



## Eugene Water & Electric Board

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via e-mail: [caisoinitiatives.com](mailto:caisoinitiatives.com)

### **Subject: 2017 Draft Policy Initiatives Roadmap**

Eugene Water & Electric Board (EWEB) thanks you for the opportunity to comment on the CAISO's revised 2017 Stakeholder Policy Initiatives Roadmap dated November 4, 2016. EWEB is a consumer-owned utility located within BPA's Balance Authority (BA) in Eugene, Oregon. EWEB serves around 90,000 electric customers providing over 271 MW's of electricity a year. EWEB owns and operates a diverse portfolio of resources comprised of wind, solar, biomass, biogas, owned hydro, as well as BPA block and slice products. EWEB has around 356 MW's worth of total generation. Of that total generation around 77% is hydro. We have resources located in BPA, PacifiCorp, and PGE's BA. EWEB also has a system interconnection with PACW.

As a load serving entity in BPA's BA we are not in a position to join the EIM independently. However, we do have flexible resources and storage that could provide benefits, both INC/DEC, to the EIM marketplace.

The CAISO has rapidly evolved from a market solely within California to an expanded Energy Imbalance Market that encompasses multiple BA's in the WECC. The CAISO has also taken on considerable efforts to develop a construct for a regional ISO. The CAISO must consider a much broader set of stakeholders than they have traditionally. We want to assure the priority issues in each category are addressed, and relevant stakeholders to each market segment have adequate input into the issues that impact them the most.

There are different sets of stakeholders for different subsets of issues facing the CAISO. For instance, the group of affected stakeholders is very different when considering ISO market issues, or EIM issues, or greater regionalization efforts, etc. Therefore, EWEB believes the "desired by stakeholders" criteria represents a more divisive tone, especially when it blends stakeholder's priorities across all the categories of issues instead of issue applicable to each subset of stakeholders. We find some of these issues to be, but not limited to the following reasons:

- The weight of one subset of stakeholders will never compare to another in terms of economic impact to the whole CAISO.
  - Example EIM interest will never economically outweigh the greater ISO participating entities issues, thus never prioritizing them accurately.
  - Stakeholders start to argue apples to oranges because of different stakeholder market positions. This is evidenced by the Six Cities involved in the FERC Technical Conference, to suggest that issues of greater financial impact should be prioritized over issues of

lesser financial impact, which would ensure most ISO market issues would be prioritized over EIM issues, thus harming EIM market efficiency and expansion.

The EIM is a FERC jurisdictional market adhering to the obligation to assure non-discrimination, and just and reasonable rates. BA's can make a voluntary decision to join this FERC jurisdictional market to better manage their imbalance obligations. The goal of this is to provide better liquidity, economic incentives, reliability, and ultimate service to customers. With the expansion of the EIM, participating BA's should not have the discretion, themselves, to unilaterally condition or exclude other resources from participating. It feels like that could open the doors to resource discrimination, or a pay for play model to emerge.

The current structure that allows only EIM Entities to define the rules for intertie bidding and external resource participation creates the above opportunity. Any requirement that an entity needs to bring load, resources, and transmission to participate in the market is discriminatory because not all entities are similarly situated in this manner. This contradicts the Participating Resource model within an EIM Entity Balancing Authority Area that allows independent resources to participate without bringing load or transmission. EWEB believes the CAISO needs to develop rules, to be included in their tariff, to provide the ability for external resources to participate in the market, and under what conditions that is possible.

EWEB is directly connected to PACW through a substation on our system boundary. Being able to provide system resources into the EIM market through this interconnection brings additional resource flexibility, and market liquidity, thus should not be denied simply because EWEB system is not a participating BA or embedded within a participating BA.

We see the incentive to join the EIM or greater ISO market becoming more present when entities are allowed to see the benefits personally with their external resources first. The CAISO and the EIM Entities currently have tariffs that provide for each EIM Entity to independently determine whether to provide intertie bidding. EWEB finds the lack of CAISO or consistent EIM Entity market rules for external resource participation to also be a tariff deficiency. EWEB recommends the CAISO prioritize this issue to assure a stakeholder process that supports all the necessary tariff modifications to benefit the greater base of stakeholders now and progressing forward.

EWEB recognizes and appreciates the CAISO's intent to identify and give weight to the issues that are important to stakeholders. The "desired by stakeholders" category is subjective by nature due to combining multiple market segments under one blanket. As this does help identify issues important to stakeholders it can do a poor job of prioritizing issues within this new bigger footprint. This becomes very evident when considering external resource participation, EWEB does not believe "desired by stakeholders" is the appropriate ranking criteria for this issue because there is a big difference in the benefits to the larger stakeholder pool that exists.

The CAISO has developed, implemented, and expanded a successful Energy Imbalance Market. To ensure continued success of the market, and appeal to a broader set of participants, further development and refinement of the market is needed. EWEB asks the CAISO to consider allocation of

some base level of staff to each of the EIM, the ISO, and regionalization categories. Initiatives could then be prioritized by category rather than across all categories. This provides fairer and more equitable treatment of issues pertinent to the greater stakeholder base now in existence.

Attached please find our suggested modifications and associated rationale to the criteria rankings. We appreciate the opportunity to comment.

Sincerely,

A handwritten signature in cursive script that reads "Erin Erben".

Erin Erben, Executive  
EWEB



## SPECIFIC RANKING RECOMMENDATIONS

Specific Recommendations on Criteria Rankings (*red denotes a recommended change from CAISO rankings*):

Initiative Name	Grid Reliability	Improving Overall Market Efficiency	Desired by Stakeholders	Market Participant Implementation (\$ and resources)	ISO Implementation (\$ and resources)	Adjusted Total Score
EIM External Resource Participation	7 (3)	10 (7)	7 (3)	7	7 (3)	38
Export Charges	3	7 (3)	7	7	7	31
Real-Time Market Enhancements	7	7	7*	7	3	31

### **EIM External Resource Participation: Grid Reliability - Increase ranking from 3 to 7**

**Rationale:** The parties interested in external resource participation own and operate thousands of MWs of carbon-free flexible resource capability. Many of these resources have direct interconnection to EIM Entity systems. These external resources can increase the supply of energy and flexibility in the market. The added liquidity could reduce the frequency of power balance and flexible ramping violations and the use of the available balancing capacity mechanism. Further, participation of external resource creates the incentive for those resources to voluntarily donate transmission to the EIM, increasing EIM transfer capability.

Based on initial implementation concepts it can be assumed that external resource participation will provide information about external resources that the CAISO and EIM do not have today. Bids into the EIM from external resources will provide sufficient information to know where power is coming from, which will allow for proper flow and congestion management. Further, this information and the additional resources, will be available within-hour to address any real-time congestion issues, which could be a major reliability benefit depending on the location of the constraint in relation to the location of the resources.

**EIM External Resource Participation: Improving Overall Market Efficiency – increase ranking from 7 to 10**

**Rationale:** The current market has strict rules on what resources can and cannot participate in the market. Because of these strict rules, the market lacks the liquidity that it could otherwise have and the lack of liquidity impacts costs to customers. Development of market rules for external resources will remove current barriers to participation and provide clarity for resources regarding their options to participate.

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It has been mentioned that increasing transfer capability between EIM Entities is a high priority because it can increase market liquidity. Transfer capability can increase the market's ability to access *existing* Participating Resources, but it does not provide access to new or additional resources. Providing for external resource participation not only brings new resources and liquidity to the market, but creates an incentive for parties to voluntarily donate transmission that could further enhance market liquidity.

**EIM External Resource Participation: Desired by Stakeholders – increase ranking from 3 to 7**

**Rationale:** There is significant energy around this issue among EIM Entities and stakeholders. Although not all parties “desire” this outcome, EWEB believes this issue should not be prioritized based on stakeholder desire, but rather based on the requirement to ensure open efficient markets.

As stated in the cover letter, EWEB does not believe level of interest should be used to assess the priority of this issue because EIM Entities have indicated an interest in not supporting external resource participation as a means of encouraging parties to join the EIM directly. For that reason, arguments for or against the “desire” for this issue should not be used to determine the priority. Rather, the level of engagement and energy about this issue, as evidenced by the number of parties that traveled to Washington DC for a FERC Technical Conference, should be used to gauge the importance of this issue to parties.

Further, EWEB has expressed concern about the lack of base level staff for the EIM and does not believe it is as informative to prioritize EIM issues across ISO and regionalization efforts. EWEB would support a prioritization among EIM issues. If the stakeholder evaluation was conducted among only EIM stakeholders, the issue would certainly warrant a 7.

**EIM External Resource Participation: ISO Implementation – increase ranking from 3 to 7**

**Rationale:** While EWEB does not underestimate the level of effort required by the CAISO to enable external resource participation, EWEB would like to offer that there may be less costly and less complex frameworks the CAISO could consider.



The CAISO presented several guiding principles<sup>1</sup> for development of an external resource participation framework at the August 4<sup>th</sup> Regional Issues Forum that included the need to address transmission required to facilitate EIM participation for external resources, resource specific information from external resources, market power mitigation and resource sufficiency. For many of these principles, the solution should be no more complex or costly to the CAISO than for new entities to join the EIM. For example, it should be no more work for the CAISO to model external resources than to model an EIM Entity resource and the calculation of default energy bids should be no more work for external resources than for an EIM Entity resource.

For some of the principles, there are several options for solutions. For example, to verify resource sufficiency of an external resource one option could be that the CAISO require the resource demonstrate the ability to generate the same amount of energy it takes from the EIM. In this way, the resource can demonstrate it is not leaning on the EIM to meet its own needs. Transmission to the EIM can be a simple requirement and left to 3<sup>rd</sup> party transmission service providers to work out with their transmission customers.

Additionally, there are options for solutions that avoid undue operational risks, administrative burden and implementation costs on source Proxy non-EIM BAA and sink EIM BAAs to which it interconnects. If there is a concern about the increased number of schedules an EIM Entity would receive if each external resource that participated came in on a separate schedule, source BAs could explore creation of a hub that receives all EIM schedules and send only one EIM transfer schedule to each EIM Entity BA.

**Export Charges: Improving Overall Market Efficiency – increase ranking from 3 to 7**

**Rationale:** A key operational and policy interest of the ISO market is to reduce renewable energy curtailment. However, the high export fees send a market signal that conflicts with that objective. Modified export charges will better align market signals with the CAISO's operational interests, providing more export opportunities that are currently not economic due to high export fees.

**Real-Time Market Enhancements: Improving Desired by Stakeholders – ranking of 7\***

**Rationale:** The current definition of this Initiative includes several different real-time issues: reducing 15-minute market lead time, extending the horizon of short-term unit commitment, and enabling several 5-minute dispatch functions. Based on the broad definition, this initiative could consume a lot of CAISO staff and Stakeholder Initiative time. However, without further definition of the expected focus, a rating that this dedication of time is desired by a majority of the stakeholders cannot be certain. Of greatest interest to EWEB is pursuing actions that provide for a shorter lead time and modifying the scheduling deadline. EWEB supports the rating of a 7 if the ISO defines shorter lead times and a modified scheduling deadline as the targeted outcome of this initiative.

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<sup>1</sup> [http://www.caiso.com/Documents/Presentation-ExternalResourceParticipationinEIM-EIMRegionalIssuesForum-Aug4\\_2016.pdf](http://www.caiso.com/Documents/Presentation-ExternalResourceParticipationinEIM-EIMRegionalIssuesForum-Aug4_2016.pdf)