

November 17, 2016

via e-mail: [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com)

**Subject: Tacoma Power Comments on 2017 Draft Policy Initiatives Roadmap**

Tacoma Power appreciates the opportunity to comment on the CAISO's draft revised 2017 Stakeholder Policy Initiatives Roadmap dated November 4, 2016. We are a consumer-owned utility located in the Puget Sound Area in the state of Washington; we are a member of the Public Generating Pool and have interconnections with the transmission systems of both PSE and BPA. Tacoma is a NERC-registered Balancing Authority (BA), Transmission Operator (TOP), and Transmission Service Provider (TSP). Our 738 MW portfolio is made up of 100% hydro resources that are 100% carbon-free.

On the following pages, we provide specific comments on the draft rankings provided by the CAISO on some of the discretionary initiatives. But first we offer a few overarching comments on the Policy Roadmap Process itself.

**Prioritization across California Markets, EIM, and ISO Regionalization issues does not ensure appropriate attention is given to priority issues in each of these three categories.**

Over the last 3 years, the CAISO's role as a market operator has rapidly evolved from operating markets only within the CAISO Balancing Authority Area (BAA), to also operating an Energy Imbalance Market (EIM) whose footprint encompasses many additional BAAs within WECC. And in the last year and a half the CAISO has taken on considerable efforts to develop the key governance and policy construct for it to become the Regional ISO. These additional efforts have been undertaken with no, or very limited, additional staff.

Stakeholders are different for the California Market issues, EIM issues, and ISO Regionalization issues, and they have different interests. Therefore, the "Desired by Stakeholders" criteria loses its effectiveness when it is applied to the combined group of stakeholders from all three categories of issues. This can result in legitimate stakeholder concerns within one category (*e.g.*, EIM-related issues) being underrated because they are considered to be a "small subset" of stakeholders when viewed among all CAISO stakeholders.

The CAISO may want to consider allocation of some base level of staff to each of the CAISO Markets, EIM, and ISO Regionalization categories. Initiatives could then be prioritized within each category rather than across all categories.

**Prioritization of External Resource Participation in the EIM should be a top priority to address market access, liquidity and tariff issues.**

As a FERC-jurisdictional market, the EIM design should attempt to remove barriers to entry and enhance market liquidity. Unnecessary barriers to market participation limits liquidity and the ability to provide for a more efficient dispatch. Further, additional liquidity can mitigate price volatility and avoid reliability issues during power balance infeasibilities.

A Balancing Authority can make a voluntary decision to join this FERC-jurisdictional market to meet their imbalance obligations more efficiently, but should not also be able to unilaterally condition or exclude other resources from participating.

The lack of consistent EIM Entity or CAISO market rules for external resource participation is a tariff deficiency and the CAISO should prioritize this issue to assure a timely stakeholder process that supports and directs all the necessary tariff modifications.

It seems only fair to those future EIM Entities that are in the midst of their EIM implementation process, and others that are considering joining the EIM, to answer and address this inevitable issue now rather than create rules they will have to follow after they have joined.

**External Resource Participation in the EIM must be evaluated based on the need to ensure market access rather than whether it is “desired by stakeholders”**

Tacoma Power recognizes and appreciates the CAISO’s intent to identify and give weight to the issues that are important to stakeholders. Given that the “Desired by Stakeholders” criteria, by its nature, is subjective, on an issue like external resource participation, we do not believe applying the “Desired by Stakeholders” criteria is appropriate for this issue. We strongly believe this is an issue of ensuring proper market design which should not be left to the “desire” of stakeholders. Consequently, we recommend in our comments below that the level of engagement devoted to this topic for the October 28, 2016 FERC Technical Conference be used instead to inform this criterion in the ranking process.

## SPECIFIC RANKING RECOMMENDATIONS

Specific Recommendations on Criteria Rankings (*red denotes a recommended change from CAISO rankings*):

Initiative Name	Grid Reliability	Improving Overall Market Efficiency	Desired by Stakeholders	Market Participant Implementation (\$ and resources)	ISO Implementation (\$ and resources)	Adjusted Total Score
EIM External Resource Participation	7 (3)	10 (7)	7 (3)	7	7 (3)	<b>38</b>
Export Charges	3	7 (3)	7	7	7	<b>31</b>
Real-Time Market Enhancements	7	7	7*	7	3	<b>27</b>

### **EIM External Resource Participation: Grid Reliability - Increase ranking from 3 to 7**

**Rationale:** The parties interested in external resource participation own and operate thousands of MWs of carbon-free flexible resource capability. Many of these resources have direct interconnection to EIM Entity systems. These external resources can increase the supply of energy and flexibility in the market. The added liquidity could reduce the frequency of power balance and flexible ramping violations and the use of the available balancing capacity mechanism.

Based on initial implementation concepts it can be assumed that external resource participation will provide information about external resources that the CAISO and EIM Entities do not have today. Bids into the EIM from external resources will provide sufficient information to know where power is coming from, which will allow for proper flow and congestion management. Further, this information and the additional resources, will be available within-hour to address any real-time congestion issues, which could be a major reliability benefit depending on the location of the constraint in relation to the location of the resources.

### **EIM External Resource Participation: Improving Overall Market Efficiency – increase ranking from 7 to 10**

**Rationale:** The current market has strict rules on what resources can and cannot participate in the market. Because of these strict rules, the market lacks the liquidity that it could otherwise have and the lack of liquidity impacts costs to customers. Development of market rules for external resources will

remove current barriers to participation and provide clarity for resources regarding their options to participate.

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**EIM External Resource Participation: Desired by Stakeholders – increase ranking from 3 to 7**

Rationale: There is significant interest in this issue among EIM Entities and stakeholders. Although not all parties “desire” this outcome, we believe this issue should not be prioritized based on stakeholder desire but rather based on the requirement to ensure open markets.

Level of interest should be used to assess the priority of this issue because EIM Entities have indicated an interest in not supporting external resource participation as a means of encouraging parties to join the EIM directly. For that reason, arguments for or against the “desire’ for this issue should not be used to determine the priority. Rather, the level of engagement about this issue, as evidenced by the number of parties that traveled to Washington DC for a FERC Technical Conference, should be used to gauge the importance of this issue to parties.

Further, we have concern about the lack of base level staff for the EIM and do not believe it is as informative to prioritize EIM issues across CAISO and ISO Regionalization efforts. We would support a prioritization among EIM issues. If the stakeholder evaluation was conducted among EIM only stakeholders, the issue would certainly warrant a 7.

**EIM External Resource Participation: ISO Implementation – increase ranking from 3 to 7**

Rationale: The comment here is not intended to underestimate the level of effort required by the CAISO to enable external resource participation, however, we would like to offer that there may be less costly and less complex frameworks the CAISO could consider.

The CAISO presented several guiding principles<sup>i</sup> for development of an external resource participation framework at the August 4<sup>th</sup> EIM Regional Issues Forum that included the need to address transmission required to facilitate EIM participation for external resources, resource specific information from external resources, market power mitigation and resource sufficiency. For many of these principles, the solution should be no more complex or costly to the CAISO than for new entities to join the EIM. For example, it should be no more work for the CAISO to model external resources than to model an EIM Entity resource and the calculation of default energy bids should be no more work for external resources than for an EIM Entity resource.

For some of the principles, there are several options for solutions. For example, to verify resource sufficiency of an external resource one option could be that the CAISO require the resource demonstrate the ability to generate the same amount of energy it takes from the EIM. In this way, the resource can demonstrate it is not leaning on the EIM to meet its own needs. Transmission to the EIM can be a simple requirement and left to 3<sup>rd</sup> party transmission service providers to work out with their transmission customers.

Additionally, there are options for solutions that avoid undue operational risks, administrative burden and implementation costs on the source Proxy non-EIM BA and the sink EIM Entity BA to which it interconnects. If there is a concern about the increased number of schedules an EIM Entity would receive if each external resource that participated came in on a separate schedule, source BAs could explore creation of a hub that receives all EIM schedules and send only one EIM transfer schedule to each EIM Entity BA.

**Export Charges: Improving Overall Market Efficiency – increase ranking from 3 to 7**

Rationale: A key operational and policy interest of the ISO market is to reduce renewable energy curtailment. However, the high export fees send a market signal that conflicts with that objective. Modified export charges will better align market signals with the ISO's operational interests, providing more export opportunities that are currently not economic due to high export fees.

**Real-Time Market Enhancements: Improving Desired by Stakeholders – ranking of 7\***

Rationale: The current definition of this Initiative includes several different real-time issues: reducing 15-minute market lead time, extending the horizon of short-term unit commitment, and enabling several 5-minute dispatch functions. Based on the broad definition, this initiative could consume a lot of CAISO staff and Stakeholder Initiative time. However, without further definition of the expected focus, a rating that this dedication of time is desired by a majority of the stakeholders cannot be certain. Of greatest interest is pursuing actions that provide for a shorter lead time and modifying the scheduling deadline. We support the rating of a 7 if the CAISO defines shorter lead times and a modified scheduling deadline as the targeted outcome of this initiative.

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<sup>i</sup> [http://www.caiso.com/Documents/Presentation-ExternalResourceParticipationinEIM-EIMRegionalIssuesForum-Aug4\\_2016.pdf](http://www.caiso.com/Documents/Presentation-ExternalResourceParticipationinEIM-EIMRegionalIssuesForum-Aug4_2016.pdf)