Comments of Pacific Gas & Electric Company

Consolidated Energy Imbalance Market Initiatives – Issue Paper

Submitted by	Company	Date Submitted
Jerry Henke (415) 973-4077	Pacific Gas & Electric	June 30th, 2017

Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator's (CAISO) Consolidated Energy Imbalance Market (EIM) Initiatives Issue Paper. PG&E is strongly supportive of the EIM and its continued growth and health, and encourages caution about any market design changes that might have an unintentional adverse effect on the attractiveness of EIM participation, either for existing member entities, or planned or prospective new entrants. In that regard, PG&E is unclear about the value added proposition of the three proposals in the Issue Paper and is requesting the CAISO provide more clarity on drivers and benefits it expects to realize, especially in relation to the added complexity and implementation costs that would be imposed. PG&E's specific feedback on each proposal is as follows:

Third Party Transmission Contribution – PG&E does not currently feel sufficient value added has been demonstrated to warrant this market change.

1. Before proceeding with this policy initiative, CAISO should tackle the following considerations and build the case that this market change is actually needed:

   i. Currently, scheduling coordinators (SC) have the ability to procure transmission rights directly. Does the CAISO not feel that this is a sufficient means to increase potential transfer capability within the EIM? If not, what does the CAISO attribute this failure to and are there opportunities to address any impediments to this directly?

   ii. Beyond this, EIM's structure is such that participants benefit to the largest extent when new entrants join and fully participate. In this vein, is creating a more formal way for third party transmission providers to contribute creating a disincentive for future potential EIM entrants to join fully? If so, the CAISO should weigh this consideration against any benefits to allowing greater transmission availability from non-participating entities.

   iii. PG&E would also be interested in the CAISO sharing any studies or insight it has on what transmission transfer capability (i.e., what paths) it anticipates making available via this change.

2. PG&E appreciates the CAISO updating its Issue Paper example illustrating the potential for a net charge in congestion revenues when a line derate occurs after the fifteen minute market (FMM). PG&E feels that CAISO must resolve the value-added questions above before tackling questions about how such net charges should be settled. However, our general thoughts are as follows:

   i. The case when a net charge results is rather limited in practice. As such, there may be no need to carve out a "make whole" mechanism as the real-time congestion offset

(RTCO) revenues will net in the positive direction the vast majority of the time, providing ample opportunity to receive benefits when there is a net revenue.

ii. A derate of transmission capacity provided by a third party entity should be treated in an equivalent fashion to the treatment of a derate of transmission capacity in an EIM Entity. As we understand the current process, the cost of managing a derate of transmission capacity in an EIM Entity in RTD is allocated to the EIM Entity in which the transmission is located. There is no make-whole provision if the EIM Entity must pay more for the derate in RTD than it received in congestion rent from FMM that was allocated to it via RTCO. A third party providing transmission capacity should be treated the same. Also, providing a make-whole payment so that the third-party transmission provider would not face the financial consequences of a derate of its transmission capacity from FMM to RTD could provide incentives for it to offer more transmission capacity in FMM than it expects to be available in RTD.

Management of Bilateral Schedule Changes – PG&E is interested in learning more about whether stakeholders view this change as needed/beneficial and has no substantive comments at this time.

Net Wheeling Charge – PG&E does not currently feel sufficient value added has been demonstrated to warrant this market change.

1. Excluding the lost revenues from transmission charges, which the CAISO cites explicitly as being out of scope for this initiative, it is unclear what incremental, measurable value the CAISO is claiming EIM balancing authority areas (BAA) being wheeled through are providing.
   i. In the case that congestion occurs, this “middle” BAA is receiving congestion revenues via RTCO. In the case of no congestion, no incremental value is being created that needs to be compensated.
   ii. While the “middle” BAA’s participation in EIM is allowing for the wheel through, the benefits it receives are realized in the other cases, via the reciprocity principle, when the transfers are sourced or sinked within the BAA.
2. While PG&E is open to examining the allocation of wheeling benefits holistically at some point, this change would seem to create a somewhat ad hoc form of rate pancaking not aligned with the current EIM structure and principles.
3. For the reasons above, PG&E feels a case must be built to support a need for additional sharing of benefits for the wheel throughs provided by BAAs before stakeholders tackle how to formulate the charge calculation.

Additional questions that should be addressed in next iteration of stakeholder engagement:

1. What is the targeted go-live date for any changes resulting from these policy initiatives? PG&E suggests CAISO be cognizant of current implementation backlogs and the extremely full upcoming releases in determining a realistic go-live target for any ultimately approved initiatives from this effort.