

**COMMENTS OF IDAHO POWER COMPANY
ON CAISO'S REAL-TIME MARKET NEUTRALITY SETTLEMENT
ISSUE PAPER AND STRAW PROPOSAL**

Submitted By	Company	Date Submitted
Camille Christen cchristen@idahopower.com	Idaho Power Company	May 14, 2019

Idaho Power Company (“Idaho Power”) appreciates the opportunity to comment on the California Independent System Operator’s (“CAISO”) *Real-Time Market Neutrality Settlement Issue Paper and Straw Proposal* (“Straw Proposal”), dated April 25, 2019. As described further below, Idaho Power supports certain aspects of the Straw Proposal but has a number of comments and recommendations for further consideration. Idaho Power also generally agrees with the comments submitted by PacifiCorp related to removing transfer adjustments, greenhouse gas (“GHG”) pricing in the financial value of Energy Imbalance Market (“EIM”) transfers, and the submission of EIM Transfer System Resources (“ETSR”) E-tags with CAISO. Idaho Power provides further clarifying or additional comments and recommendations. In particular, Idaho Power requests CAISO schedule a technical workshop as soon as possible, and prior to the development of the next iteration of the proposal, to discuss the current Real-Time Imbalance Energy Offset (“RTIEO”) calculation and all proposed changes, and to ensure that all potential solutions are fully considered and vetted by CAISO and stakeholders.

Idaho Power submitted comments on CAISO’s Draft Policy Initiative Catalog dated February 28, 2019.¹ In those comments, Idaho Power indicated that the transfer in/out

¹ *Comments of Idaho Power Company on CAISO’s Draft Policy Initiatives Catalog* (Mar. 20, 2019), available at <http://www.caiso.com/Documents/IPCCComments-2020DraftPolicyInitiativesCatalog.pdf>.

adjustment resulted in a misallocation of the RTIEO between the EIM Entities. Idaho Power asked CAISO to evaluate the RTIEO calculation and policy as part of the 2019 CAISO policy catalog to ensure that entities were being made whole. Idaho Power thanks CAISO for addressing this issue expediently as Idaho Power believes it has a significant impact on all EIM Entities.

I. REMOVAL OF TRANSFER ADJUSTMENTS

Idaho Power agrees with CAISO that a change is needed to address the transfer adjustment mechanism and supports PacifiCorp's comments on this issue.

II. GHG AWARDS IN THE FINANCIAL VALUETRANSFER BILLING DETERMINANT

Idaho Power generally agrees with the comments submitted by PacifiCorp and provides the additional comments below.

In the Straw Proposal, CAISO determined that:

No change was needed to the accounting of GHG payments in neutrality accounts. This is because the financial value of EIM transfers includes the price difference when there is an EIM transfer into a California balancing authority area. This offsets the payment to EIM participating resources that receive a GHG payment.²

While this is true for transfers that go into a California Balancing Authority Area ("BAA"), this is not true for transfers between non-California BAAs. Idaho Power believes the following are impacts of using the System Marginal Energy Cost ("SMEC") price to value all EIM transfers:

1. EIM Net Exports are incorrectly receiving the GHG price in the RTIEO when they have not been deemed delivered to California by CAISO.

² CAISO *Real-Time Market Neutrality Settlement Issue Paper and Straw Proposal*, at 3 (April 25, 2019), available at <http://www.caiso.com/Documents/IssuePaper-StrawProposal-Real-TimeMarketNeutralitySettlement.pdf>.

2. EIM Net Imports are incorrectly paying the GHG price in the RTIEO when the importer is not a California BAA.

3. The GHG compensation paid through charge code 491 to deemed resources could potentially be nullified because that cost is being erroneously paid by the EIM Entity BAA through RTIEO instead of being paid by CAISO.

4. The CAISO BAA happens to be revenue neutral because of the offsetting nature of numbers 2 and 3 above.

The April 25 Straw Proposal did not mention these concerns or include proposals to address them. However, in its May 1, 2019, presentation and stakeholder meeting on the Straw Proposal, CAISO acknowledged that the financial value for EIM transfers between two non-California BAAs should be valued at the SMEC less GHG cost.³ Idaho Power requests that CAISO combine the comments and proposals made in the May 1, 2019, presentation, along with any revisions based on stakeholder comments, with the Straw Proposal as it develops the next iteration of the proposal.

Idaho Power is very supportive of CAISO addressing this issue but believes that CAISO's current proposal increases the risk of issues being masked in the RTIEO charge code. This charge code is already very complex. Adding financial value pricing logic that varies based on whether or not there are deemed exports to California adds complexity to this charge code that is not necessary.

Idaho Power agrees and supports PacifiCorp's comments that an alternative solution would be to remove the charge code 491 GHG revenue from the calculation of RTIEO and calculate the EIM financial value of the transfers at the SMEC less the GHG shadow price. This would ensure all EIM transfers are valued in the RTIEO appropriately.

³ See CAISO Presentation on "Real-Time Market Neutrality Issue Paper and Straw Proposal," at 16-17 (May 1, 2019), available at <http://www.caiso.com/Documents/Presentation-Real-TimeMarketNeutralityIssuePaper-StrawProposal.pdf>.

The RTIEO charge code should only be used for the calculation of market neutrality and not the allocation of GHG costs. A separate new GHG offset charge code should be created to allocate the GHG costs to California BAAs. This approach would ensure that only California BAAs pay those costs. Because other western states are currently evaluating similar carbon programs, this approach will also support future implementations by allocating the GHG costs to the correct BAAs.

While pulling GHG out of the RTIEO charge code could address the potential errors that have been identified in the current design of the RTIEO account, CAISO is ultimately responsible for ensuring the accuracy of charge code calculations. Additional analysis is necessary to ensure that the best possible solution has been identified and that any changes made to the RTIEO calculation have been fully vetted, additional neutrality is not created, and the financial impacts of the proposed changes have been assessed.

Due to the complexity of this charge code, Idaho Power requests that CAISO hold a technical workshop with all EIM Entities prior to the posting of the draft final proposal to review current and proposed changes to the RTIEO calculation. This workshop should also address the potential impacts of various recommendations made by EIM Entities so that potential solutions can be fully analyzed. Idaho Power understands that the impact of changing the RTIEO calculation can be very material for some entities and requests CAISO schedule this workshop as soon as possible.

III. EIM ENTITY-CAISO E-TAGS TO BE UPDATED WITH FIVE-MINUTE TRANSFER VALUES

Idaho Power supports PacifiCorp's comments related to the submission of five-minute ETSR E-tags with CAISO so long as the submission requirements are consistent with how other EIM Entities submit their Real-Time Interchange Schedule ("RTSI") payloads for ETSRs.

IV. EIM GOVERNING BODY ROLE

Idaho Power agrees with CAISO, for the reasons stated in the Straw Proposal, that this entire initiative should be classified for an EIM Governing Body decision under its primary authority.

V. EIM BENEFIT

Due to the issues discussed above, Idaho Power is concerned that the current EIM benefit calculation is not properly valuing transfer revenue between non-California BAAs if they were not deemed delivered by CAISO. Due to the issues identified above, the amount of GHG revenue an EIM Entity has received in charge code 491 that is used in the benefit calculation, may have been nullified as part of RTIEO. In addition, the current EIM benefit methodology does not reflect transfers in and out of a BAA as part of the RTIEO offset calculation. Such transfers may effectively change the amount of benefit an EIM Entity receives. Idaho Power requests that CAISO consider the current design of the RTIEO calculation and review the current benefit methodology to ensure that transfer revenue is properly calculated when transferring between non-California BAAs. In addition, any adjustments in and out of a BAA as part of the transfer adjustment mechanism should also be considered in the EIM benefit calculation. Idaho Power requests that CAISO review the financial impacts and the EIM benefits over the past year to determine if an adjustment to the benefits is warranted.

VI. CONCLUSION

Idaho Power thanks CAISO for commencing this initiative and appreciates CAISO's and stakeholders' efforts in developing and considering the proposals. Idaho Power looks forward to continued collaboration on these issues.