



WEIM Resource Sufficiency Evaluation Enhancements – Phase 2 Discussion

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STAKEHOLDER RESPONSE ON THE ASSISTANCE ENERGY DESIGN

Stakeholders raised concerns with the assistance energy design for opposing reasons

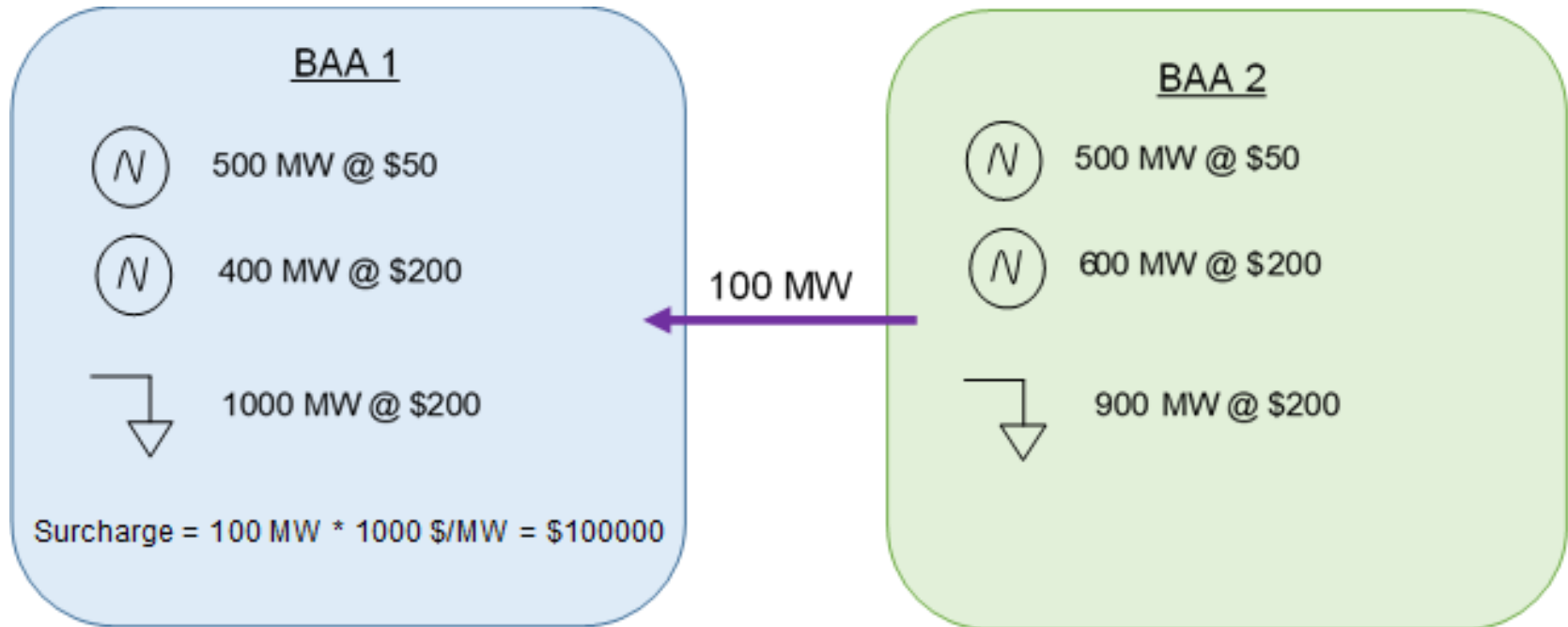
- Some stakeholders opposed the proposal due to the potential for assistance energy to have pricing impacts on all real-time imbalance energy
 - Asymmetry concerns that the CAISO BAA's real-time imbalance energy is calculated off day-ahead schedules, as compared to the base schedules used by WEIM BAA's
- Other stakeholders supported the design but opposed the ability for a BAA to opt-out from receiving assistance energy transfers
- The MSC raised design concerns regarding significant, potentially undesirable pricing impacts, due to spurious failures during non-stressed system conditions

CHANGES TO THE PROPOSAL – ASSISTANCE ENERGY

The proposal is to allow assistance energy transfers into a BAA that has failed the WEIM RSE with an ex post penalty

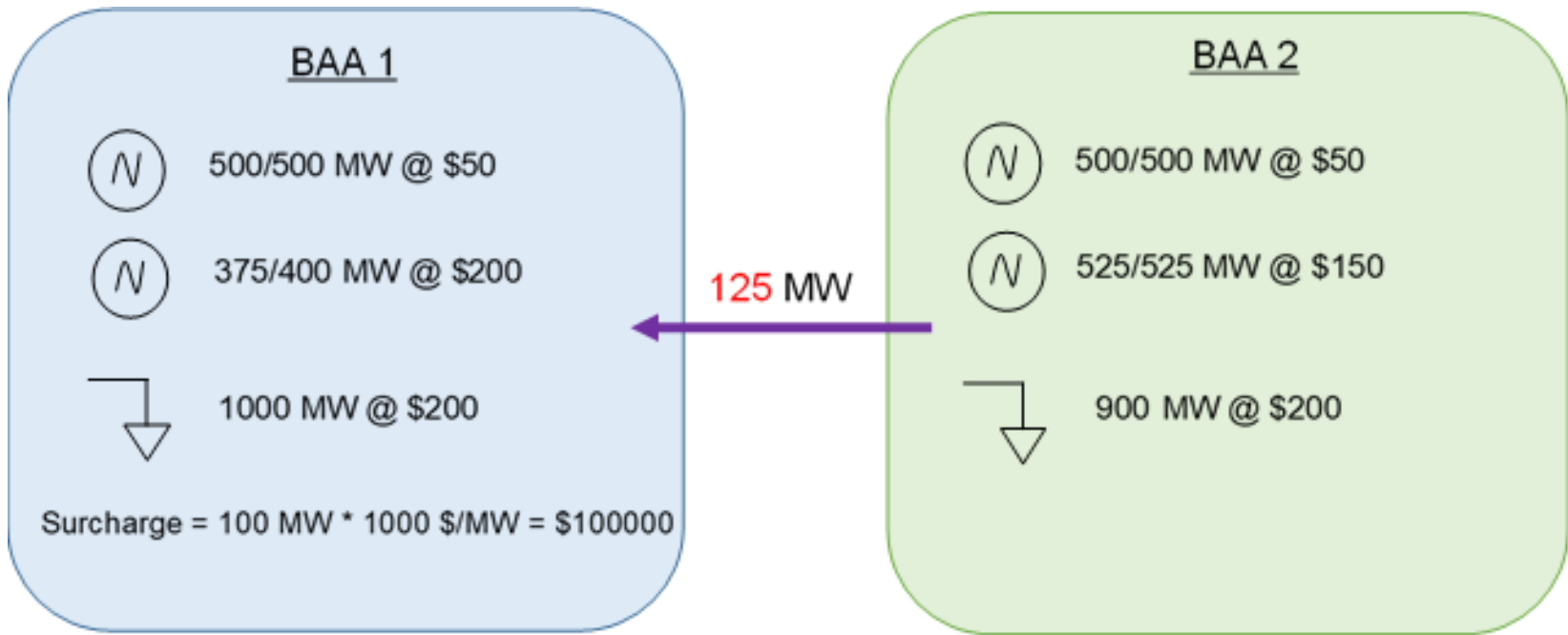
- Each WEIM BAA will have the option to receive additional transfers following a failure of the WEIM capacity or flexible ramping sufficiency test
 - Ex post price will be \$1000/MWh or \$2000/MWh
- Ex post price will be applied to the minimum of the quantity of capacity or flexible ramping sufficiency failure **or** the dynamic WEIM transfers that are tagged
 - Absent the price being in the market, dynamic WEIM transfers due to economic displacement can still occur; this rule is intended to bound that inadvertent ex post exposure
- Interim measure once effective
- Charge for assistance energy per OATT; for CAISO to measured demand

Simple example of proposed design



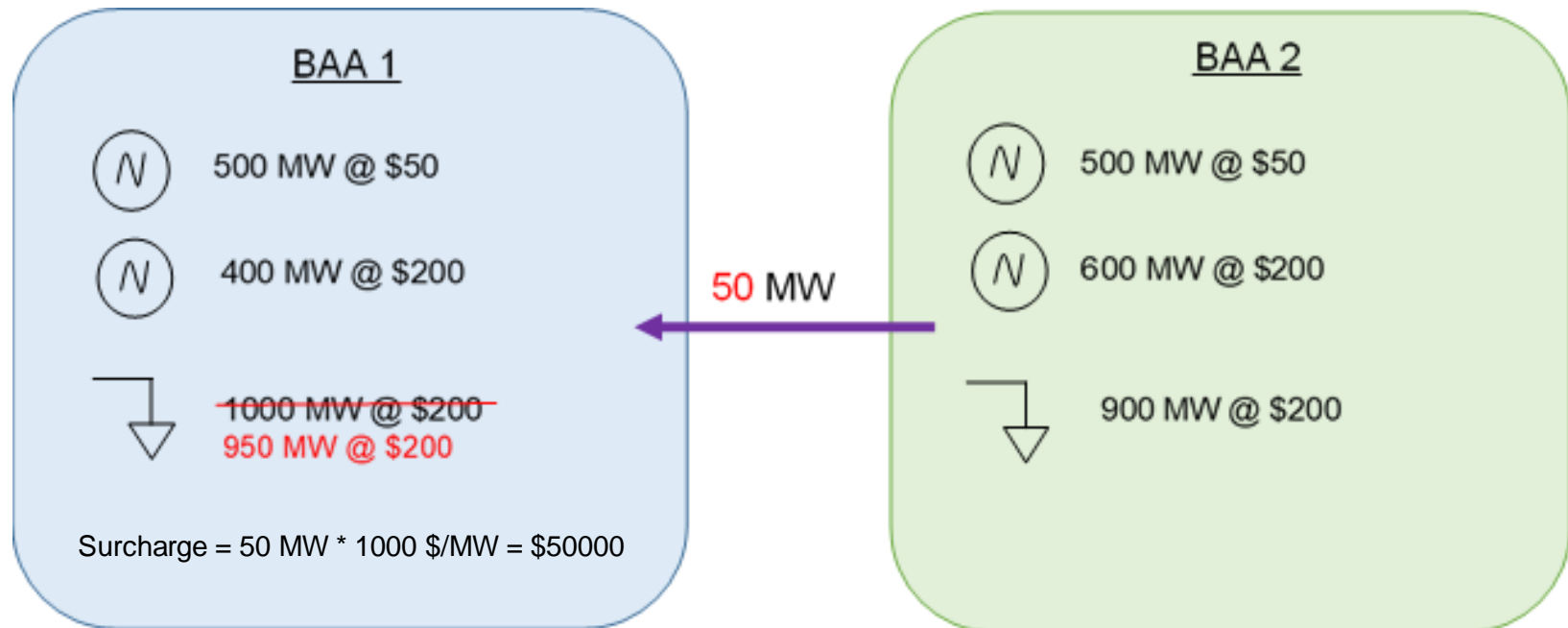
- No economic displacement occurs. 100 MW of WEIM transfers cure deficiency and is exposed to ex post price

Economic displacement occurs under proposed design



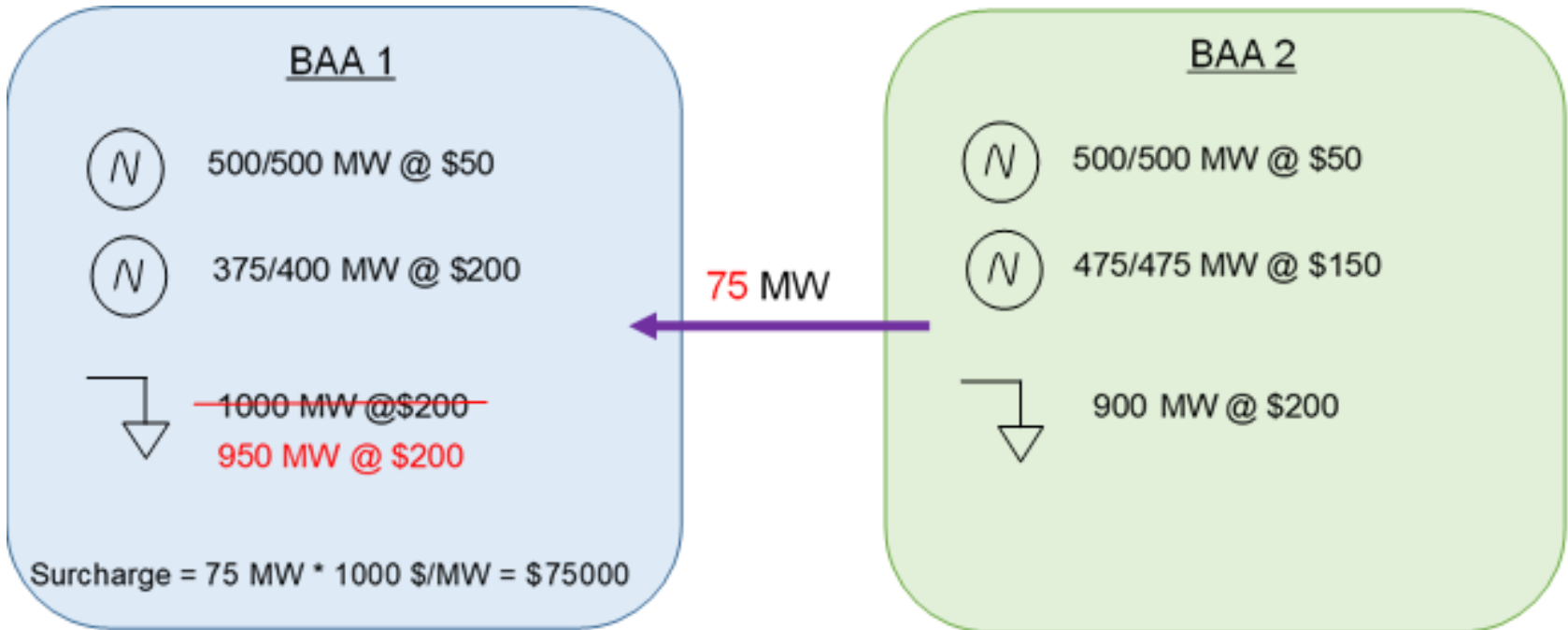
- 25 MW economic displacement occurs resulting in 125 MW of transfers
 - Min function ensures only 100 MW failure identified in the RSE is exposed to the ex post price

System conditions improve between WEIM RSE and RTD dispatch under proposed design



- 50 MW of WEIM transfers are needed to cure insufficiency due to improved system conditions
 - Min function ensures only 50 MW RTD transfers are exposed to the ex post price

System conditions improve but economic displacement occurs under proposed design



- 75 MW of WEIM transfers occur, 50 are needed to cure insufficiency but 25 result from economic displacement
 - Min function ensures only 75 MW RTD transfers are exposed to the ex post price

Not modeling the consequences in the market has the potential to lead to inaccurate application of the consequence

- Given the potential for in-accurate application of the penalty, the proposal to ensure BAA's remain able to decide if they would like to utilize the functionality
 - More limited price signal may address stakeholder concerns regarding functionality that will not be widely adopted
- Propose to provide optionality if a WEIM BAA would like their available balancing capacity (ABC) to be considered as a credit to reduce the volume of WEIM transfers exposed to the surcharge
 - BAA optionality is appropriate as this capacity may be reserved as part of AS obligations
 - Presents ability for WEIM BAA to mitigate exposure to ex post consequence during normal conditions