



Department of Energy

March 20, 2020

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CAISO Annual Policy Initiatives Roadmap Process 2021 Draft Policy Initiatives Catalog Bonneville Power Administration Submission, March 20, 2020

Submitted by	Company	Date Submitted
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Bonneville Power Administration¹ appreciates CAISO's willingness to consider submissions to its annual policy initiative prioritization process. Consistent with the Implementation Agreement², Bonneville continues to propose the EIM enhancement initiatives, refinements to existing initiatives and priorities described below for the CAISO's consideration in assessing its underway and planned policy priorities, its 2021 annual policy initiative catalog and its 3-year policy initiative roadmap process commencing this summer.³

1) Energy Imbalance Market closing timelines and Resource Sufficiency⁴

¹ Bonneville is a federal power marketing administration within the U.S. Department of Energy that markets electric power from 31 federal hydroelectric projects and some non-federal projects in the Pacific Northwest with a nameplate capacity of 22,500 MW. Bonneville currently supplies 30 percent of the power consumed in the Northwest. Bonneville also operates 15,000 miles of high voltage transmission that interconnects most of the other transmission systems in the Northwest with Canada and California. Bonneville is obligated by statute to serve Northwest municipalities, public utility districts, cooperatives and then other regional entities prior to selling power out of the region.

² The Implementation Agreement between CAISO and Bonneville is Attachment A to Bonneville's September 2019 Record of Decision on Energy Imbalance Market Policy, *available at* <https://www.bpa.gov/Projects/Initiatives/EIM/Doc/WEIM-signed-implementation-agreement.pdf>

³ As an active participant in these processes, Bonneville expects to submit further comments on the CAISO's Annual Policy Initiative Prioritization and Roadmap as those processes advance later this year.

⁴ This first proposal addresses Bonneville's obligations under the Implementation Agreement, section 14(g), 14(h)(1) and 14(h)(3).

Bonneville supports the CAISO's initiative⁵ to examine moving the final base schedule submission closer to the operating hour, which would provide EIM entities with additional time to adequately formalize their resource plans to meet the resource sufficiency requirements. Additionally, moving the submission timeline closer to the operating hour would benefit all EIM entities by reducing the magnitude of scheduling errors, particularly for variable generation resources whose schedules are based on forecasts and persistence.

While Bonneville supports an initiative to move the final base schedule submission closer to the operating hour, Bonneville believes that the CAISO should elaborate on the initiative's current scope, and expand the scope to include additional modifications to the resource sufficiency evaluation to achieve greater improvements. Bonneville also requests that the CAISO assign this initiative a higher priority, initiate it in 2020 and assign it an implementation timeline in the Fall of 2021.

Bonneville submits the following comments regarding the proposed scope of this initiative:

- Bonneville believes that moving the final base schedule submission deadline and the final hourly resource sufficiency evaluation from T-40 to, for example, T-30 would require that the start time of the FMM (for the 1st 15-min interval of hour T) move from T-37.5 to sometime after T-30, such as T-27.5. This ensures that the final resource sufficiency results (e.g. potential EIM transfer limits) are incorporated into the binding FMM run for the 1st interval of hour T.
- Bonneville supports the CAISO's inclusion of "moving the fifteen-minute market's optimization start window to match the new base schedule submission deadline to ensure a more accurate resource sufficiency evaluation point." If this is not in scope, how does the CAISO intend to capture the results of the final resource sufficiency evaluation at T-30 in the financially binding FMM at T-37.5?

Bonneville encourages the CAISO to expand the scope of this initiative to include the following:

- Move forward the start time of all Advisory/Binding FMM runs to utilize the most recent forecast data: Bonneville believes that moving the FMM start times forward to utilize more updated demand and VERs forecast data would 1) reduce the differences between FMM awards and RTD dispatches, and 2) reduce the uncertainty component of the resource sufficiency requirement.
 - The FMM uses binding and advisory demand and VERs forecasts to determine the optimal 15-min awards. If the binding FMM demand and VERs forecasts were updated closer to the start time of the RTD, this should reduce the differences between the binding FMM awards and the binding RTD dispatches.
 - The flexible ramp up/down uncertainty requirements are calculated using a histogram of the differences in the demand net VERs forecasts between the

⁵ The initiative "5.10 EIM Base Schedule Submission Deadline" is included in Initiatives Currently Underway and Planned section of the CAISO's Draft Policy Initiatives Catalog for 2021 published on February 28, 2020, page 10.

advisory FMM and binding RTD. By using more updated FMM demand and VERs forecasts, the uncertainty requirements should decrease.

- Move the second base schedule submission deadline and subsequent Resource Sufficiency test forward from T-55: Bonneville encourages the CAISO to move the second base schedule submission deadline and resource sufficiency test forward from T-55 to, for example, T-45. In doing so, the demand and VERs forecasts should also be frozen at T-45 rather than at T-55. Using more updated forecasts will decrease the difference between the actual and forecasted delta demand of the flexible ramp requirement, and provide the most up-to-date snapshot of an EIM entity's ramping capability.

Bonneville believes the CAISO's initiative to move the base schedule submission deadline closer to the operating hour is a step in the right direction; however, additional changes should be pursued to further improve the accuracy of the market model outputs and the resource sufficiency evaluations. Bonneville encourages the CAISO to explore the additional modifications proposed above, which would improve not only the timeliness of the resource sufficiency evaluation, but also significantly improve the accuracy of the resource sufficiency requirements, the determination of an EIM entity's ramping capability, and the market model outputs.

2) Resource Sufficiency – obligation transfers⁶

As part of 5.15.3 Resource sufficiency evaluation, CAISO will “explore potential mechanisms to trade resource flexibility and/or balancing authority area obligations needed to pass the resource sufficiency evaluation between EDAM balancing authority areas.”⁷ Bonneville agrees that such a product is an integral piece of a well-designed electricity market. Bonneville also agrees that it is important to ensure appropriate transmission requirements for such a product are met and that this should be addressed as part of the Extend Day-Ahead Market to EIM Entities (EDAM) policy initiative process which is already underway with a high-priority.

3) Settlements – increased transparency⁸

Bonneville seeks to increase the level of transparency on the allocations used for the uplift and offset charge codes on EIM Entity settlement statements. This will allow greater understanding of these charge codes among our Transmission Customers and ease the possible implementation of cost allocation procedures that Bonneville and its customers may consider during our TC-22 tariff and BP-22 rate proceedings. Preliminary indications suggest that the scope of these offset settlement costs could be in the millions of dollars per year in absolute value but depend greatly upon the scope and manner of EIM participation by all participating resources in Bonneville's balancing authority. Bonneville was encouraged by the quick progress on the Real-Time Market

⁶ This second proposal addresses Bonneville's obligations under the Implementation Agreement, section 14(h)(2).

⁷ The initiative “5.15.3 Resource sufficiency evaluation” is included in the Initiatives Currently Underway and Planned section of the CAISO's Draft Policy Initiatives Catalog for 2021 published on February 28, 2020, page 13.

⁸ This third proposal addresses Bonneville's obligations under the Implementation Agreement, section 14(h)(4).

Neutrality Settlement policy initiative last year.⁹ However, we believe further evaluation and policy development are necessary in these areas and the CAISO has committed to achieve this further evaluation and policy development¹⁰ as part of the proposed Real-time Settlements Review and the Real-time Markets and EIM Refinements policy initiatives.¹¹ Bonneville encourages the CAISO to prioritize the Real-time Settlements Review as a comprehensive follow-on policy enhancement in 2020 with an implementation timeline in the Fall of 2021.

4) Settlements – dispute resolution timelines¹²

Bonneville commends the CAISO for completing Market Settlement Timeline Transformation policy initiative which is enabling improvements in our capabilities to effectively review and dispute EIM transactions included on settlement statements. This is helping Bonneville to facilitate possible implementation of EIM settlements with its own Transmission Customers.

⁹ This third proposal is related to, but a more comprehensive addition to, the Real-Time Market Neutrality Settlement policy initiative undertaken in 2019 by the CAISO in response to requests from PacifiCorp and Idaho Power to more accurately calculate and allocate the Real-Time Imbalance Energy Offset (RTIEO). This offset is one of the three offsets used by the CAISO to allocate amounts owed or received from market neutrality. The others are the Real-Time Marginal Loss Offset and the Real-Time Congestion Offset.

¹⁰ “Some stakeholders argued that this justifies a new stakeholder initiative to further review the calculation of offsets and cost allocation. Other stakeholders questioned if the implementation approach for the financial value of EIM transfers is scalable if additional GHG programs must be supported. In response, Management commits to conduct a comprehensive review of the real-time settlement charge codes associated with interactions between balancing authority areas in the real-time market enhancements initiative scheduled for next year. In addition, Management is committed to ensuring that the financial value of EIM transfers is scalable to multiple GHG programs in the West. To that end, Management will include within the scope of the multi-GHG areas initiative currently planned to commence later this year, assuming an additional GHG program would need to be supported, a validation that the current implementation is scalable to the additional GHG programs.”

Memorandum to the Energy Imbalance Market Governing Body, Decision on Real-Time Market Neutrality Settlement Proposal, CAISO, June 21, 2019, pages 4-5, *available at* <https://www.westerneim.com/Pages/Governance/default.aspx>

¹¹ The initiative “5.21 Real-Time Market Enhancements” is included in the Initiatives Currently Underway and Planned section of the CAISO’s Draft Policy Initiatives Catalog for 2021 published on February 28, 2020, page 16.

¹² This fourth proposal also addresses Bonneville’s obligations under the Implementation Agreement, section 14(h)(4).