

Stakeholder Comments Consolidated EIM Initiatives From 2017 Roadmap

This template has been created for submission of stakeholder comments on the Consolidated EIM Initiatives from the 2017 Roadmap Straw Proposal and a workshop that was held on August 7, 2017. These initiatives may be found at: <http://www.caiso.com/Documents/StrawProposal-ConsolidatedEnergyImbalanceMarketInitiatives.pdf>

Submitted by	Company	Date Submitted
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Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on **August 17, 2017**.

Thank you for the opportunity to comment on the Consolidated EIM Initiatives from 2017 Roadmap Issue Paper, dated July 31, 2017. Bonneville Power Administration (BPA) submits the following comments for consideration.

Management of Bilateral Schedule Changes

The straw proposal does a good job of describing the problem caused by the disconnect between EIM base schedule timelines and the right of transmission customers to change schedules until T-20, but the proposed solution is questionable. The solution set forth in the straw proposal suggests that the EIM Entities can make changes to their business practices to protect bilateral schedules that change after T-57 from EIM congestion charges. This raises two questions: 1) what would motivate the EIM Entities to make these business practice changes? and 2) if the EIM Entity is providing the perfect hedge or not passing through the energy imbalance charges associated with schedule changes made after T-57, who ends up paying these costs?

The CAISO's proposal does **not** address the basic issue of shortening the EIM timelines for binding schedules from the current T-57 to something closer to the T-20 change rights exercised by transmission right holders throughout WECC. The right to change transmission schedules up to 20 minutes before delivery has been the accepted WECC standard for decades and the EIM rules that impose potential penalties for exercising these rights after T-57 were not agreed to by many of the parties holding transmission contracts for service on or across the EIM Entities' systems. Allowing the adjustment of transmission schedules closer to start of flow promotes more accurate scheduling and makes the utilization of generation and transmission assets more

efficient leading to less energy imbalance—a result the EIM should be promoting. The EIM is intended to provide imbalance energy, but arguably the timelines imposed by the EIM create more imbalance.

In the early days of the EIM, it was understandable that the market needed more time to run calculations, but after significant experience and years of implementation, that should no longer be the case. The issue of shortening the scheduling timelines was raised when the market was being developed and again at the FERC technical conference in October 2016. Now that the EIM has matured and automation appears to be working, it is time for the CAISO to take a serious look at shortening the timelines so that they are more consistent with the long-standing WECC-wide scheduling timelines. As set forth above, doing so will benefit the CAISO, EIM Entities, EIM participants, and other transmission customers of the EIM Entities. BPA does not see any rationale worth maintaining the significant dichotomy in EIM and WECC scheduling paradigms. It is time for the CAISO to propose concrete changes to its scheduling paradigms that more closely align with the WECC timelines.

Finally, BPA notes that this issue also impacts transmission customers that are serving loads inside the EIM balancing area with long-term transmission contracts, and not just wheel through customers. Shortening the timeline for binding schedules would provide better incentives for non-EIM participants serving loads in the EIM balancing authority to schedule more accurately and impose less imbalance on the EIM balancing authority.

Equitable Sharing of Wheeling Benefits

BPA supports compensation for transmission used for EIM transactions. The wheel through issue addressed in the straw proposal is a prime example of why compensation for transmission service associated with EIM transfers needs to be addressed. As a general principle of cost causation all users of the transmission system need to pay their fair share of the cost of the transmission system. When EIM transfers are wheeled through an EIM Entity, there needs to be compensation for that use just as there is for non-EIM transfers. Otherwise, those benefiting from the EIM transfer are free riders at the expense of other transmission customers who end up paying more than their fair share for transmission service. BPA believes that eventually the CAISO will need to address compensation for export transactions in the EIM as well, but addressing wheel through transactions is a good first step.

Ex-Post Payment for Net Wheeling

BPA understands how the ex-post payment could work and is supportive of this approach as a starting point. BPA asks for clarification regarding which portion of the EIM Entity is paying for the wheeling and which is being credited for providing the wheeling, i.e. the merchant function or participating resource and the transmission provider. This detail is important to understand since it is not always clear how uplift charges and distributions flow back to EIM Entities and their customers. The wheeling rates need to be paid by the merchant function of the

EIM Entity or participating resource to the transmission function of the net wheeling EIM Entity to ensure that other transmission customers and LSEs are not being charged and are realizing the appropriate credit to reduce transmission rates.

BPA believes that the defined rate for the wheeling transactions needs to be tied to one of the EIM Entity's FERC approved transmission rates, whether it be the current non-firm rate or a new EIM-specific wheeling rate filed by the EIM Entity. This construct will result in different rates for wheeling over various EIM entities, but it will reflect a just and reasonable rate for the transmission system that is being used. To the extent there are wheels through the ISO, some modified version of the existing TAC rate could be used.

As to the issue of the timing for settling the wheeling charges, BPA believes monthly settlements would suffice.

Hurdle Rate Incorporated into Market

BPA believes a hurdle rate could work and should ultimately be the solution, but it is concerned about the impact on the market when the added transmission cost could lead to the market choosing a high cost resource. It may be best to start with an ex post payment and develop an understanding of how a hurdle rate could impact the market as more EIM entities come on line and wheeling through certain EIM Entities increases.

Again, BPA believes the value/cost of the hurdle rate needs to be tied to an EIM Entity's FERC approved rate and that the costs and payments should flow to the EIM Entity as a cost to the participating generators and paid as a transmission revenue credit to the transmission provider.

If the hurdle rates are tied to the individual EIM entity transmission rates, there will naturally be varying costs associated with which EIM system is being wheeled over. BPA does not believe the CAISO should impose artificially varying wheeling costs to encourage competition. The competition and location should be incorporated through existing congestion mechanisms. Adding a competition variable for the wheeling hurdle could skew these existing market mechanisms.

New EIM Functionality

The straw proposal gives a very high level description of the new EIM functionality and there is not enough information for BPA to express an opinion. Developing a more detailed explanation of these initiatives and explaining why they are needed for Powerex EIM participation would help BPA and other stakeholders understand the pros and cons associated with each new functionality.