

**Comments of Powerex Corp. on  
Draft 2016 Stakeholder Initiatives Catalog**

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
Mike Benn 604.891.6074	Powerex Corp.	November 4, 2015

On October 6, 2015, CAISO posted its draft 2016 Stakeholder Initiatives Catalog and Roadmap (“Stakeholder Catalog”) detailing stakeholder initiatives that are ongoing and planned for the remainder of 2015 and 2016. In the Stakeholder Catalog, CAISO notes that, while it typically works with stakeholders to rank possible stakeholder initiatives for the upcoming year, CAISO will not be conducting a ranking process this year due to the high number of non-discretionary initiatives planned for 2016, including initiatives related to the continued development of CAISO’s Energy Imbalance Market (“EIM”) and potential integration of PacifiCorp into the CAISO market as a Participating Transmission Owner (“PTO”). CAISO explains that it believes that the combination of ongoing initiatives and planned non-discretionary initiatives for 2016 will consume all of CAISO’s policy development resources.<sup>1</sup>

Powerex acknowledges that CAISO has taken on a number of complex initiatives and market changes in the past year, including implementation and operation of the EIM, expansion of CAISO’s Full Network Model (“FNM”), and implementation of a Fifteen Minute Market (“FMM”). There is little doubt that these initiatives have required an enormous effort on the part of CAISO and its staff. The scheduled addition of new EIM entities and the potential integration of PacifiCorp as a PTO promise to only increase the demands on CAISO’s existing resources and will raise a host of complex policy and legal issues that will require careful deliberation and resolution by CAISO, affected balancing authorities, and their respective customers and stakeholders.

Nevertheless, it is critical that the efforts and initiatives associated with further expansion of the CAISO market not have the effect of deferring efforts to remedy critical existing market issues. While it is well-known that CAISO has experienced a number of significant price formation and modeling issues over the past year, many of these issues remain unresolved. For instance, since implementation of the expanded FNM on October 15, 2014, CAISO has failed to properly price energy delivered over the Pacific DC Intertie. While this pricing problem is present in the CAISO *energy* markets, it is not present in the network model used in the Congestion Revenue Right allocations and auction processes. CAISO acknowledged this pricing issue and committed to

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<sup>1</sup> Stakeholder Catalog at 5.

accelerate implementation of a hedging mechanism to hold market participants harmless from congestion charges on the DC Intertie on a December 2014 market update call.<sup>2</sup> Nevertheless, CAISO still has not addressed the modeling issue or implemented the promised hedge.

Such market defects hamper the efficient functioning of the CAISO markets and can cause harm to market participants on an ongoing basis. Resolving this and other similar defects should be a top priority for CAISO staff. For that reason, Powerex believes that it is critical that CAISO ensure that efforts to pursue expansion of CAISO's markets be assigned an equal priority to remedying ongoing issues with the CAISO market and not otherwise delay the timely resolution of such issues.

Powerex also believes that CAISO should ensure that it has sufficient resources to continue to pursue efforts that can generate concrete benefits and efficiency gains over a relatively short time horizon. This includes, for example, CAISO's ongoing efforts to improve intertie liquidity and to develop a Flexible Ramping Product, both of which have the potential to significantly increase the efficiency of the CAISO markets in the coming months if expeditiously pursued.

In sum, Powerex urges the CAISO to ensure that adequate staffing resources continue to be devoted to initiatives to address critical existing market defects as well as those that hold the promise of near term market enhancement. Powerex believes these types of initiatives should have a priority that is at least equal to the initiatives devoted to EIM expansion or PacifiCorp integration. Accordingly, Powerex requests that the CAISO confirm that such initiatives will be addressed in a reasonable time frame. If addressing both short-term and long-term priorities is not possible given existing staffing resource limitations, then Powerex respectfully requests that CAISO consider hiring additional staff in order to carry out all of the high-priority initiatives.

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<sup>2</sup> Market Update Call Meeting Minutes (Dec. 11, 2015), available at <http://www.caiso.com/Documents/MarketUpdateCallMeetingMinutesDecember112014.pdf>.