenues collected from proposed generators through the Large Generator Interconnection Agreement (LGIA) process under the CAISO tariff that the generator forfeited at some point in the process. If this is correct, we believe that this revenue allocation should be within the CAISO footprint only since the CAISO will not be administering the LGIA for the EIM Entities.

Additional Issues:

Local Market Power Mitigation (LMPM) and Market Monitoring

Xcel Energy continues to be concerned about the market monitoring proposal. It appears that the market monitoring proposal will allow for a reference bus to be outside of the BAA but units outside of the BAA will not be considered as having any influence over a constraint. This appears to be illogical. The market monitor should review all units that have an impact on the constraint, not artificially limit the review only to units located within the metered boundary of the BAA.

The draft proposal also states that the Participating Resource Scheduling Coordinator must provide a list of information related to the unit but does not provide a reference to any list. Please either add the list of information required or provide a reference to this list.

Finally, the last sentence in Section 3.2.5.4 refers to the EIM Entity BAA market power. As stated, this is inaccurate. The EIM Entity, by definition should not have market power since it is only going to provide schedules for non-participating units. Only Participating Resources should have market power.

Flexible Ramping

We believe that the CAISO missed the intent of our comment on this issue. We have added to our previous comment to clarify our concern.

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.

If the EIM Entity schedules additional imports during this hour when the constraint is implemented, it is likely to free up additional flexibility, thereby meeting the flexible requirement screen for later periods within that hour. As currently structured, the CAISO proposal will not release the constraint until the end of the hour. Xcel Energy asks that the CAISO revisit this section to ensure that the proposal is not overly restrictive.

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.