

Comments on External Load Forward Scheduling Rights Initiative Issue Paper

Department of Market Monitoring

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Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *External Load Forward Scheduling Rights Initiative Issue Paper*.¹ DMM supports the ISO's proposed phased approach to implement some enhancements by summer 2022 where feasible, while simultaneously working to develop a robust long-term solution.

For the near-term enhancements to be implemented by summer 2022, DMM is especially supportive of PT export scheduling priority enhancements that address underproduction and unavailability of non-RA capacity designated to support PT exports. These enhancements are important to address market outcomes observed by DMM since the implementation of PT export scheduling priorities developed for summer 2021. DMM also supports the proposed transparency enhancements, additional proposed PT export enhancements to allow partial PT exports and to increase transparency of available non-RA capacity on a given resource, and the ISO's approach to further considering PT wheel enhancements.

Regarding a simplified near-term forward transmission procurement framework, DMM believes there could be significant reliability benefit to the CAISO BAA from a near-term framework that at least establishes and considers the amount of excess transmission beyond that needed to serve CAISO load under tight supply conditions. Such an approach could include simple and straightforward allocation rules for any excess transmission capacity, until the more comprehensive long-term transmission reservation framework is developed.

For the long-term transmission reservation framework to be developed in the second phase of this initiative, DMM continues to support an approach that ensures consistent access to high priority transmission on the CAISO grid to meet the needs of CAISO native load, as well as the needs of non-CAISO load serving entities who may depend on CAISO transmission. The Issue Paper outlines a proposed approach that considers these elements, as well as additional important details such as congestion revenue rights (CRRs), details of a rate structure, the specific timelines and transmission products offered, and the transition to a new framework. DMM supports the ISO's proposed direction in developing a long-term transmission reservation framework that appropriately accounts for all of the stated elements.

¹ *External Load Forward Scheduling Rights Initiative Issue Paper*, California ISO, August 31, 2021:
<http://www.caiso.com/InitiativeDocuments/IssuePaper-ExternalLoadForwardSchedulingRightsProcess.pdf>

Comments

I. Near-Term enhancements by summer 2022

A. PT export enhancements

DMM supports the ISO's proposal to address underproduction and unavailability of resources supporting PT exports

As part of the first phase of the initiative, the ISO proposes to address underproduction and unavailability of resources designated to support PT exports. The Issue Paper states that the ISO may consider requiring attestation of availability by resources designated to support PT exports much closer to the real-time bid submission deadline. The Issue Paper also states that the ISO may consider provisions to allow curtailment of PT export schedules when the supporting non-RA capacity is underproducing or unavailable in real-time. DMM strongly supports this element of the ISO's proposal to address issues observed by DMM multiple times since August 4, 2021, and to better align with the practices of other western BAAs.

In earlier comments on the Market Enhancements for Summer 2021 stakeholder initiative, DMM expressed concern that Variable Energy Resources (VERs) supporting PT exports could produce significantly less in real-time than the forecast value on which the PT export schedule is based.² The PT export quantity that can be supported by a VER is limited by the lowest 15-minute forecast output for the VER within the hour of the PT export. However, current rules require the scheduling coordinator of the supporting resource to attest that the resource is capable of producing up to the level of the PT export "at the time of bid submission".

Scheduling coordinators can submit bids many hours in advance of the real-time operating interval.^{3,4} This increases the likelihood that a VER forecast may overestimate the capacity available to support a PT export. While this issue may be especially pronounced for VER resources, the potential time lag between attestation and real-time operating hour can also increase the chance that the availability of a non-VER resource could change substantially before real-time, but after the PT export schedule is submitted.

CAISO tariff language specifies that, upon notification that the resource has been designated to support a PT export, the scheduling coordinator of the resource must notify CAISO if unavailable to support the PT export.⁵ However, the tariff also states that CAISO will notify

² *Comments on Market Enhancements for Summer 2021 Readiness Final Proposal*, Department of Market Monitoring, April 2, 2021, pp. 3-4: <http://www.caiso.com/Documents/DMM-Comments-on-Summer-2021-Readiness-Final-Proposal-Apr-2-2021.pdf>

³ Ibid

⁴ *External Load Forward Scheduling Rights Process Initiative Issue Paper*, California ISO, August 31, 2021, p. 19: <http://www.caiso.com/InitiativeDocuments/IssuePaper-ExternalLoadForwardSchedulingRightsProcess.pdf>

⁵ CAISO tariff effective August 4, 2021, Section 30.5.1 (aa)

scheduling coordinators of resources supporting PT exports that their resource is supporting a PT export “to the extent practicable”, and does not *require* such notification.⁶

This leaves the possibility that a resource supporting a PT export may become unavailable in real-time, while the associated PT export schedule remains unmodified. This can occur if the scheduling coordinator of the PT export is not notified of the change in availability of the supporting resource because the resource supporting the PT export is not notified that it is still designated to support the PT export for the hour.

DMM has observed multiple instances of underproduction by VER resources designated as supporting PT exports

The scheduling priorities for PT exports and PT wheels developed in the Market Enhancements for Summer 2021 stakeholder initiative were implemented on August 4, 2021.⁷ Since this time, DMM has observed multiple recurring instances of VERs designated as supporting PT exports experiencing significant decreases in generation capability after being designated to support a PT export schedule.

In several cases involving VER resources, real-time PT export self-schedules were submitted on the prior trade date, following the publication of day-ahead market results. Therefore, in some instances, the real-time production capability of the VER supporting the PT export was being determined over 24 hours in advance of the real-time operating hour.

In these scenarios, if the resources supporting PT exports were notified near the real-time bid submission timeline at T-75 that they had been designated to support real-time PT exports, the scheduling coordinators would be required to notify CAISO of the change in availability to facilitate reduction of applicable PT export schedules. However, it remains unclear the extent to which it is practicable for CAISO to notify scheduling coordinators – especially hourly, in real-time – that their resource has been designated to support a PT export in a given hour.

DMM recommends the ISO develop a more robust process for notifying scheduling coordinators when their resources are designated to support PT exports, while reserving the right to curtail PT exports when the designated supporting capacity is not available

Because notification to scheduling coordinators of resources supporting PT exports is important to ensure PT exports reflect the most recent availability of the designated supporting resource, DMM suggests the ISO consider development of an automated, or other scalable notification process. This process could run hourly, requiring attestation by the scheduling coordinator of

⁶ Ibid

⁷ *Market Enhancements for Summer 2021 Readiness Final Proposal*, California ISO, March 19, 2021: <http://www.caiso.com/InitiativeDocuments/FinalProposal-MarketEnhancements-Summer2021Readiness.pdf>

designated supporting resources that the resource has available non-RA capacity capable of producing up to the level of the associated PT exports for the hour.

In addition to developing a more robust process for notifying resources that they have been designated to support PT exports, DMM recommends that the ISO establish provisions that would allow curtailment of PT exports before CAISO load when availability or production capability of the designated supporting resource is observed to be less than the quantity of the associated PT export. This practice would support reliability of the CAISO BAA during tight supply conditions by ensuring that CAISO RA capacity does not ultimately support PT exports at the potential expense of CAISO load. This practice would also better align with DMM's understanding of the practices of other BAAs, which may curtail exports associated with a specific resource in order to maintain reliability if the resource is unavailable to support the export.

DMM supports additional PT export enhancements to allow partial PT exports and to increase transparency of available non-RA capacity on a given resource

DMM understands that there may be instances where a scheduling coordinator for a PT export self-schedule specifies an export quantity that exceeds the non-RA export eligible capacity of the designated supporting resource. CAISO's current practice in these instances is to reduce the entire export schedule to LPT scheduling priority. No portion of the export schedule retains PT status.

The ISO proposes in the Issue Paper to consider functionality which would allow a self-scheduled export to retain PT export status for the portion of the export up to the non-RA eligible export capacity of the supporting resource. Only the portion of the export schedule exceeding the non-RA eligible export capacity would be converted to LPT status.

The ISO also proposes to create additional awareness or visibility for the designated resource scheduling coordinator of the non-RA capacity associated with a resource. As the ISO notes in the Issue Paper, this may help to facilitate PT export transactions. Since the total amount of non-RA capacity contracted to a given outside entity should already be known by both parties, the increased visibility appears most useful to account for derates or updated VER forecasts.

DMM supports the proposal to retain PT export status for the portion of an export schedule up to the non-RA eligible export capacity of the supporting resource, in conjunction with more robust processes to ensure the real-time availability of resources designated to support PT exports. This approach would recognize full capacity obligations of the supporting resource while respecting established PT and LPT scheduling priorities.

DMM also supports increased transparency of non-RA capacity available for export from a given resource. The improved transparency should further promote submission of PT export schedules that align with the generating capability of the supporting resources.

B. PT Wheel Process Enhancements

DMM supports the ISO's approach to further evaluation of curtailment timing and tagging requirements by carefully considering the impacts of the solutions proposed by stakeholders

As described in the Issue Paper, some stakeholders expressed concern that curtailment of high priority transactions (PT wheels and RA imports) may occur unnecessarily when the curtailed transactions do not have valid e-tags in place.⁸ The stakeholders' concern is that some transactions in the day-ahead market may be speculative and would not physically flow, but may still lead to curtailment of other transactions during periods of transmission congestion. The ISO acknowledges the issue, stating a position that curtailment should only consider transaction with valid e-tags. The ISO plans to address this issue in the first phase of the initiative, and stakeholders have offered two potential solutions.

One solution proposed by a stakeholder is to require day-ahead e-tags. DMM opposes a day-ahead tagging requirement as a solution to the stated issue. As noted by the ISO in the Issue Paper, requiring day-ahead e-tags for PT wheels and RA import transactions has implications beyond the scope of this initiative, particularly on the RA program and RA imports.⁹

In addition to the concerns stated by the ISO in the Issue Paper, requiring day-ahead e-tags for PT wheel and RA import transactions to have higher curtailment priority than resources without day-ahead e-tags may have reliability implications for the CAISO BAA. Priorities established on the basis of day-ahead e-tags could lead to PT wheel transactions displacing CAISO imports without a day-ahead e-tag that may be needed to serve CAISO load. These potential impacts would be greatest on days when CAISO most needs imports, which may align with days when PT wheel volume is at peak levels.

Finally, a day-ahead tagging requirement could disadvantage scheduling coordinators who do not have consistent access to transmission on a day-ahead basis (e.g., through long-term firm service) between the generation source and CAISO. This requirement could provide a substantial competitive benefit to those entities who control large amounts of generation and long-term firm transmission service linking the generation to CAISO.

Another stakeholder proposed to only consider curtailments in real-time, after the T-20 e-tag deadline. DMM agrees with the ISO that this approach may be problematic as it would leave little to no time for impacted parties to secure energy from an alternate source in the event of a curtailment.

In general, DMM supports the ISO's approach to further consideration of this issue, where it does not commit to either of the proposed stakeholder solutions, and seeks to carefully consider impacts of any potential solution.

⁸ *External Load Forward Scheduling Rights Initiative Issue Paper*, California ISO, August 31, 2021, p 20:
<http://www.caiso.com/InitiativeDocuments/IssuePaper-ExternalLoadForwardSchedulingRightsProcess.pdf>

⁹ *Ibid*

C. Simplified near-term forward transmission procurement framework

A simplified near-term process to study and allocate excess transmission may provide reliability benefits to the CAISO BAA

The ISO notes in the Issue Paper that some stakeholders have proposed a near-term forward transmission procurement framework, to be in place by summer 2022. The Issue Paper outlines the proposed simplified framework, and the ISO notes a number of challenges in fully developing the framework in time for implementation in summer 2022.

Although the scheduling priorities established for PT wheel transactions in summer 2021 are an improvement over previous scheduling priorities, the summer 2021 scheduling priorities still leave the CAISO BAA exposed to reliability risk. Current scheduling priorities do not calculate or consider what quantity of excess transmission may be available beyond that needed to meet the needs of CAISO load. This can lead to allocation of transmission to PT wheel transactions where there is potentially no excess transmission to allocate beyond that needed to meet CAISO load under tight supply conditions. DMM's understanding is that other balancing areas in the west will provide wheel transactions firm rights only to transmission that has been determined to be in excess of what may be needed to meet the native balancing area's load.

DMM recognizes that there may be some complexities to implementing even a simplified transmission framework by summer 2022. However, given the continued reliability risk to the CAISO BAA associated with potential over-allocation of CAISO transmission, DMM believes there may be significant value in developing a simplified near-term process that clearly establishes the amount of excess transmission that is available, and establishes an allocation process for that excess transmission based on straightforward rules until the long-term transmission reservation framework is established.

II. Phase 2: Long-Term Framework for Establishing Scheduling Priorities

A. Evaluating a forward transmission reservation framework

DMM supports the ISO's proposed approach to developing a long-term framework for establishing scheduling priorities

DMM continues to support an approach to CAISO transmission access that ensures consistent access to high priority transmission on the CAISO grid to meet the needs of CAISO native load, as well as the needs of non-CAISO load serving entities who may depend on CAISO transmission.

As discussed in earlier comments, DMM suggests several market design changes as important elements to a long term transmission access framework:¹⁰

- Create a transmission study process that occurs with appropriate frequency to evaluate requests for both short-term and long-term access to high-priority transmission on the CAISO grid.
- As a part of accounting for the needs of CAISO native load, revise the CAISO tariff to allow for a Capacity Benefit Margin (CBM) greater than zero.
- Develop a compensation framework for both short-term and long-term high priority transmission service reservations.

The Issue Paper outlines an approach that considers all of these elements, as well as additional details such as congestion revenue rights (CRRs), details of rate structure, the specific timelines and transmission products offered, and the transition to a new framework.

DMM supports the ISO's direction in considering a transmission reservation framework that appropriately accounts for all of the stated elements. DMM also supports an approach where transmission reservation priority on one system is independent of scheduling priority held on a neighboring system, analogous to the rules of other BAAs operating under an OATT framework. The direction of the ISO's approach appears likely to lead to a robust framework that would be consistent with open access principles, and aligned with the Federal Energy Regulatory Commission (FERC) approved practices of other BAAs and several other ISO/RTO markets.¹¹

¹⁰ *Comments on External Load Forward Scheduling Rights Process Stakeholder Workshop*, Department of Market Monitoring, August 3, 2021: <http://www.caiso.com/Documents/DMM-Comments-on-External-Load-Forward-Scheduling-Rights-Process-Stakeholder-Workshop-Aug-3-2021.pdf>

¹¹ *External Load Forward Scheduling Rights Initiative Issue Paper* - Section 5.3, California ISO, August 31, 2021: <http://www.caiso.com/InitiativeDocuments/IssuePaper-ExternalLoadForwardSchedulingRightsProcess.pdf>