

## Comments of Powerex Corp. on Draft 2015 Stakeholder Initiatives Catalog

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to comment on CAISO’s October 1, 2014 “Draft 2015 Stakeholder Initiatives Catalog.” Powerex believes the CAISO stakeholder process has the potential to provide a valuable opportunity to identify and develop enhancements that improve the performance of the CAISO’s markets. Powerex is also cognizant that stakeholders and CAISO alike have limited available resources, making it important to prioritize the issues to be addressed through the stakeholder process each year. To that end, Powerex offers the following comments on stakeholder initiatives included in the Draft Catalog, as well as issues that are not currently included.

Powerex supports a full stakeholder process on each of the following initiatives, or groups of initiatives, currently included in the Draft Catalog:

**3.3 Energy Imbalance Market Year 1 Enhancements:** CAISO has previously committed to evaluating certain aspects of the EIM in light of actual operational experience. Powerex believes it is especially important to review the effect of uniquely exempting EIM Transfers from the CAISO Wheeling Access Charge that would ordinarily apply to all other exports from the CAISO grid.

**3.6 Flexible Ramping Product:** While identified as an “in progress” and “non-discretionary” initiative, Powerex believes it is important to provide for full stakeholder discussion of the appropriate allocation of the costs of Flexible Ramping Product, consistent with cost causation principles.

**6 Congestion Revenue Rights:** Powerex strongly recommends a comprehensive review of all aspects of the CAISO’s Congestion Revenue Rights design and implementation. Powerex has previously expressed its concern that the current CRR “Clawback Rule” in certain cases needlessly and materially discourages physical liquidity in the Real Time Market, while in other cases fails to apply settlement adjustments. CAISO has also recently filed at FERC to modify or clarify the specific types of transmission constraints evaluated in the application of this rule. Furthermore, CAISO’s DMM has also recently reported on the significant revenue insufficiency associated with CRR payments in excess of Day Ahead Market congestion revenues. All of these issues, as well as potentially others, should be addressed in an integrated, comprehensive stakeholder process on CRRs. Furthermore, consideration of any Long Term CRR mechanism—while conceptually desirable—should be deferred until there is a mature and sustainable CRR framework in place.

In addition to supporting pursuit of the above initiatives already in the Draft Catalog, Powerex recommends the following additional stakeholder initiatives be pursued in 2015:

**Enabling Intertie Participation in FRAC-MOO:** CAISO was ordered by FERC to report by January 2016 on the feasibility of permitting static (*i.e.*, 15-minute) intertie resources to provide Flexible Resource Adequacy. Powerex urges CAISO to pursue inclusion of flexible external physical resources in its FRAC MOO framework as soon as possible. Specifically, Powerex recommends that CAISO convene a separate stakeholder process to identify the parameters and performance requirements in time to enable static intertie resources to provide Flexible RA capacity for compliance year 2016.

**Clarify Energy Products Delivered on Interties:** In a 2014 stakeholder process on Contingency Reserve Cost Allocation, Powerex expressed its concern that the CAISO Tariff and market interfaces refer to three different types of imported energy products: Firm, Unit Contingent, and Non-Firm or Interruptible (in addition to Dynamic and Wheel-Through). The Tariff does not define the three products or the associated performance requirements (if any). CAISO suggested that Powerex pursue clarification of the Tariff with respect to energy products through the stakeholder process. Powerex therefore requests that CAISO convene a stakeholder process to define the different energy products that CAISO will purchase on the interties, define the performance obligations under each product, and clarify how the procurement of each product type affects measures CAISO will take to ensure reliability, including procurement of RUC, Flexible Ramping Product, or other measures.

**CAISO Operator Interventions:** the subject of operator interventions in organized markets has arisen on multiple occasions in 2014, including the February 6, 2014 cold weather event. DMM reports on that event documented CAISO operators using exceptional dispatch, HASP load adjustments, and the involuntary curtailment of Day Ahead Market export awards to maintain reliability. DMM's annual report for 2013 further documented the widespread and common use of HASP load adjustments. Powerex requests that CAISO convene a stakeholder process through which it documents the frequency and magnitude of each type of operator intervention in its markets. The stakeholder process should also identify ways to minimize or eliminate such interventions and, where operator intervention cannot be entirely avoided, how to reflect that intervention in the CAISO market prices.

**Price Formation at Interties:** CAISO calculates market clearing prices at its interties, even when (1) the intertie is out of service and CAISO cannot accept any bids; or (2) the intertie does not support schedules of the same granularity as the CAISO market pricing interval. For example, CAISO calculates both 15-minute and 5-minute prices on the Pacific DC Intertie despite the fact that the PDCI does not support sub-hourly schedules, and hence there are no bids that can respond to a 15- or 5-minute price. These prices are not trivial, however, as they are still used to settle curtailed deliveries or delivery failures to those locations. Powerex therefore requests that CAISO convene a stakeholder process to explain its current methodology for determining market clearing prices at interties in the two circumstances identified above. The stakeholder process should also identify improvements to that methodology to ensure that prices under such circumstances remain just and reasonable.