

## Stakeholder Comments Template

Submitted by	Company	Date Submitted
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### **PGE Interest in FRAC-MOO-2**

While PGE is not subject to the CPUC/ISO’s Resource Adequacy framework and requirements, PGE is nonetheless impacted by Flexible Resource Adequacy market policies as they are a significant factor in price formation trends in the ISO’s day-ahead and real-time markets, including the EIM, in which PGE participates as both a buyer and seller of wholesale energy. Further, the ISO’s current proposal includes elements that would directly impact EIM dispatch and transfer capability.

### **Governing Body Oversight**

The ISO’s current proposal does not address the oversight authority of the EIM Governing Body on this initiative. If the ISO’s proposal continues to include elements that would directly impact EIM dispatch and transfer capability, PGE requests the EIM Governing Body have hybrid-advisory authority over this initiative.

### **Support for Flexible Resource Adequacy Policy Reform**

PGE strongly supports the ISO’s efforts to enhance its Flexible Resource Adequacy Criteria and Must Offer Obligation (FRACMOO) framework such that the ISO is positioned to be able to maintain real-time resource sufficiency even as the penetration of Variable Energy Resources (VERs) within its Balancing Authority Area (BAA) continues to grow. PGE appreciates the ISO’s transparency regarding the operational challenges it is facing. PGE applauds the ISO’s strategy in this initiative of letting objective data drive policy development. In PGE’s assessment, and based on its market and operational experience, the ISO’s concerns are real, and show an immediate and growing need that must be addressed at the policy-making level to ensure the future security and reliability of the grid.

### **Identification of ramping and uncertainty needs**

The ISO has identified two drivers of flexible capacity needs: General ramping needs and uncertainty. The ISO also demonstrated how these drivers were related to operational needs.

**Comments:**

PGE supports the ISO's differentiated consideration of its flexible capacity needs between general ramping requirements (which follow consistent day-to-day trends in the ISO's BAA) and uncertainty requirements (which vary day-to-day based on the delta between day-ahead forecasts and real-time actuals).

**Definition of products**

The ISO has outlined the need for three different flexible RA products: Day-ahead load shaping, a 15-minute product, and a 5-minute product.

**Comments:**

PGE supports the ISO's proposal to differentiate flexible RA products between those capable of meeting day-ahead shaping needs (ie. ramping), versus those capable of meeting real-time flexibility needs (ie. uncertainty).

Given the ISO's intention to transition its current hourly day-ahead market to a 15-min day-ahead unit commitment and scheduling market through the Day-Ahead Market Enhancements initiative, and to transition the EIM base schedule process to 15-min for the real-time market, and given the ISO's intertie market and external transmission markets operate at a 15-min granularity, PGE believes the ISO should focus initially on developing a 15-min flexible capacity product. PGE believes this will reduce seams to the maximum extent possible at the intersection of the ISO's day-ahead market, the Western Interconnect bilateral energy and transmission markets, and the EIM. If the 15-min product proves to be inadequate once implemented in concert with the Day-Ahead Market Enhancements, the ISO should at that time pursue a 5-min product that meets the needs of that evolved market. This product would then be able to align with any additional market enhancements that may be in process at that time.

**Quantification of the flexible capacity needs**

The ISO has provided data regarding observed levels of imbalances, in addition to previous discussion of net load ramps.

**Comments:**

PGE requested at the May 3, 2018 stakeholder meeting that the ISO explain whether it has incorporated the impact of load biasing in its study. PGE also requested that the ISO explain why the 5-min capacity requirement appears to be capped at 1,000 MW. PGE looks forward to the ISO's response in these two areas.

### **Eligibility criteria, counting rules, and must offer obligations**

The ISO has identified a preliminary list of resource characteristics and attributes that could be considered for resource eligibility to provide each product. Additionally, the ISO has proposed new EFC counting rules for VERs and storage resources that are willing to provide flexible RA capacity.

#### **Comments:**

PGE supports the ISO's efforts to expand the pool of resources available to meet the ISO's flexible ramping needs by enhancing the ability for external resources to contract with load serving entities in the ISO's BAA. PGE believes incremental efficiency gains can be made by reducing seams between the western bilateral markets and the ISO's day-ahead market for both flexible capacity and energy. Reducing these seams and increasing the pool of resources available to meet ISO requirements must be done carefully in order to preserve and enhance reliability for the ISO's BAA and for impacted BAA's in the Western Interconnect.

As mentioned above, aligning flexible capacity products and energy dispatch with the transmission capabilities and business practices of impacted transmission service providers is critical. Clear expectations should be set at the source, sink, and intermediary BAA levels with regard to the firm capacity, dispatch, and transfer responsibility in that chain. For this reason, PGE requests the ISO develop more robust requirements than are contemplated in the current proposal. At a minimum, the ISO should require a showing of: a resource-specific source, agreement by the source BAA that the generation will be firmed in real-time<sup>1</sup>, and pre-arranged firm transfer path to the ISO's boundary.

Further, PGE believes it is critical that flexible RA products are not comingled with EIM Participating Resource dispatch and transfers over EIM Transfer System Resources (ETSR), or "EIM Transmission". PGE is concerned the ISO's current proposal could be read as implying that resources receiving a flexible RA award in the year- or month-ahead showing would be able to be counted as delivering flexibility to the ISO's BAA without acquiring an actual transmission path to its intertie. PGE does not believe this concept fits with the existing EIM model, or the reciprocity concept incumbent to the EIM's existing transmission framework, and views it as potentially harmful to regional reliability.

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<sup>1</sup> Imbalance reserves would be carried and dispatched by the source BAA to maintain the firm import/export schedule as it is a adjusted sub-hourly.

PGE therefore believes the ISO should revise its policy proposal to state that flexible RA resources contracted for delivery to the ISO's BAA that are located within an EIM Entity BAA would need to use non-EIM transmission to deliver capacity and energy to the ISO's interties.

This framework could function much the same way any existing ISO Participating Resource Scheduling Coordinators that are also EIM participants engage with the ISO's intertie market outside of the EIM today using transactions that are effectuated through a traditional bilateral eTag. For example (*see also Appendix 1*):

- If the identified intertie FlexRA resource is supported by an EIM Participating Resource (specific or aggregated), as the intertie award and associated eTag is updated for each 15-minute interval, entities are exposed to imbalance charges<sup>2</sup>.
- If the identified intertie FlexRA resource is supported by an EIM Non-Participating Resource using the Mirror/Match functionality, as the intertie award and associated eTag is updated for each 15-minute interval, the EIM Non-Participating Resource is automatically adjusted and therefore no imbalance is created on the EIM Entity's system (assuming the EIM Non-Participating Resource is able to follow the intended adjustment in output).

The important distinction between this model and the one implied by the ISO's proposal is that the forward Flex RA contract would remain paired to non-EIM transmission from the initial Flex RA award, through the day-ahead unit commitment process and into real-time. This assures the real-time delivery of the commitment paired to the forward transaction does not rely on EIM transmission that has been made available for the shared benefit of all EIM participants under the ETSR reciprocity model embedded in the fundamental design of the market and approved by the FERC.

PGE believes the model it has proposed would prevent misalignment of incentives within the EIM, while still allowing the ISO's load serving entities to contract with external resources, and for those resources to provide 15-minute flexibility to the ISO to meet its ramping and uncertainty requirements<sup>3</sup>.

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<sup>2</sup> If the base-schedules related to the original hourly or shaped intertie award and eTag are manually adjusted in real-time by the EIM Entity, imbalance charges will be mitigated. This may require significant manual activity by the EIM Entity, however, and may not be feasible in all scenarios.

<sup>3</sup> This model could also work for 5-minute flexible dispatch by using a dynamic transfer arrangement, which would rely on dynamic transfer capacity being assigned between the resource and the ISO's intertie. PGE understands the complexity of arranging 5-minute dispatch under this model would limit the utility of awarding the product to external resources. As noted above, however, PGE does not believe it is critical for the ISO to develop a 5-minute Flex RA product at this time. Further, even if the ISO does develop a 5-minute Flex RA product, it is unlikely at this time that external resources would be a critical supply source of the identified capacity requirement.

PGE believes it would also be prudent at this time for the ISO to consider ways to enhance the Maximum Import Capability (MIC) allocation process such that the ISO's load serving entities are more easily able to make full use of available imports. PGE is aware that the current MIC allocation process results in significant import capability being stranded and underutilized. PGE believes this is particularly important as the number of load serving entities within the ISO's BAA continues to grow. PGE supports the comments made by Powerex on this topic and would appreciate more dialogue in this area at future stakeholder meetings.

Finally, PGE requests the ISO clarify resource-substitution rules for external flexible RA resources. PGE expects the pool of resources available to provide flexible RA to the ISO's BAA on a month-ahead basis would be significantly increased if a resource's must-offer obligations could be reassigned prior to the day-ahead market run, potentially into real-time, so long as the replacement resource was able to meet the same deliverability test and transmission requirements.

#### **Equitable allocation of flexible capacity needs**

The ISO has proposed a methodology for equitable allocation of flexible capacity requirements. The ISO seeks comments on this proposed methodology as well as any alternative methodologies.

#### **Comments:**

PGE believes there are two distinct drivers for uncertainty in the area of imports: first, the economic option exercised by some suppliers to not deliver physical power after receiving a financial award in the day-ahead market; and second, random, episodic failures to physically deliver as a result of *force majeure* events, such as the unexpected loss of a generator or transmission outage. While the first category can be addressed through market reforms (such as requiring forward tagging of physical supply, or increasing penalties for failure to deliver), the second category is largely outside the control of an entity who has received a day-ahead intertie award to physically deliver on its obligation to the ISO. Further, the first category has historically materialized at the least opportune times, when the ISO and western markets are reaching scarcity conditions, whereas the second category has historically been randomly distributed across all operating conditions and hours. PGE does not agree with the proposal to collapse these two sources of uncertainty into the same category, or to allocate costs to all entities importing at the ISO's interties without distinction.

## **Next Steps**

The ISO is currently planning to issue a draft final framework on June 6, 2018. However, given the schedule change in the CPUC's RA proceeding, the ISO will not release a draft final framework until July 10, 2018. The ISO seeks stakeholder input regarding next steps that should be taken to further enhance the ISO's framework. Options include, but are not limited to, another full iteration or working groups.

### **Comments:**

PGE strongly supports an additional stakeholder meeting designed to explore and address dependencies between FRAC-MOO-2 and the Day Ahead Market Enhancements initiative. In addition to addressing critical dependencies between the two proposals, PGE expects this meeting would allow the ISO to explore options and requirements for external resources, and to provide clarification on the impact to EIM, which could lead to a reconsideration of the categorization of the initiative as it pertains to the potential EIM Governing Body hybrid-advisory role.

## **Other**

Please provide and comments not addressed above, including any comments on process or scope of the FRACMOO2 initiative, here.

### **Comments:**

When considering policy solutions, PGE asks the ISO to set near-term policies based on the existing market framework, with some allowance for mature near-term implementation proposals, such as the Day-Ahead Market Enhancements currently proposed to be implemented concurrently with the flexible RA program. PGE understands the western market landscape is undergoing significant and rapid change, but believes it is imprudent to set near-term policies based on market frameworks that have not yet materialized.

Finally, PGE appreciates the ISO's efforts to recognize and include the feedback of impacted stakeholders who are not under the CPUC's jurisdiction, but nevertheless are critical to the ISO developing a comprehensive proposal that maximizes the value of existing markets and aligns with near-term market enhancements.

Appendix 1:

PGE offers the following example of potential Flex RA market model that could be used for resources located in an EIM Entity’s BAA that wish to provide Flex RA on a 15-min basis to the ISO to meet a CA LSE’s obligation without impacting the functioning of the EIM:

- 100MW of qualifying Flex-RA capacity from EIM.GEN in EIM.BAA-1 is sold to CA.LSE for their month-ahead showing;
- CA.LSE shows a firm point-to-point transmission path month-ahead from EIM.GEN to the ISO.BAA’s intertie, including for any intermediary Transmission Service Providers (TSP), and with corresponding assigned MIC;
- EIM.BAA-1 is identified as provide balancing services for that schedule (ie, EIM.GEN sells as “G-F” on the tag);
- EIM.GEN must be offered into the day-ahead market as an intertie resource by CA.LSE;
- If EIM.GEN receives an hourly intertie schedule in the IFM (or 15-min schedules after DAME initiative changes are implemented), it is tagged to provide the energy to the intertie and is offered for flexible dispatch at 15-min intervals in real-time; and
- In real-time, EIM.GEN’s eTag is adjusted according to ISO 15-min market runs.
- Further, if EIM.GEN is an EIM Non-Participating Resource, its eTag adjustments can be mirror/matched to its EIM Base-Schedule to reduce/eliminate imbalance charge exposure; or,
- If EIM.GEN is an EIM Participating Resource, its eTag adjustments can be paired to manual EIM Base-Schedule adjustments made by the EIM.BAA Entity; otherwise, the eTag adjustments will result in imbalance charge exposure for deviations from the resource’s submitted EIM Base-Schedule.

