Setting the Net Export Transfer Constraint

Extended day-ahead market ISO
balancing authority area participation rules

Background

- **Higher confidence factor (CF)** enables:

  a. More non-RSE eligible supply to increase NETC

  b. Higher volume of CISO BAA supply offers

  c. Potentially higher EDAM revenues through transfers throughout year

- **Lower CF:**

  a. More domestic supply retained in CISO BAA on DA basis, enhancing reliability within CISO BAA only

  b. Lower revenues from EDAM transactions across the entire year

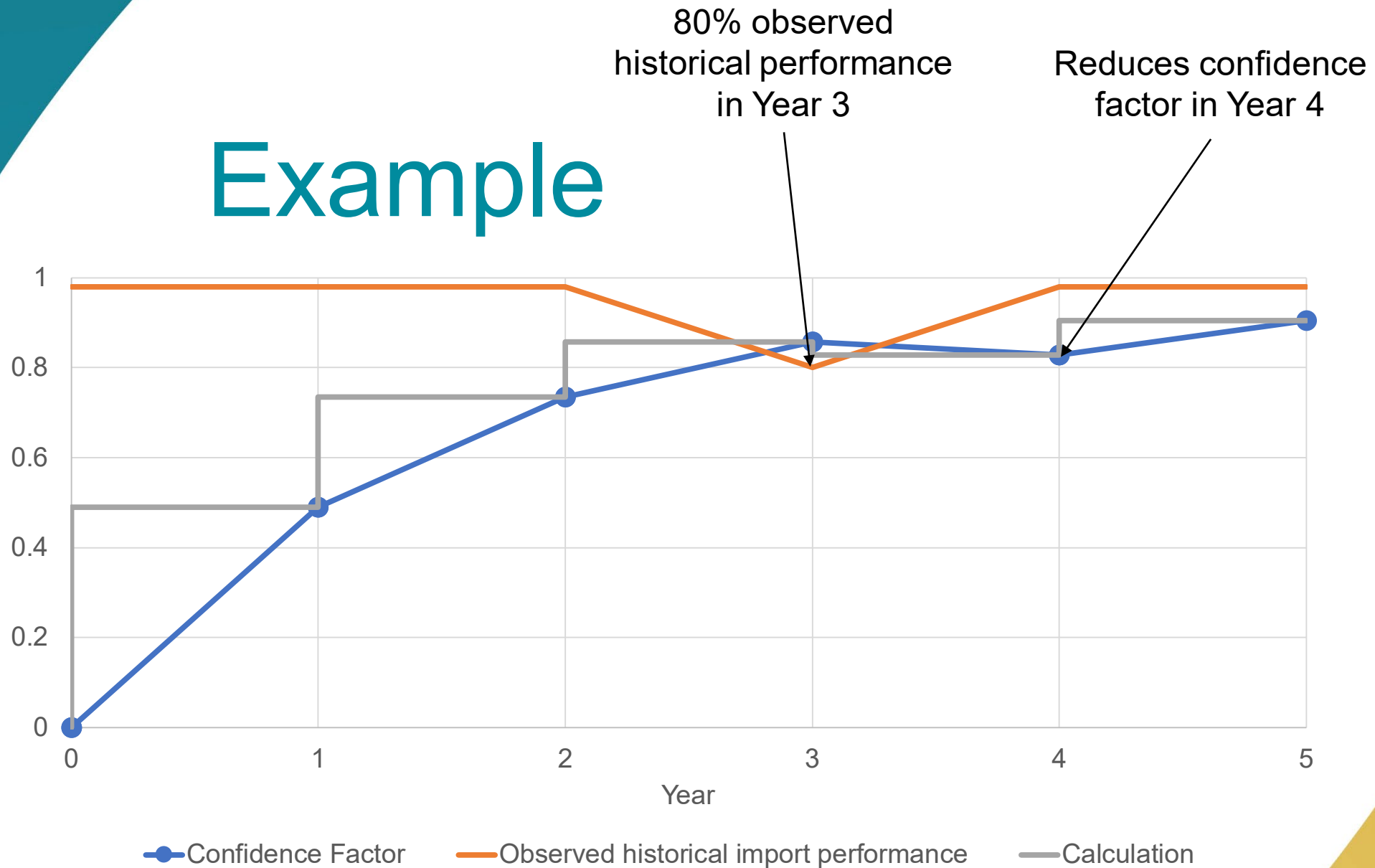- Historical data useful, but **preference to ease in** to EDAM

Cal Advocates' Proposal

- Calculate the CF by iteratively bridging the gap between historical performance and starting point of zero

- Average $Year_{n-1}$ observed historical import performance and $Year_{n-1}$ CF

- Over time the CF would converge on observed historical import performance

- Revisited annually by CISO BAA stakeholders

- Interim solution until EDAM well-established

Example

Year$_n$	Year$_{n-1}$ CF	Year$_{n-1}$ Observed historical import performance	Calculation	CF for Year$_n$
1	0	0.98	(0 + 0.98) / 2	0.49
2	0.49	0.98	(0.49 + 0.98) / 2	0.74
3	0.74	0.98	(0.74 + 0.98) / 2	0.86
4	0.86	0.80	(0.86 + 0.80) / 2	0.83

Example

80% observed historical performance in Year 3

Reduces confidence factor in Year 4

Legend: Confidence Factor — Observed historical import performance — Calculation

Cal Advocates' Proposal

Advantages

- Balanced and predictable

- Achieving maximum EDAM benefits for CA ratepayers requires building trust with other entities

- Incentives for EDAM Market Operator and CISO BAA aligned to avoid load shed

Potential disadvantages can be mitigated

- Expects reciprocal treatment by other BAAs to setting their own NETCs; if other BAAs set excessively conservative NETC, CISO BAA should revise

Remaining Questions

- **Temporal granularity** of the CF: Hourly/Monthly/Yearly?

  - Suggest month-hour (like Slice of Day), monthly at a minimum

- How many **years of prior performance** for setting initial year observed historical import performance?

  - Suggest three to five years

- How to account for **very-recent trends**?

  - Consider emergency option to CISO BAA to reduce CF, e.g. SCE and CalCCA comments on stressed conditions

Contact info

Kyle Navis

kyle.navis@cpuc.ca.gov

415-703-2840