

September 15, 2021

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: California Independent System Operator Corporation  
Docket: ER15-2565-\_\_  
Independent Assessment by the Department of Market Monitoring  
July 2021 Energy Imbalance Market Transition Period Report for Public Service  
Company of New Mexico**

Dear Secretary Bose:

The Department of Market Monitoring (DMM) hereby submits its independent assessment on the transition period of Public Service Company of New Mexico (PNM) during its first six months of participation in the Energy Imbalance Market (EIM) for July 2021, as PNM joined the EIM on April 1, 2021.

Please contact the undersigned directly with any questions or concerns regarding the foregoing.

Respectfully submitted,

**By: /s/ Eric Hildebrandt**

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## California ISO

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# **Report on energy imbalance market issues and performance: Public Service Company of New Mexico for July 2021**

**September 15, 2021**

**Prepared by: Department of Market Monitoring**

## Executive summary

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Pursuant to the Commission's October 29, 2015 Order on the ISO's energy imbalance market (EIM), the ISO filed a report on August 25, 2021 covering the period from July 1 through July 31, 2021 (July report) for Public Service Company of New Mexico (PNM) in the energy imbalance market.<sup>1</sup> PNM joined the energy imbalance market on April 1, 2021.

This report provides a review by the Department of Market Monitoring (DMM) of energy imbalance market performance for the PNM balancing authority area during the period covered in the ISO's July report. This is the fourth report for the transition period for the PNM balancing authority area. Key findings in this report include the following:

- Prices in the PNM area were lower than prices within the ISO. In the PNM area during the month, prices averaged \$50.85/MWh in the 15-minute market and \$48.15/MWh in the 5-minute market.
- The PNM balancing authority area failed the upward sufficiency and bid range capacity tests in July during 15 intervals and 11 intervals, respectively. PNM did not fail the downward sufficiency or bid range capacity tests during the month.
- In July, there were 24 valid under-supply infeasibilities in the 5-minute market. There were no valid over-supply infeasibilities in PNM.
- Transition period pricing did not affect 15-minute market prices in PNM, while it decreased 5-minute market prices by \$2.50/MWh.

Section 1 of this report provides a description of prices and power balance constraint relaxations and section 2 discusses the flexible ramping sufficiency and bid range capacity tests.

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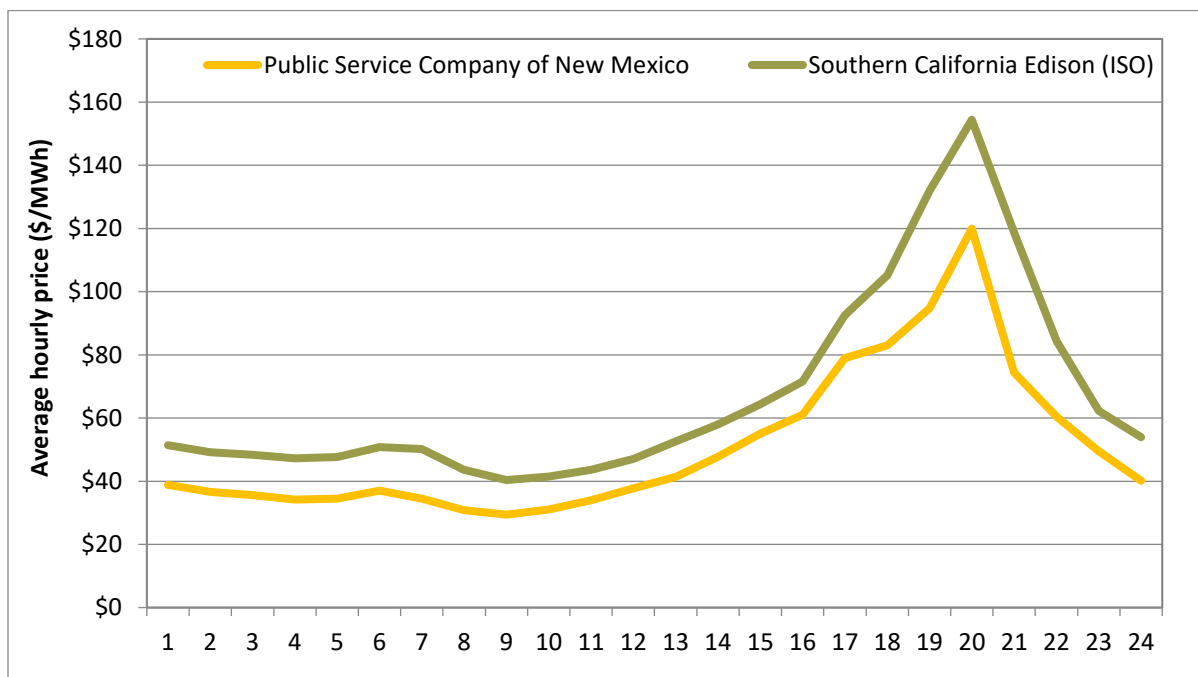
<sup>1</sup> The ISO's July 2021 Report was filed at FERC and posted on the ISO website on August 25, 2021: <http://www.caiso.com/Documents/Aug25-2021-EIM-TransitionPeriodReport-PublicServiceCompany-NewMexico-Jul2021-ER15-2565.pdf>

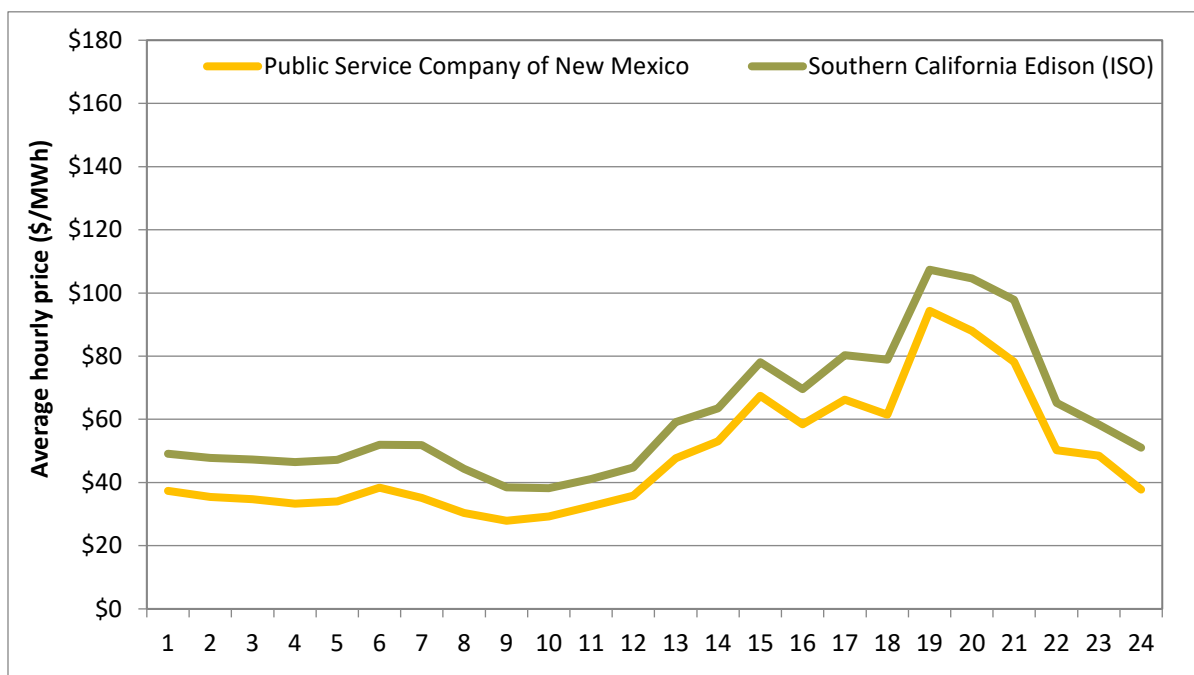
## 1 Energy imbalance market prices

Figure 1.1 and Figure 1.2 show hourly average 15-minute and 5-minute prices during July for PNM compared with prices in the ISO at the Southern California Edison (SCE) default load aggregation point.

Average prices in Public Service Company of New Mexico tracked lower than prices at the Southern California Edison (SCE) default aggregation point within the ISO. Price separation between these two areas occurred frequently in both the 15-minute and 5-minute markets. In the PNM area during the month, prices averaged \$50.85/MWh in the 15-minute market and \$48.15/MWh in the 5-minute market.

**Figure 1.1 Average hourly 15-minute price (July 2021)**



**Figure 1.2 Average hourly 5-minute price (July 2021)**

All power balance constraint relaxations that occurred in July were subject to the six-month transition period pricing that expires on October 1, 2021. The transition period pricing mechanism sets prices at the highest cost supply bid dispatched to meet demand rather than at the \$2,000/MWh penalty parameter while relaxing the constraint for shortages, or the -\$155/MWh penalty parameter while relaxing the constraint for excess energy.<sup>2 3</sup> Power balance constraint relaxations can be grouped in the following categories:

- **Valid under-supply infeasibility** (power balance constraint shortage). These occurred when the power balance constraint was relaxed because load exceeded available generation. The ISO validated that ISO software was working appropriately during these instances.
- **Valid over-supply infeasibility** (power balance constraint excess). These occurred when the power balance constraint was relaxed because generation exceeded load. The ISO validated that ISO software was working appropriately during these instances.
- **Load conformance limiter would have resolved infeasibility.** The load conformance limiter automatically reduces the size of an operator load adjustment and sets prices at the last economic

<sup>2</sup> When transition period pricing provisions are triggered by relaxation of the power balance constraint, any shadow price associated with the flexible ramping product is set to \$0/MWh to allow the market software to use the last economic bid dispatched.

<sup>3</sup> The penalty parameter while relaxing the constraint for shortages rose from \$1,000/MWh to \$2,000/MWh, effective March 21, 2021 per FERC Order 831. <https://bpmcm.caiso.com/Pages/BPMDetails.aspx?BPM=Market%20Operations>

signal when the conditions for the limiter are met.<sup>4</sup> During the transition period, the limiter does not change price outcomes because transition period pricing is applied during these intervals instead. However, in these cases, the load conformance limiter *would have resolved the infeasibility* had transition period pricing not been in effect.

- **Correctable infeasibility.** These occurred when the ISO software relaxed the power balance constraint concurrent with a software error or data error that resulted in a price correction or would have triggered a price correction if transition period pricing were not active.<sup>5</sup>

Figure 1.3 and Figure 1.4 show the monthly frequency of under-supply and over-supply infeasibilities, respectively, in the 15-minute and 5-minute markets. As shown in Figure 1.3, there were 24 valid under-supply infeasibilities in the 5-minute market. As shown in Figure 1.4, there were no valid over-supply infeasibilities in July.

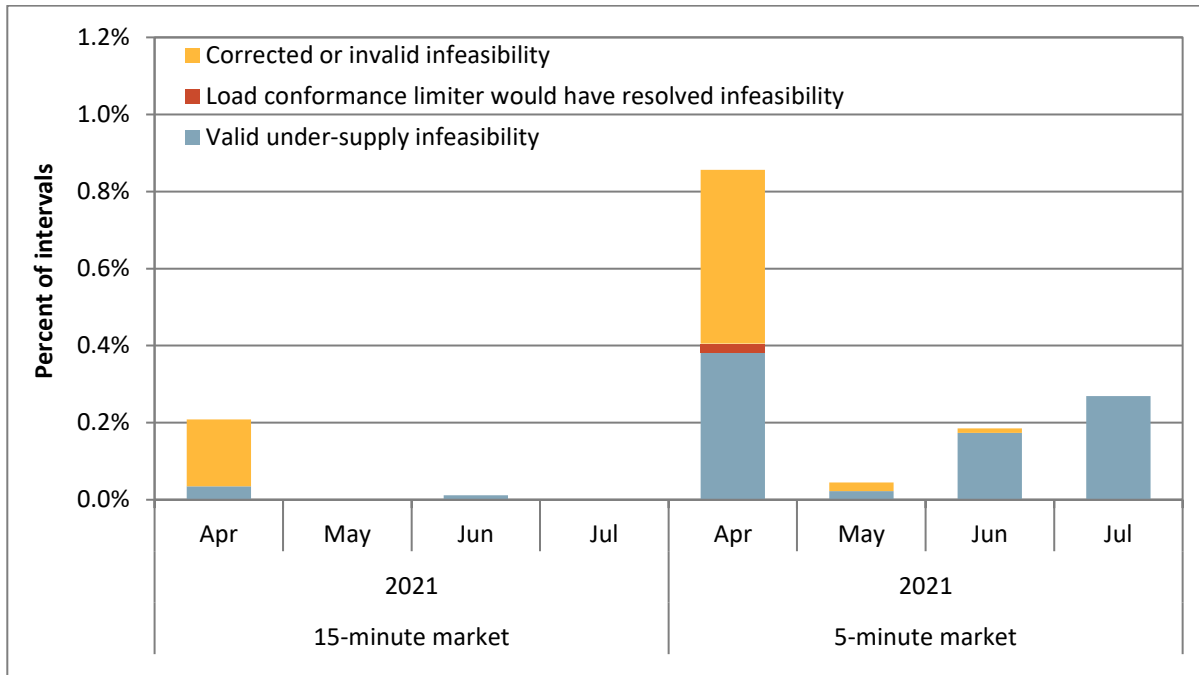
There were no intervals during July when the load conformance limiter would have triggered in the PNM balancing authority area had transition period pricing not been in effect.

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<sup>4</sup> The ISO implemented an enhancement to the load conformance limiter, effective February 27, 2019. With the enhancement, the load conformance limiter triggers by a measure based on the change in load adjustment from one interval to the next, rather than the total level of load adjustment.

<sup>5</sup> Section 35 of the ISO tariff provides the ISO authority to correct prices if it detects an invalid market solution or issues due to a data input failure, occurrence of hardware or software failure, or a result that is inconsistent with the ISO tariff. During erroneous intervals, the ISO determined that prices resulting under transition period pricing were equivalent to prices that would result from a price correction, so no further price adjustment was appropriate.  
[http://www.caiso.com/Documents/Section35\\_MarketValidationAndPriceCorrection\\_May1\\_2014.pdf](http://www.caiso.com/Documents/Section35_MarketValidationAndPriceCorrection_May1_2014.pdf).

**Figure 1.3 Frequency of under-supply power balance infeasibilities by month  
Public Service Company of New Mexico**



**Figure 1.4 Frequency of over-supply power balance infeasibilities by month  
Public Service Company of New Mexico**

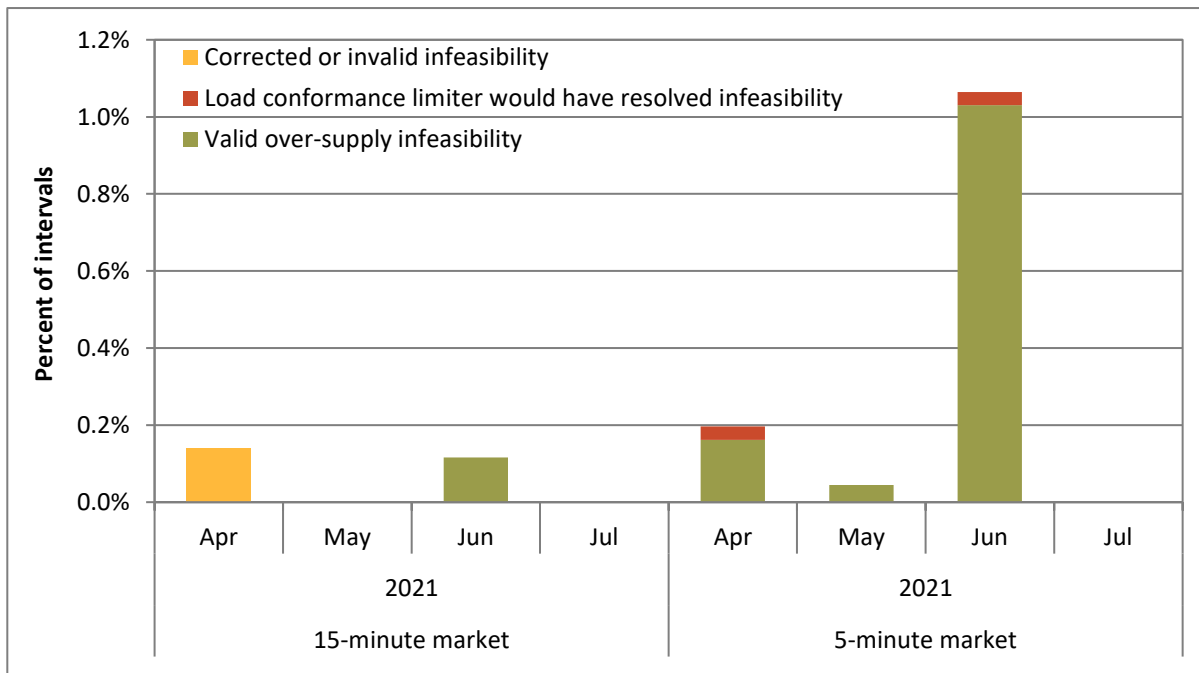
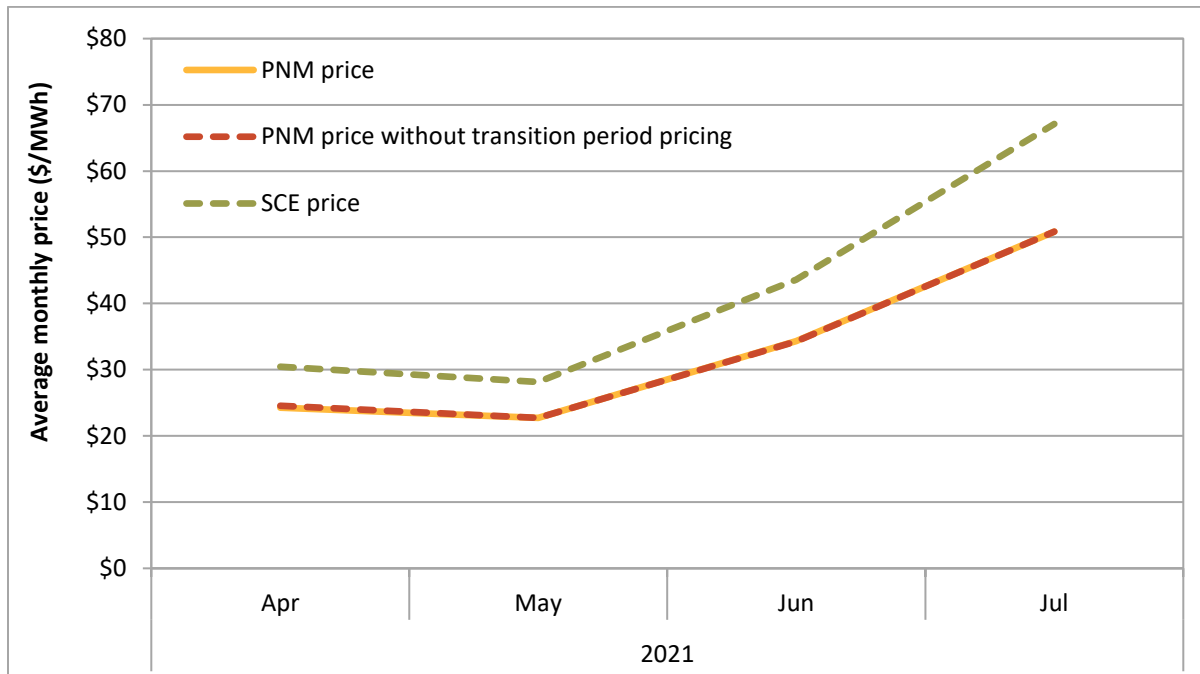


Figure 1.5 and Figure 1.6 show the average monthly prices in the 15-minute market and 5-minute market *with* and *without* the special transition period pricing provisions applied to mitigate prices in the PNM area during July.<sup>6</sup> On average for the month, transition period pricing did not affect 15-minute market prices in PNM, while it decreased 5-minute market prices by \$2.50/MWh.

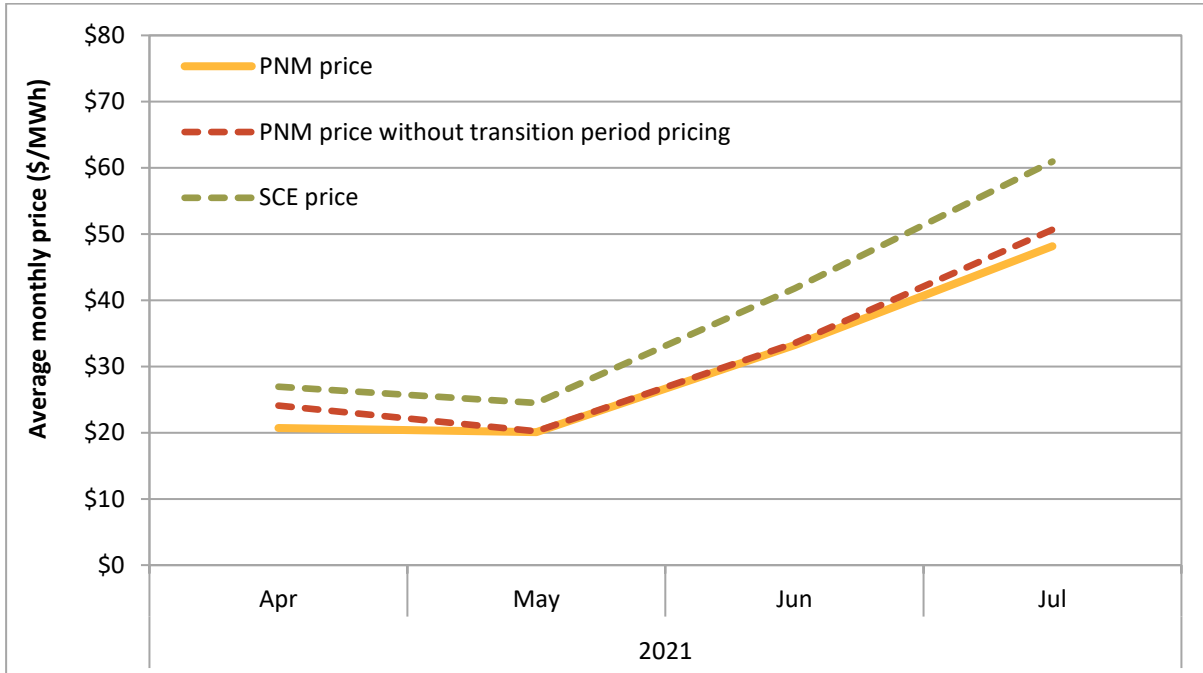
**Figure 1.5 Average prices by month – Public Service Company of New Mexico (PNM) (15-minute market)**



<sup>6</sup> A detailed description of the methodology used to calculate these counterfactual prices that would result without transition period pricing was provided on p. 7 of the January 2017 report for Arizona Public Service from DMM: [http://www.caiso.com/Documents/May1\\_2017\\_Department\\_MarketMonitoring\\_EIMTransitionPeriodReport\\_ArizonaPublicService\\_Jan2017\\_ER15-2565.pdf](http://www.caiso.com/Documents/May1_2017_Department_MarketMonitoring_EIMTransitionPeriodReport_ArizonaPublicService_Jan2017_ER15-2565.pdf)



**Figure 1.6 Average prices by month – Public Service Company of New Mexico (PNM) (5-minute market)**



## 2 Flexible ramping sufficiency and bid range capacity tests

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As part of the energy imbalance market, each area including the California ISO is subject to a resource sufficiency evaluation. The evaluation is performed prior to each hour to ensure that generation in each area is sufficient without relying on transfers from other balancing areas. The evaluation includes two tests:

- **The bid range capacity test (capacity test)** requires that each area provide incremental bid-in capacity to meet the imbalance between load, inertia, and generation base schedules.
- **The flexible ramping sufficiency test (sufficiency test)** requires that each balancing area has enough ramping flexibility over an hour to meet the forecasted change in demand as well as uncertainty.

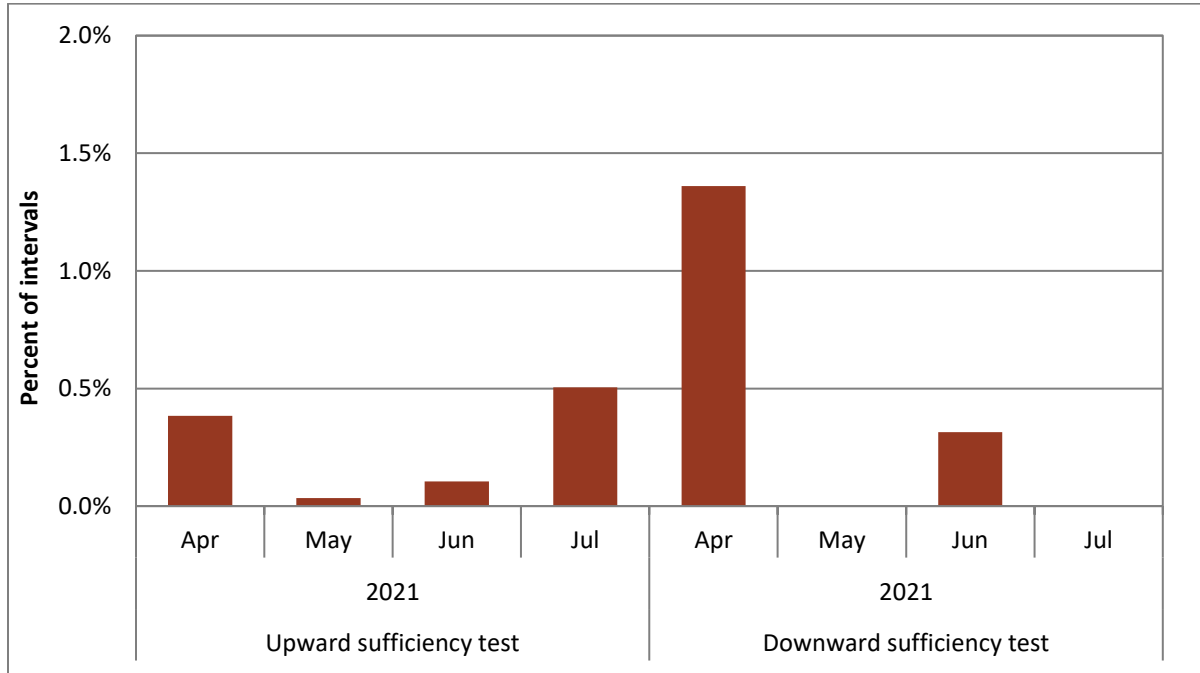
If an area fails either the bid range capacity test or flexible ramping sufficiency test, energy imbalance market transfers into that area cannot be increased.<sup>7</sup> Failures of the capacity and sufficiency test are important because these outcomes limit transfer capability. Constraining transfer capability may affect the efficiency of the EIM by limiting transfers into and out of a balancing area that could potentially provide benefits to other balancing areas. Reduced transfer capability also affects the ability for an area to balance load, since there is less availability to import-from or export-to neighboring areas. This can result in local prices being set at power balance constraint penalty parameters.

Figure 2.1 show the monthly frequency of upward and downward sufficiency test failures, while Figure 2.2 shows the number of bid range capacity test failures by month. The PNM balancing authority area failed the upward sufficiency and bid range capacity tests in July during 15 intervals and 11 intervals, respectively. PNM did not fail the downward sufficiency or bid range capacity tests during the month.

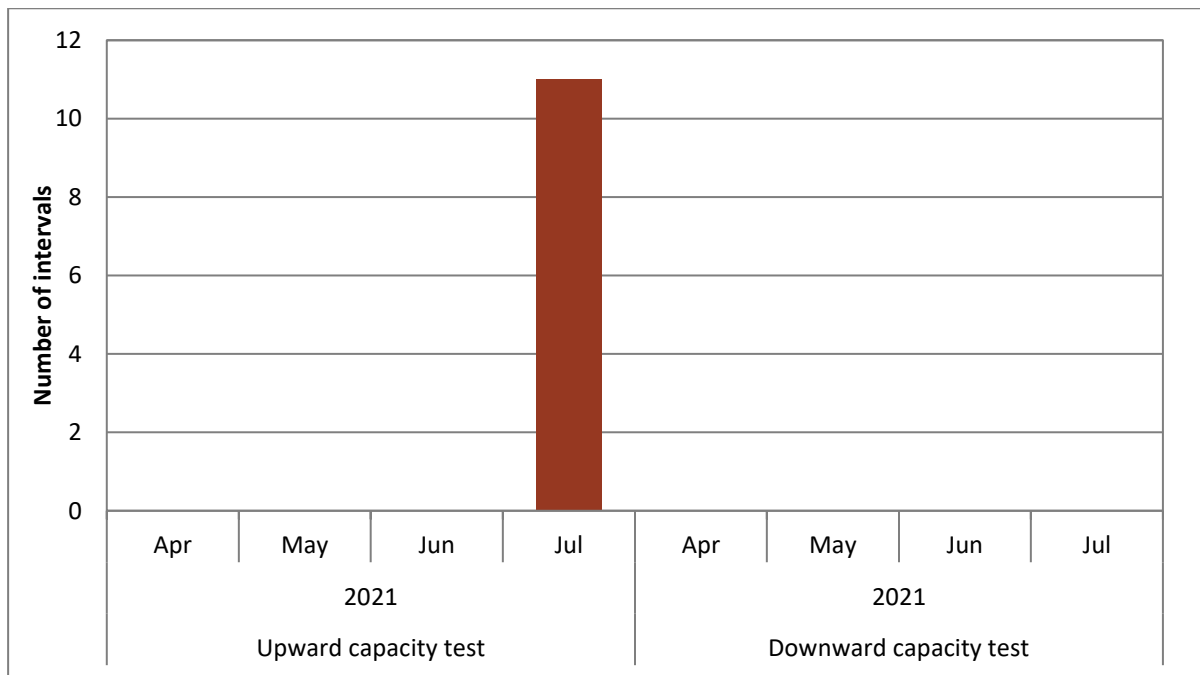
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<sup>7</sup> If an area fails either test in the upward direction, net EIM imports (negative) during the hour cannot exceed the lower of either the base transfer or optimal transfer from the last 15-minute interval prior to the hour.

**Figure 2.1 Frequency of upward and downward sufficiency test failures by month  
Public Service Company of New Mexico (PNM)**



**Figure 2.2 Number of upward and downward capacity test failures by month  
Public Service Company of New Mexico (PNM)**



**CERTIFICATE OF SERVICE**

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, this 15<sup>th</sup> day of September, 2021.

*/s/ Jennifer Shirk*