



CAISO 2017 Stakeholder Initiatives Catalog and 2017 Draft Policy Initiatives Roadmap

Bonneville Power Administration Comments

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Bonneville Power Administration (BPA) appreciates the opportunity to provide California Independent System Operator (CAISO) comments on its 2017 Stakeholder Initiatives Catalog. Bonneville is encouraged by the refinements made to the 2017 Catalog process and we are eager to see a balanced outcome of this prioritization effort. To Bonneville, a balanced outcome would:

- Focus on Governance first and de-prioritize regional policy development initiatives like Regional Resource Adequacy (RA) and Transmission Access Charge (TAC) until after regional bodies are in place to address regional issues.
- Focus on more equally advancing generation and transmission liquidity in the EIM. Bonneville sees an over-weighting of transmission access initiatives for EIM (e.g. Donation by Third Party for Transmission Capacity Available for EIM Transfers, Compensation for Third Parties Making Capacity Available for EIM Transfers, and Potential EIM-wide Transmission Rate) in this prioritization process at the possible expense of generation access to the EIM in the form of the Enhancing Participation of External Resources initiative.
- Focus more equally on advancing initiatives impacting the FMM and RTD for the entire ISO footprint, including that of EIM Entities, rather than focusing more on initiatives only impacting the ISO controlled grid.
- Focus more on achieving a sound and reasonable underlying policy that would diminish the need for administrative pricing.

This comment first addresses those initiatives identified by the ISO as Discretionary Initiatives. We then provide comments on Initiatives Currently Underway and Planned, a number of which we believe should be de-prioritized.

Discretionary Initiatives

6.1.1 Export Charges (D)

WELL PRIORITIZED. As the catalog indicates, “This initiative would address real-time intertie liquidity, and potentially the quantity of export bids in the day-ahead market, by exempting real-time exports, and potentially day-ahead market exports, from transmission access and measured demand uplift charges”

As an adjacent balancing authority area, intertie operator and intertie user, Bonneville is supportive of the current priority of this initiative, particularly if other initiatives with the same priority level become lower priority as Bonneville advocates below (e.g. Regional Resource Adequacy and Transmission Access Charge Options). That said, we would like to better understand the scope of this initiative.

6.3.1 Real-Time Market Enhancements (D, E2)

WELL PRIORITIZED. As the catalog indicates, “This initiative will examine market design changes needed to enable the five-minute real time dispatch to perform many of the functions that are now performed by the 15-minute real time unit commitment. These functions may include real-time unit commitment, ancillary services procurement, and local market power mitigation. The 15-minute market would continue to schedule interties and internal resources at 15-minute granularity but would run with a shorter lead time.”

Bonneville is supportive of the current top priority of this initiative. We are particularly encouraged by the “shorter lead time” aspect of this initiative, particularly if it can mitigate existing seams between the current FMM and RTD timelines (ie. t-57.5 minutes) and the timelines of the bilateral scheduling windows, including those timelines that OATT transmission providers implemented under FERC Order 764 (ie. t-20 minutes).

6.4.1 Enhancing Participation of External Resources (D, E1)

HIGHER PRIORITY. As the catalog indicates, “This initiative will investigate potential EIM enhancements to allow participation of resources in balancing authority areas that have not joined the energy imbalance market.”

As Bonneville indicated in our earlier comment on this initiative, external generation resources can greatly enhance the value provided to the EIM Entities and the CAISO by lowering the cost of imbalance energy. Bonneville continues to support this initiative. We believe that it should be accorded a higher priority more in line with proposed EIM transmission initiatives one of which was scored with a “27”. We believe there is a broad enough desire by stakeholders to accord it a “7” in the ISO scoring methodology for that category. Similarly, we do not believe that the costs of ISO Implementation would warrant a “3” as the current scoring provides—we believe costs should be scored at “0”. Making either or both of these changes would allow for a higher priority score of either “27” or “31”.

Bonneville also looks forward to further discussion with CAISO and other stakeholders on the specific requirements for external resources to participate in the EIM. Moreover, Bonneville believes that this initiative should be accorded a higher priority than either Management of EIM Imbalance Settlement for Bilateral Schedule Changes (currently scored as “31”) or Bidding Rules on External EIM Interties (currently scored as “19”) because we believe this initiative allows for more efficient and effective integration of external resources into the EIM Area, which can lower prices and reduce incidents of market power findings, but also better support security constraints in the dispatch, more accurately model transmission and improve congestion management for all parties.

6.4.2 Potential EIM-wide Transmission Rate (D, E1)

EQUAL PRIORITY. As the catalog indicates, “This initiative will examine four alternative potential transmission service rates, for compensation for transmission use of EIM, along with principles for comparison of alternatives. This may also address a more narrow issue of compensation for wheels between balancing authority areas and the EIM footprint.”

Bonneville believes that transmission for EIM Transfers should be treated holistically in one initiative. Specifically, the following initiatives should move forward as one: a) Donation by Third Party for Transmission Capacity Available for EIM Transfers – currently scored as “27”; b) Compensation for Third Parties Making Capacity Available for EIM Transfers – currently scored as “23”; and, c) Potential EIM-wide Transmission Rate – currently scored as “23”. Furthermore,

advancing these EIM transmission priorities should be equally balanced with advancement of external resource participation in the EIM in order to prevent a small group of generators garnering access to large amounts of transmission or to prevent small allotments of transmission limiting access for willing generators to participate.

6.4.4 Compensation for Third Parties Making Capacity Available for EIM Transfers (D, E1)

EQUAL PRIORITY. As the catalog indicates, “This initiative will analyze if the EIM transfer cost approach could be expanded to allow third party transmission owners to make available incremental transmission to support transfers. The incremental transmission would increase the transfer capability between balancing authority areas in the EIM footprint.”

See discussion in 6.4.2.

6.4.5 Donation by Third Party for Transmission Capacity Available for EIM Transfers (D, E1)

EQUAL PRIORITY. As the catalog indicates, “This initiative will analyze if the congestion rents division among EIM entities can be extended to allow third parties to receive congestion revenue on transmission made available to support EIM transfers.”

See discussion in 6.4.2.

6.4.6 Bidding Rules on External EIM Interties (D, E1)

LOWER PRIORITY. As the catalog indicates, “Currently, the EIM design allows full discretion to the EIM entity as to whether real-time economic bidding is allowed on intertie scheduling points with balancing authority areas outside the EIM footprint. This initiative will determine the calculation of a default energy bid for intertie transactions, discuss liquidity issues observed on ISO interties and determine if PacifiCorp integration activities to complete the full network model implementation are required. This may be deprioritized in support of external resource participation above. This will be the subject of a FERC technical conference in October 2016.”

Bonneville believes that this initiative should be accorded a lower priority than Enhancing Participation of External Resources.

6.4.6 Management of EIM Imbalance Settlement for Bilateral Schedule Changes (D, E1)

SIGNIFICANTLY LOWER PRIORITY. As the catalog indicates, “This initiative will investigate if the ISO’s current wheeling through functionality can be used to manage bilateral schedule changes that source in the EIM footprint, sink in the EIM footprint, or wheel across the EIM footprint.”

This initiative is currently one of two that are accorded the ISO’s highest score of “31”. Bonneville believes that this initiative should be accorded a lower priority than Enhancing Participation of External Resources and Bidding Rules on External EIM Interties.

6.5.7 Flexible Ramping Product Enhancements (D, E2)

HIGHER PRIORITY. As the catalog indicates, “The ISO could better facilitate the integration of DERs and VERs and significantly increase the efficiency of its dispatch and pricing signals by designing a flexible ramping product that can procure and price the appropriate amount of ramping capability to account for the uncertainty in net load forecasts over time horizons longer than 5 minutes. Other flexible ramping product design enhancements that could be considered in this initiative include day-ahead procurement of flexible ramping capability, locational procurement and pricing of flexible ramping capability, and appropriately including the impacts of dispatchable-resource uninstructed deviations into the flexible ramping product demand curve and cost allocation.”

As we stated in our earlier comment, Bonneville continues to support this initiative and is interested in exploring day-ahead procurement of flexible ramping capability and discussing the appropriate market product characteristics and compensation structure for this essential product.

Initiatives Currently Underway and Planned

5.4 Flexible Resource Adequacy Criteria and Must Offer Obligation Phase 2 – FRACMOO2 (I, N)

HIGHER PRIORITY. ISO has indicated that flexible resources will be critical to the integration of additional renewable resources. Bonneville is encouraged that the FRACMOO2 initiative has been re-started. FRACMOO2 is important to the ISO's operations, to Bonneville, and to other Pacific Northwest hydro entities. Coordinated operation of hydroelectric generating plants can effectively address net load ramps brought on by the increasing penetration of renewable resources. We look to this initiative to explain the objectives driving any limitations for external resources providing flexible RA.

5.5 Transmission Access Charge Options (I, N)

LOWER PRIORITY. As the catalog indicates, "This initiative considers whether the ISO's existing TAC design would be appropriate for a significantly expanded balancing authority area that would be formed by the integration of a large new participating transmission owner (PTO) with a load service territory."

Bonneville understands that Transmission Access Charge options are necessary for regional expansion of the ISO. However, these options should be assessed only after a regional governing body is in place to act through its primary authority over this policy area.

5.7 Regional Resource Adequacy (I, N)

LOWER PRIORITY. As the catalog indicates, "This initiative is evaluating resource adequacy policy provisions appropriate for use in a regional ISO balancing authority area that encompasses multiple states. This initiative's goal is to modify resource adequacy provisions to extend a forward planning and procurement process that ensures sufficient resources are available to the multi-state ISO to serve load under stressed and unstressed conditions, using a framework that is consistent with the resource adequacy rules that are currently in place in the multi-state ISO balancing authority area."

Bonneville is opposed to continuing with this Regional Resource Adequacy process until a regional governing body is in place to act through its primary authority over this policy area.

5.11 Stepped Constraint Parameters (I, F, E3)

EQUAL PRIORITY. As the catalog indicates, "This initiative is considering changes to the way the ISO's market handles constraints when the market must relax them to reach a solution. These constraints include transmission, power balance, and the constraints on energy transfers between balancing areas participating in the Energy Imbalance Market. This initiative is exploring whether the current penalty prices the market uses to administratively set prices when it has to relax constraints provide appropriate price signals. It is also considering alternatives to the current market rules that freeze energy transfers if a balancing area in the Energy Imbalance Market fails an hourly resource sufficiency evaluation."

In this initiative CAISO proposed several stepped relaxation parameters for the mandatory Resource Sufficiency standards in the EIM. Bonneville is no longer singularly opposed to this initiative as we indicated in August. Rather, Bonneville is opposed in part and supportive in part. Bonneville continues to be opposed to the changes included in the May 10, 2016 Issue Paper because the proposed changes would allow EIM entities to lean on the market by making the Resource Sufficiency standards a financial option. This approach is not consistent with the original EIM principle that participants must come into the market with balanced demand and supply schedules before they can receive the benefit of lower cost EIM generation. However, Bonneville has observed the reported occurrences of the power balance constraint and the flexible ramping constraint violations, for which this initiative has proposed to modify the treatment, have declined significantly after the implementation of the Available Balancing Capacity tariff revision. Bonneville is supportive of activities that can facilitate convergence of an efficient market solution and stepped constraint parameters can provide more efficient market solutions for both generation and transmission by relaxing constraints in a more discrete manner than moving the market directly to a relatively high and singular administrative penalty price.

Furthermore, we agree with more efficient market operations that improve operational effectiveness. For example, lowering the current 2% threshold for generation shift factors would incorporate more resources by expanding the market solutions to include resources that could otherwise more effectively resolve constraints, including constraints modelled on the Bonneville transmission system. As such, Bonneville is also in favor of the proposal to reduce the threshold setting which governs whether the software will consider a bid “effective” for managing congestion on a binding transmission constraint from 2% to 0.1%.

5.12 Generator Contingency Modeling/Remedial Action Scheme Modeling (I, N, E2)

HIGHER PRIORITY. As the catalog indicates, “This initiative is exploring enhancements to ensure the market solution will not result in the system violating transmission limits after the loss of generation. The current market model only considers the loss of transmission elements.”

As an adjacent balancing authority area, Bonneville is supportive of initiatives that can directly and effectively sustain reliability. That said, we would like to better understand the scope of this initiative.