

Comments of Seattle City Light on CAISO’s Real-Time Market Neutrality Settlement Issue Paper and Straw Proposal

Submitted by	Company	Date Submitted
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Seattle City Light (Seattle) is the tenth largest consumer owned electric utility in the nation, providing electrical service to more than 450,000 residential, commercial, and industrial customers in the City of Seattle, Washington and six adjacent cities. Seattle owns and operates hydroelectric resources with approximately 2,000 MW of flexible, fast-ramping capacity. We regularly transact in the bilateral wholesale energy and transmission markets. Seattle executed an Implementation Agreement with the California Independent System Operator (CAISO) and intends to begin participating in the Western Energy Imbalance Market (EIM) in April 2020.

Summary of Comments

Seattle City Light appreciates the opportunity to comment on CAISO’s Real-Time Market Neutrality Settlement Issue Paper and Straw Proposal. Seattle is supportive of CAISO opening a policy initiative to address stakeholder concerns regarding the real-time imbalance energy offset and other real-time market neutrality concerns it has identified. Seattle appreciates the need to move forward to resolve the issues raised by EIM entities expeditiously, however we also believe it is important to ensure that stakeholders fully understand these complex issues and CAISO’s proposed solutions. Seattle encourages CAISO to address these issues in more detail in a stakeholder workshop. Seattle offers further comments on CAISO’s proposals in the below sections of these comments.

Real-Time Imbalance Energy Offset (RTIEO) Adjustment

Seattle appreciates the concerns raised by EIM stakeholders regarding the RTIEO adjustment and supports CAISO moving forward to resolve this issue. CAISO proposes to eliminate the RTIEO adjustment which shifts a portion of the charges/revenues associated with RTIEO between BAAs because real-time market neutrality is not caused by EIM transfers between BAAs in the EIM, but rather, is based on decisions and practices of individual BAAs. Based on the information provided in the Straw Proposal, we generally agree with CAISO that any neutrality charges/credits, such as RTIEO, caused by the BAA should remain in that BAA. Notwithstanding the above, Seattle also believes it may be important to consider what behavior

any proposed changes to the allocation of offsets may or may not incentivize and ensure there are no unintended consequences. For example, as described in CAISO's Straw Proposal/Issue paper, the real-time congestion offset was designed to incent base schedules not to have unresolved dispatch. Similarly, any proposed changes to the RTIEO offset should consider whether and what behavior they may incentivize.

CAISO Proposal to Address EIM Transfers Between Non-California EIM BAAs that Include GHG Costs

CAISO's proposal, as described in its May 1, 2019 presentation slides, is to exclude GHG costs from the EIM transfer financial value between non-California BAAs. ¹ As Seattle understands it, the price at which CAISO settles EIM transactions in its RTIEO account are currently valued at the system marginal energy cost (SMEC) which includes GHG costs. As a result of this, EIM entities are inadvertently being charged GHG costs through the SMEC in the RTIEO offset settlement charge code. While Seattle is pleased that CAISO has proactively responded to this issue with a proposed solution, we would like to better understand the impact of this issue on EIM entities to-date and further explore the proposed solution as well as other possible solutions.

CAISO Proposal for EIM Entity to Submit EIM Transfer System Resources (ETSRs) to CAISO with 5-Minute Energy Value

As CAISO explains in its straw proposal, currently, it uses the integrated hourly value for dynamic schedules supporting transfers. It now proposes that EIM entities that have ETSRs with CAISO update e-tags and use the actual five-minute ETSR values (which is done already today between EIM entities). Seattle believes CAISO's proposed change is appropriate as it will more accurately reflect EIM transfer financial value. Seattle would also like to better understand why the integrated hourly value was originally used for ETSRs with CAISO instead of the 5-minute energy value and what the impact of this has been on EIM entities to-date.

Seattle appreciates the opportunity to provide comments. If you have any questions, please contact Lea Fisher at 206-386-4546 or Lea.Fisher@seattle.gov.

¹ We note that this proposal is not described in detail in CAISO's updated April 25, 2019 issue paper and straw proposal and we encourage CAISO to align the proposal in the slides with that in the issue paper and straw proposal.