

BPA Comments on CAISO Proposed Tariff Language for Section 29.2(b) dated 7/31/2015

1. Background Information

In Docket ER15-861-002 dated 07/21/2015 the Federal Energy Regulatory Commission (the Commission) directed the California Independent system Operator (CAISO) to comply with the Commission's March 16, 2015 order. Specifically, the Commission directed CAISO to develop "measurable readiness criteria through a collaborative process with [CAISO's] stakeholders, upon which the effectiveness of the potential EIM entity's entry into the EIM can be predicated." BPA appreciates the opportunity to be involved in the EIM stakeholder process, and to provide comment on CAISO's EIM Draft tariff revisions for Section 29(b) issued on 7/31/2015.

2. Stakeholder Process

The current pace of the stakeholder process has made it challenging for stakeholders to participate in a meaningful manner. The Commission's July 21st order in docket ER15-861-002 directs CAISO to include the results of the readiness criteria stakeholder process in a revised compliance filing within 60 days. On July 30, 2015 the Commission issued Deficiency Letter ER15-1919 that ordered CAISO to address the EIM Capacity concerns within 30 days. Clearly the Commission has order two separate timelines for these processes, but the schedule put forth by the CAISO for the readiness criteria stakeholder process does not appear to recognize this distinction.

The proposed stakeholder schedule only allows four business days after the first stakeholder call on August 10, 2015 for development of comments due on August 14, 2015. CAISO intends to respond to comments within four business days and hold a subsequent stakeholder call on August 19, 2015.. During the August 10, 2015 stakeholder call ISO staff indicated that the ISO intends to expedite filing the revised tariff language for section 29.2(b) at the end of August. In addition to the EIM Readiness Stakeholder process, CAISO continues to press forward with EIM Year 1 Phase 2 Enhancements, FERC held a technical conference on August 11, 2015, and the transmission providers for EIM Entity's have ongoing implementation work. Further, FERC ordered CAISO to file tariff language addressing the EIM capacity concerns resulting from the technical conference following the March 16, 2015 order within 30 days after July 20, 2015. It appears that CAISO is going to align these separate issues into a single proceeding on a schedule that presents significant challenges for meaningful stakeholder participation. The matters before FERC should be dealt with in a thoughtful and deliberate manner. CAISO's proposed stakeholder schedule for EIM Readiness identified above is unreasonable and shortens the available time for the process by 30 days. Allowing more time for an engaging stakeholder process would very likely enhance the effectiveness of the CAISO's EIM, and actually accelerate its approval process with FERC.

3. Comments on Section 28(b)(4)

BPA supports specific requirements regarding successful Market Simulation and Parallel Operations. However, the CAISO should include more specificity regarding standards for successful Market

Simulation and Parallel Operations. The CAISO should include specific periods that are required for both Market Simulation in Section 29.2(b)(4)(B) and for Parallel Operations in Section 29.2(b)(4)(B).

4. Comments on Section 29(b)(6)

BPA has reviewed the Energy Imbalance Market (EIM) Entity Readiness Criteria published June 30, 2015, and selected portions of the revised criteria published on August 10, 2015. The criteria and measurable thresholds published on August 10, 2015 appear to be the same criteria as the ones published on June 30. BPA is unclear whether those criteria are the measurable thresholds referenced in section 29.2(b)(6)(A)(iii). BPA objected to the use of those thresholds as not providing sufficient rigor measuring the readiness of the EIM Entity Initiate. In particular, demonstrating that the EIM Entity Initiate has adequate reserves to meet the already low and demonstrably inadequate requirements for flexible capacity in the tariff for 90% of the hours for two days is inadequate. BPA believes the measurable thresholds describing system readiness should be incorporated in the revised tariff language. BPA believes section 29.2(b)(A)(iii) should be deleted from the tariff language.

BPA also believes section 29.2(b)(6)(B) should be edited to allow the EIM Entity Initiate the ability to delay or withdraw its Readiness Certification. BPA sees no basis to limit this section to the California ISO.

5. Comments on Readiness Criteria in section 29.2(b)(7)(

In Section 29.2(b)(7)(A) the CAISO's Readiness Criteria should reference any need to have effective models of non-EIM Transmission Providers. The EIM has the potential to impact a broad, interconnected transmission system. And EIM Participants may need to utilize 3rd-party transmission systems to effect EIM dispatches. The need to effectively model those 3rd-party systems should be recognized in the Readiness Criteria.

In Section 29.2(b)(7)(B) BPA would propose the deletion of the words "within the measurable thresholds specified in the Business Practice Manual for the Energy Imbalance Market or" in the operative language of the first paragraph establishing the readiness criteria in section 29.2(b)(7). BPA believes the Commission's order required the criteria and measurable thresholds affecting the readiness of the EIM Entity Initiate to be established in the tariff, not modified by approximate capability to implement that can be established and modified in a Business Practice. Removing this language would require any exceptions to the criteria and measurable thresholds to be specified in the Readiness Certification filed under section 29.2(b)(6).

BPA proposes that the language in section 29.2(b)(7)(D) be made stronger by deleting "ability to" so that the section would read:

Balanced Schedules. The EIM Entity Initiate's Scheduling Coordinator has demonstrated for a period of thirty days that it can-

- (i) balance EIM Demand and EIM Supply
- (ii) pass capacity test, as set forth in Section 29.34(l); and
- (iii) pass the flexible ramping sufficiency test, as set forth in Section 29.34(m).

Section 29.2(b)(7)(H) should also reference the need to demonstrate effective coordination with impacted 3rd-Party transmission providers. In some cases electronic and manual communication will be critical for non-EIM transmission providers whose systems are used to effect EIM dispatches to maintain reliable technical and commercial operations.

Section 29.2(b)(7)(I) should recognize the potential need for 3rd-party transmission providers whose systems are use to effect EIM dispatches to develop structured scenarios to demonstrate that they can maintain reliable technical and commercial operations.

6. Non-Participating Resources 29.2(K)(iv)

BPA would like the ISO to include language in its Tariff Revision specifying that the non-participating, or “available resources” that are referenced in section K (iv) of the Tariff Revision are specifically limited to those which are owned or have been contracted for by the EIM Entity Initiate’s merchant function. BPA appreciates the clarification that ISO staff has provided in its Reply Comments on the Technical Conference Docket Nos. ER15-861-000 and EL15-53-000.

7. Resource Sufficiency Criteria

The Commission has directed the ISO to develop measurable criteria. For example, Section 29.2(D) of the Tariff Revision requires demonstrations of Supply and Demand balance, as well as Flexible Ramping Constraint capacity sufficiency. Specifically, section 29.2(D)(iii) points to the flexible ramping sufficiency test in section 29.34(M) of the Tariff, which itself points to Section 10.3.2 of the Business Practices Manual for the Energy Imbalance Market. Section 10.3.2.1 of the Business Practices Manual defines the Flexible Ramp Sufficiency Test, where a requirement for an EIM Entity’s flexible ramping is calculated “based upon the CAISO load forecast, the CAISO variable energy resource forecast, and CAISO’s historical assessment of the ramping capability needed to meet forecast uncertainty and variability”. In this calculation, the ISO derives a particular quantity of resources for an EIM Entity: the amount of flexible ramp requirement without accounting for the diversity benefit of a particular Entity.

BPA proposes additional measurable criterion by which to determine EIM Entity Initiate readiness. First, in Tariff Section 29.2(K)(iv), the ISO has proposed adding a criterion stating that the EIM Entity Initiate also has identified non-participating, or additional ‘available capacity’, which will be included in the Resource Plan. BPA proposes that the ISO use the amount of resources represented by the flexible ramp requirement without diversity benefit from Section 10.3.2.1 of the BPM *plus* the amount of resources identified in Section 29.2(K)(iv) of the Tariff as a quantifiable measure of sufficient ramping resource capability. In order to be found ‘ready’ to join the EIM, an EIM Entity Initiate should have to demonstrate that this sum of resources discussed above would meet historical ramping requirements at least 99% of the time. Also, the EIM Entity Initiate should demonstrate that it has met the 99% standard for an equivalent month of the study for at least 30 days during parallel operations.

Second, as quoted above, in Section 10.3.2 of the BPM, the ISO discusses examining historical ramping capability, although no timeline for historical data is mentioned. In BPA’s experience involving variable energy resources, including both hydroelectric and wind, four years of historical data likely provides a

large enough representative sample to provide a thorough assessment of ramping capability requirements, given the variation seen. At the very least, the ISO must examine one year of historical ramping capability for the Flexible Ramping Sufficiency Test to provide meaningful results.