

Southern California Edison
Stakeholder Comments

CAISO Energy Imbalance Market (EIM)
Year 1 Enhancements
Dated January 30, 2015

Submitted by	Company	Date Submitted
Paul Nelson – (626) 302-4814 Eric Little – (626) 302 - 6607	Southern California Edison	February 6, 2015

Southern California Edison’s (SCE) herein comments on the California Independent System Operator’s (CAISO) Energy Imbalance Market Year 1 Enhancements presentations (Proposal) presented at the stakeholder meeting on January 30, 2015.¹ SCE has supported the development of the EIM and continues to support EIM design refinements and appreciates being involved in the stakeholder process. Many elements of the Proposal will improve the operation of EIM and create the same rules for participants in the day-of markets² between those located in the CAISO balancing authority area and those in the EIM Entity Areas. The Proposal repeats some of the issues already addressed in the enhancements described in an earlier presentation dated January 8, 2015.³ SCE submitted comments on January 22, 2015, and includes by reference the comments and will not repeat them herein.⁴ SCE appreciates that the CAISO will consider changes related to California’s GHG compliance in EIM Enhancement Phase 2 process for longer-term implementation. SCE has one concern regarding the implementation of the EIM Transfer Constraint and the creation of inappropriate costs that would be passed onto customers.

1. Artificial costs needed for modeling purposes should not be passed onto to customers

The presentation describing the Energy Transfer Scheduling describes a small cost that is inserted into the objective function on EIM Energy Transfer Schedules. During the meeting this

¹ http://www.caiso.com/Documents/Agenda-Presentation_EnergyImbalanceMarketYear1EnhancementsTechnicalWorkshop.pdf and http://www.caiso.com/Documents/Presentation_EnergyTransferScheduling-EnergyImbalanceMarket.pdf

² Day-of markets are the Fifteen Minute Market and the five minute Real Time Dispatch market.

³ http://www.caiso.com/Documents/Agenda-Presentation_EIMYear1Enhancements_Jan8_2015.pdf

⁴ http://www.caiso.com/Documents/SCEComments_EnergyImbalanceMarketYear1Enhancements-Presentation.pdf

small cost was described as being necessary for the optimization to generate a valid least cost solution.⁵ This small cost is not a real cost to recover transmission, losses, or congestion, but is a modeling artifact necessary for the math to function properly. Unfortunately, during the meeting the CAISO confirmed that this artificial cost would be imbedded into the location marginal price (LMP). It is inappropriate to pass on artificial costs needed to make the math work onto customers as it does not recover an actual cost. However, if the cost is very small it may not be worth the cost to make the system changes to remove this artifact from the price formation. SCE recommends monitoring the cost impact to customer and if it should become significant, then the CAISO should remove cost artificial costs from the LMP. Another option is include this correction into the scope of work in another initiative related to price formation.

⁵ Page 8 of http://www.caiso.com/Documents/Presentation_EnergyTransferScheduling-EnergyImbalanceMarket.pdf