



www.publicgeneratingpool.com
 thampton@publicgeneratingpool.com

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via e-mail: initiativecomments@caiso.com

Subject: 2017 Draft Policy Initiatives Roadmap

The Public Generating Pool (PGP) appreciates the opportunity to comment on the CAISO’s draft revised 2017 Stakeholder Policy Initiatives Roadmap dated November 4, 2016. PGP is comprised of ten consumer-owned electric utilities located in Washington and Oregon. Collectively, PGP member utilities serve approximately two million people with a 6,000 MW utility-owned asset base that is 86% hydro and 96% carbon-free.

For reasons stated below, PGP asks the ISO to raise the priority for consideration of a stakeholder process of issues associated with the participation of external resources in the Energy Imbalance Market (EIM). PGP believes that the inclusion of these resources will enhance grid reliability and liquidity in the market. Specific comments on the CAISO’s draft criteria rankings on a few of the discretionary initiatives are provided on pages 4 – 6.

External Resource Participation needs to be prioritized to address market access, liquidity and tariff issues.

The EIM is a FERC jurisdictional market, for which FERC has an obligation to assure non-discriminatory access and just and reasonable rates. A Balancing Authority Area can make a voluntary decision to join this FERC jurisdictional market to meet its imbalance obligations, but should not also be able to unilaterally condition or exclude other resources from participating. The current structure that allows only EIM Entities to define the rules for intertie bidding and external resource participation creates that opportunity. A requirement that an entity needs to bring load, resources and transmission to participate in the market is discriminatory because not all resources are similarly situated. The requirement further contradicts the Participating Resource model within an EIM Entity Balancing Authority Area that allows independent resources to participate without bringing load or transmission. PGP believes the ISO needs to develop rules to be included in its tariff to provide the ability for external resources to participate in the market.

Additional market participation increases liquidity and can help ensure just and reasonable rates by lowering prices for consumers. Further, additional liquidity can mitigate price volatility and avoid reliability issues during power balance infeasibilities. Recent analysis conducted by the ISO indicates that in 75-100% of the infeasibilities in the EIM, Available Balancing Capacity from EIM entities was not available to the market¹. This suggests that there is a need for additional liquidity in some market intervals. External resources can provide that liquidity. Transfer capability between existing EIM Entities can increase the market’s ability to access existing participating resources, but it does not provide for new or additional resources.

Table 3: Frequency of power balance infeasibilities when no ABC capacity was available in the market

	Over-supply		Under-supply	
	FMM	RTD	FMM	RTD
PAC West	75%	99.2%	100.0%	83.0%
PAC East	-	100%	80.0%	84.1%
NV Energy	-	0%	100%	100%

Public Generating Pool

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

The CAISO and the EIM Entities currently have tariffs that provide for each EIM Entity to independently determine whether to provide intertie bidding, a bidding mechanism that both the CAISO and EIM Entities claim is inconsistent with the market design. PGP finds the lack of ISO or consistent EIM Entity market rules for external resource participation to also be a tariff deficiency and recommends the CAISO prioritize this issue to assure a stakeholder process that supports all the necessary tariff modifications.

“Desired by Stakeholders” criterion must be modified for External Resource Participation

PGP recognizes and appreciates the CAISO’s intent to identify and give weight to the issues that are important to stakeholders. While the “desired by stakeholders” category, by its nature, is subjective, PGP sees that on implementation related matters this can be very helpful.

However, from PGP’s perspective, external resource participation is needed to ensure proper market design and cannot be measured by the “desire” of stakeholders. Further, the EIM Entities have admitted not wanting to advance market rules for external resource participation as a means of compelling parties to join the EIM. Their stated desire to avoid this issue for other economic purposes compromises their input on this criterion. PGP recommends in our comments below that the level of engagement devoted to this topic for the FERC Technical Conference be used to inform the stakeholder ranking.

Prioritization across ISO, EIM, and Regionalization issues does not assure appropriate attention to priority issues in each category.

Over the last 3 years, the CAISO has rapidly evolved from a market solely within California to include an Energy Imbalance Market that encompasses many parts of the WECC. And in the last year and a half, the CAISO has taken on considerable efforts to develop a construct for a regional ISO. These additional efforts have been undertaken with limited to no additional staffⁱⁱ. While we have great respect and appreciation for the tremendous effort and work of the CAISO staff, their expanded and diverse workload limits the effectiveness of this prioritization process in assuring the priority issues in each category are addressed and that relevant stakeholders have adequate input into the issues that impact them the most.

PGP believes that the CAISO’s traditional process of maintaining a constant level of staff and allocating their time based on this Initiative Prioritization process that spans this wide range of issues needs some adjustment. The stakeholders are different for the ISO market issues, EIM issues, and regionalization issues and they have different interests. Therefore, the “desired by stakeholders” criteria loses resonance when it blends stakeholders from all the categories of issues for the following reasons:

- Legitimate stakeholder concerns in one category can be masked because they are labeled as a “small subset” of stakeholders when viewed among all CAISO stakeholders, and/or
- Stakeholders or others are tempted 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.

The CAISO has developed and implemented 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. PGP asks the CAISO to consider allocation of some base level of staff to each of the ISO, EIM and regionalization categories. Initiatives could then be prioritized by category rather than across all categories.

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, appearing to read "Therese Hampton".

Therese Hampton, Executive Director
Public Generating Pool

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.

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.

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.

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, PGP believes this issue should not be prioritized based on stakeholder desire but rather based on the requirement to ensure open markets.

As stated in the cover letter, PGP does not believe level of desire should be used to assess the priority of this issue because EIM Entities have indicated a desire 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, PGP 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. PGP 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 PGP does not underestimate the level of effort required by the CAISO to enable external resource participation, PGP would like to offer that there may be less costly and less complex frameworks the CAISO could consider.

The CAISO presented several guiding principlesⁱⁱⁱ for development of an external resource participation framework at the August 4th 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 3rd 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 stakeholders cannot be certain. Of greatest interest to PGP is pursuing actions that provide for a shorter lead time and modifying the scheduling deadline. PGP 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.

ⁱ CAISO Available Balancing Capacity Report submitted to FERC, November 10, 2016

ⁱⁱ CAISO 2017 Budget and Grid Management Charge Rates, September 6, 2106 Preliminary Draft:

- “The budgeted staffing level for 2017 is 600 employees (which includes eight operators in training); the staffing level has increased by 7 from the budgeted 2016 staffing levels.”
- “The ISO has absorbed several major initiatives during this time with no material impact to the revenue requirement, which include the launching of the new market the construction of its secure primary and secondary locations, as well as the implementation of the regional Energy Imbalance Market (EIM).”

ⁱⁱⁱ http://www.aiso.com/Documents/Presentation-ExternalResourceParticipationinEIM-EIMRegionalIssuesForum-Aug4_2016.pdf