

## **White Paper - CAISO e-Tag Requirements - Contingency Reserve Tracking**

### **Implementation of WECC Contingency Reserve Tracking Business Practice Standards**

#### **Summary:**

The Western Electricity Coordinating Council (WECC) plans to implement two new Business Practice Standards (BPS), INT-BPS-WECC0004-0 E-Tag (Energy Product Codes) and INT-BPS-WECC0014-0 (Identification of Contingency Reserve Responsibilities on the e-Tag), effective 12/4/07, concurrent with implementation of NERC e-Tag version 1.8.

These new WECC standards require that the NERC e-tag clearly identify the entity that is responsible for contingency reserves associated with an energy import or export, as either the source or sink Balancing Authority.

The CAISO will rely upon use of the "unit contingent" or G-FC Energy Product Code on NERC e-Tag, as the primary determinant for identification of any imports, designated as firm energy without reserves, to assure that the CAISO complies with the applicable NERC and WECC Standards, procures the requisite contingency reserves and maintains grid reliability.

The G-FC Energy Product Code will serve as a "proxy" for Firm imports that do not carry reserves, until CAISO Scheduling, Ancillary Services Market, and Settlements software can be modified, tested and deployed to use the new Contingency Reserve Tracking data field to validate and properly account for the contingency reserves obligation, for imports that do not carry reserves.

The implementation of contingency reserve tracking has the potential to shift the contingency reserve obligation from source to sink Balancing Authority (BA). This shift, if significant, could potentially impact reserve markets, placing more pressure on the CAISO Ancillary Services Markets (ASM) until reserve markets in the West rebalance in response to proper price signals and energy contracts.

The CAISO is still reviewing whether any modifications to the tariff will be necessary to reflect the two WECC Practice Standards.

#### **Background:**

INT-BPS-WECC0014-0 (Identification of Contingency Reserve Responsibilities on the e-Tag), approved on October 1, 2007, requires that interchange be designated as either firm with reserves or firm without reserves, by designating the responsible Balancing Authority (BA), either as the source BA or as the Sink BA, for contingency reserve tracking purposes between the affected BAs.

The INT-BPS-WECC0004-0 BPS (Energy Product Codes), presently being circulated for WECC approval, requires the continued use of G-FC as the Energy Product Code designation for "unit contingent" interchange, be it "unit" or "source" contingent. The unit contingent "source" may be shown on the e-Tag, as the Point of Receipt (POR). I

Presently, the CAISO identifies unit contingent imports that do not "carry" reserves from the source BA through the use of the G-FC energy product code. This approach aligns with the upcoming designation of a firm import without reserves, when the tag indicates that the sink BA is responsible for the associated contingency reserve obligation.

For example, the Northwest Power Pool (NWPP) in its release dated October 11, 2007 indicates that NWPP RSG members will not retain Contingency Reserve responsibility associated with exports out of the NWPP area, unless the e-tag indicates otherwise. Further, the NWPP release

states that “NWPP RSG members will agree with the WECC assumption that transactions between BAs that are unit contingent (firm contingent energy code) will be treated the same as transactions with generating units residing within the sink BA for contingency reserve purposes”. The use of the G-FC energy product code, would be necessary in the circumstance where the CAISO is designated as the sink BA receiving a “unit contingent” import from the NWPP. The “unit contingent” designation is simply used as a proxy for a firm energy transaction without reserves.

CAISO Interchange Scheduling and Ancillary Service Market systems are presently configured to identify and quantify this category of firm imports without reserves, identified as “unit contingent”, which effectively designate the CAISO as the responsible BA for procuring the necessary Operating Reserves. The CAISO will continue to procure Operating Reserves to cover that portion of load responsibility for demand served by these “unit contingent” firm imports in the same manner, upon implementation of INT-BPS-WECC0004-0 and INT-BPS-WECC0014-0.

Accordingly, Market Participants need to ensure that all NERC e-Tags that indicates that a firm import does not carry reserves from the source BA, also shows the corresponding “unit contingent” energy code G-FC as the Energy Product Code in the Market Path section of the e-Tag

The CAISO will validate the contingency reserve tracking information provided in the “Misc. Info.” field of the Market Path section of the e-Tag, as required by INT-BPS-WECC0014-0 with corresponding usage of the G-FC “unit contingent” Energy Product Code. If the validation fails, CAISO may deny the tag.

The CAISO’s objective is continued, reliable system operation in compliance with applicable NERC Standards and WECC Business Practice Standards, through the tracking of contingency reserves and procurement of the requisite reserves, when designated as the responsible sink BA.

The CAISO will procure the required operating reserves to cover the load responsibility associated with import interchange transactions designated as firm but without reserves, in compliance with INT-BPS-WECC0014-0.

**Market Notification:**

Accordingly, the CAISO informed all Scheduling Coordinators and their Purchasing/Selling Entities (PSEs) about its tagging requirement for energy imports without reserves, into the CAISO as the sink Balancing Authority (BA), via Market Notice, dated November 8th. Firm imports without reserves scheduled into the CAISO, should use the WECC Energy Product Code G-FC (Unit Contingent Imports) on the NERC e-Tag. The WECC G-FC energy product code is the CAISO’s primary determinant for its procurement of the required contingency reserves, as the sink BA, to meet these NERC standards and WECC Business Practice Standards.

CAISO Operating procedures M-402 “Ancillary Services Procurement” and S-313 “NERC Tagging Requirements”, will be updated to reflect this CAISO e-tagging requirement, which facilitates identification of imports to the sink BA that do not carry reserves, and assignment of the associated contingency reserve responsibility.