



Imbalance Conformance Enhancements

Public Generating Pool Comments

December 20, 2017

Public Generating Pool (PGP) appreciates the opportunity to comment on the California ISO's Imbalance Conformance Enhancements Issue Paper and Straw Proposal dated November 29, 2017. PGP represents ten consumer-owned utilities in Oregon and Washington that own more than 6,000 MW of generation, over 4,500 MW of which is hydro and 96% of which is carbon-free.

The ISO has stated that the goal of this initiative is to explore enhancements to ensure the limiter triggers correctly. PGP understands that the motivation of the Imbalance Conformance Limiter is to lessen the impact that possible operator over-adjustments might have on prices, however one of the fundamental concerns remains that the use of the limiter may, at times, suppress valid scarcity price signals.

Proper price formation remains foundational to ensuring a well-functioning RTO/ISO. According to the FERC Commission¹, the goals of proper price formation are to:

- Maximize market surplus for consumers and suppliers;
- Provide correct incentives for market participants to follow commitment and dispatch instructions, make efficient investments in facilities and equipment, and maintain reliability;
- Provide transparency so market participants understand how prices reflect the actual marginal cost of serving load and the operational constraints of reliably operating the system; and
- Ensure that all suppliers have an opportunity to recover their costs.

Any market tool that affects prices and market dispatch needs to be carefully evaluated to ensure the principles of proper price formation are not violated. Improper dispatch and price formation result in unintended consequences that can negatively impact market participants.

The ISO Department of Market Monitoring data showed that the load forecast for the CAISO BAA is being adjusted by CAISO operators in around 80% of real-time dispatch intervals during the last half of 2016, indicating that the imbalance conformance limiter has the potential to be triggered in most real-time dispatch intervals. Additionally, there was nearly a two-fold increase in the quantity of conformance in the third quarter of 2017 relative to 2016, reaching nearly 1,200 MW in some intervals.

Because the imbalance conformance and the imbalance conformance limiter have such a large impact on prices, PGP encourages the ISO to expand the scope of the Imbalance Conformance Enhancements initiative to take a holistic approach in addressing the fundamental issues of using these tools and the

¹ See *Price Formation in Energy and Ancillary Service Markets Operated by Regional Transmission Organizations and Independent System Operators*, Notice, Docket No. AD14-14-000 (June 19, 2014) <https://ferc.gov/whats-new/comm-meet/2015/111915/E-2.pdf>

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impacts they have on market dispatch and prices. At a minimum, the scope should be expanded to address:

- Instances when the Conformance Limiter is triggered yet scarcity of supply does exist, and scarcity pricing should be in effect.
- Corrections to the amount of conformance requested to ensure accuracy and proper dispatch.
- The high frequency, large magnitude and same direction of conformances in the CAISO BAA. Conformances generally should be random and relatively small.

PGP also requests the ISO provide analysis on the impact the imbalance conformance and limiter has on market prices.

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Chelan County PUD / Clark Public Utilities / Cowlitz County PUD / Eugene Water & Electric Board / Grant County PUD
Klickitat County PUD / Lewis County PUD / Pend Oreille County PUD / Snohomish County PUD / Tacoma Power