

Western Power Trading Forum Comments on the CAISO's Energy Imbalance Market Revised Straw Proposal

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WPTF appreciates the opportunity to present comments on the ISO's EIM Design Revised Straw Proposal of May 30 and the discussion that took place at the June 5, 2013 Stakeholder meeting.

WPTF appreciates the ISO's efforts to drill down to the important policy and technical issues. We offer some comments on the design proposal to date and the open issues below.

Interfaces of the EIM and its Neighboring BAAs

The ISO's proposal seems to continue to carry ambiguity about participation in the EIM through imports and export bids at the outer interties of the EIM, e.g., the boundary of PacifiCorp and its neighboring (non CAISO) BAAs. WPTF again asks the ISO to confirm that outside participants will be able to bid to supply energy or receive energy from the EIM and that the ISO adjust its straw proposal to explicitly address such imports and exports into the EIM with respect to the balance of the EIM design details, including transmission charge treatment and GHG treatment.

Transmission Access Charge

WPTF generally supports the ISO's general principles for transmission cost allocation. WPTF would especially like to see a balance struck between avoiding rate pancaking and providing non-discriminatory access – a balance that requires careful consideration of transmission charge collection for EIM participants. WPTF would very much appreciate clarification about what transmission charges PacifiCorp will require for participation in the EIM from within its service area, including what is required to bid into the EIM at the outer interties of the PacifiCorp EIM.

Transmission Availability Generally

WPTF requested in its last set of comments and asks again for more information about the transmission availability between PacifiCorp and the CAISO. We would like to understand in a general sense how much transmission is available from the respective parts of PacifiCorp - be it 100 MWs, 400MWs or some other amount. Further it would be helpful to understand how much of that transmission is DC and the extent to which the characteristics of that DC transmission can support real-time energy transfers.

Clarify Imbalance Treatment

WPTF understands that in some instances suppliers within the PacifiCorp area may be participating based on 15-minute meter data and that PacifiCorp has offered to accept such 15-minute data and convert it to the 5-minute data required by the CAISO. WPTF seeks confirmation and clarification on this

point. To the extent that PacifiCorp generates 5-minute data from 15-minute data, WPTF questions the extent to which the 5-minute imbalance settlements would be meaningful and to the extent they are not meaningful what the implications are of disparate 5-minute imbalance settlement between CAISO and EIM participants.

EIM GHG Policy Refinements Needed

WPTF appreciates the ISO's thinking on the treatment of GHG. We encourage the ISO to continue to further refine the EIM GHG treatment. In particular we have several concerns/recommendations.

- The proposal seems to create distortions. For example an import from the EIM that serves CAISO RT load will have its carbon offset but other imports into the ISO that serve ISO real-time load will not. That would seem to create disparity. Similarly, a clean resource that imports at a PacifiCorp intertie (for example) in the DA market will experience the value of the carbon as profits but in the real-time it will not; whereas a clean import at a non-EIM import point would experience the carbon value as profit in the DA and in the RT.
- Similarly, we're generally concerned that more discussion is warranted before the ISO settles on a cost-based payment for the carbon value of the EIM imports to serve load rather than a marginal clearing price-based clearing mechanism.
- The GHG discussion should include explicitly how imports into the EIM from the EIM's outer interties will be treated, especially with respect to any assignment of emissions the ISO continues to include in its proposal.
- We're generally concerned about the ISO assigning emissions rates. Does the ISO intend that the emissions rates will vary along a thermal generator's heat rate curve? Forcing a static emissions rate independent of output level could create distortions. As mentioned in the previous bullet, WPTF is also concerned about the emissions treatment of intertie energy.
- WPTF encourages the ISO to have the emissions rates used in the ISO market model for implied imports from the EIM to be a field that the SC "bids" or otherwise populates. That would eliminate any possibility of the ISO creating a bid including carbon based on incorrect emissions assumptions.
- WPTF is also concerned that if the allowance cost index the ISO uses does not match the price at which the SC can ultimately procure the allowances that it will create risks for the suppliers or SCs. If the ISO wishes to continue considering use of the current BCR carbon price index it would be helpful to provide some data about the behavior of the index. Alternatively, or additionally, we ask the ISO to consider the pros and cons of having the SC specify the allowance cost in its bids.
- WPTF seeks clarification on how the ISO will account for the deliveries into CA from EIM participants. Will the ISO issue tags, and if so when? If the ISO does not plan to issue tags that reflect the energy imported versus the energy staying outside CA, then how will the ISO identify the amount of imports? In this case, how will the ISO assure that such alternative mechanisms will satisfy the ARB requirements? WPTF encourages the ISO to develop further and communicate these mechanisms; ARB compliance will require this and parties also need to

know whether with the market run they will be informed of the amount of the energy incurring carbon costs in order to hedge the costs.

Forward Capacity Needs

WPTF appreciates the ISO's thinking through issues related to ramping and capacity costs that may be caused by the EIM formation. We encourage further consideration of the extent to which the EIM participants will appropriately share in the capacity costs and benefits that result from the expanded footprint, and the extent to which EIM participants should have forward capacity showings or comparable incentives and cost allocation for capacity needed to ensure the ability to balance the EIM real-time market. WPTF encourages the ISO to consider mechanisms whereby EIM Entities not only report their forward schedules to demonstrate that they are balanced, but also report reserve information to demonstrate sufficient capacity is available for reserves. Similarly, there should be a mechanism to verify after the fact that each BAA was sufficiently sourced and that any RT shortfalls are due to reasonable and random variations and not reflective of on BAA "leaning on" another.

Comparability and cost causation should be applied to the forward capacity needs to effectively operate the EIM RT market.

Provide continued Review of the Balance of Benefits and Burdens

We have raised a number of concerns above, including concerns that the transmission rate, forward capacity treatment, carbon treatment and possible metering differences may create distortions in the market. We encourage the ISO to continually monitor the benefit and burden mix of the proposed EIM and to update participants and interested parties in subsequent paper revisions of the relative mix of benefits and burdens.

Assuming that net benefits continue to be demonstrated and that development of the EIM moves forward we also recommend that metrics are included in the design to measure, and provide publicly, the EIM benefits so as to encourage future expansion of the EIM model to other BAAs.

In Summary, WPTF appreciates the consideration of the ISO, PacifiCorp and other interested parties. We would be pleased to provide further information on any of the points raised above and look forward to further discussions.