

Real Time Market Neutrality Settlement Issue Paper Questions and Requests (May 2019)

| Organization: | Submitted by: | Stakeholder Questions and Requests: | ISO Response: |
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| APS | Adam Wardell | <p>Requests that CAISO provide further insights to ensure there will be no economic impact to other settlement mechanisms such as Congestion Offset.</p> <p>APS suggests that CAISO should seriously consider implementing some form of internal controls to validate the inputs to the Transfer Value calculation to ensure accuracy of the final RTIEO settlement. The steps necessary to validate the inputs to the Transfer Value calculation are described below in the “5 Minute Granularity for ETSRs between EIM Entities and CAISO” section.</p> <p>APS requests that CAISO consider an alternate solution which we believe is more straightforward and achieves the same result as the CAISO proposal discussed on 5/1/19. APS believes that CAISO should strongly consider implementing a check on the values that are submitted by the EIM Entities. A basic internal control or some kind of “reasonableness check” should be in place within CAISO to flag material discrepancies between the Transfer Value quantities and CAISO’s Market Award.</p> <p>APS suggest that CAISO implement submission timeline requirements for these 5-minute transfer quantities so that settlement calculations in the T+12B settlement statement include actual quantities which can be viewed by EIM entities.</p> | <p>No change is being proposed to the calculation of the real-time congestion offset. The proposed changes to RTIEO will not impact the settlement of congestion offsets.</p> <p>The CAISO will address validation rules as part of the BPM process to standardize the submission of 5-minute data for ETSRs.</p> <p>The CAISO reviewed several approaches presented at the technical workshop. Each of these were considered and deemed either inferior or overly complex compared with the approach it plans to implement. Providing a credit for the GHG costs for transfers between non-CA BAAs is scalable if in the future additional GHG programs must be supported in the market optimization.</p> <p>See BPM comment above</p> <p>See BPM comment above</p> |
| Idaho Power | Camille Christen | <p>Idaho Power requests that CAISO schedule a technical workshop prior to the development of the next iteration of the proposal, to discuss the current Real-Time Imbalance Energy Offset (“RTIEO”) calculation and all proposed changes, and to ensure that all potential solutions are fully considered and vetted by CAISO and stakeholders.</p> | <p>The CAISO held a technical workshop on May 21 prior to posting the draft final proposal.</p> <p>The benefit calculation uses the locational marginal price for a references node in each balancing authority area¹. The benefit calculation does not use the EIM transfer financial value</p> |

¹ See page 2 of the EIM Quarterly Benefit Report Methodology white paper available at https://www.westerneim.com/Documents/EIM_BenefitMethodology.pdf

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| | | Idaho Power requests that CAISO consider the current design of the RTIEO calculation and review the current benefit methodology to ensure that transfer revenue is properly calculated when transferring between non-California BAAs. In addition, any adjustments in and out of a BAA as part of the transfer adjustment mechanism should also be considered in the EIM benefit calculation. Idaho Power requests that CAISO review the financial impacts and the EIM benefits over the past year to determine if an adjustment to the benefits is warranted. | (SMEC) used in RTIEO in settlements. Going forward, the transfer adjustment will be eliminated in the settlements calculation; therefore, no change is need to the benefit calculation after the proposed changes in this initiative are implemented. |
| Pacificorp and Portland General | Christine Kirsten and Susan Hill | Request that the ISO bring this initiative before the EIM Governing Body and the CAISO Board of Governors at the earliest possible time . Request the creation of a new billing determinant in the RTIEO charge code, separate from the financial value transfer billing determinant that would be used for allocating GHG costs | The CAISO is bringing this initiative to the next EIM GB (June) and ISO BOG (July). This is the earliest possible timeline for approval of the proposed changes. The CAISO presented its approach ensuring accurate financial value of transfers at the technical workshop. |
| Powerex | Mike Benn | Powerex therefore urges the CAISO to reconsider its proposal to quickly implement changes to key settlements processes, and instead engage stakeholders in a series of technical workshops to: 1. Comprehensively identify all settlement issues that appear contrary to the expected compensation or charges for products and services transacted in the EIM; 2. Identify whether the root cause lies in market design, tariff development, business practice manuals, or the particular implementation of processes; 3. Quantify the aggregate financial impact of each issue on each EIM participant/entity; 4. Identify the extent to which retroactive corrections are appropriate and the available approaches to achieve this; 5. Develop solutions that address the identified issues and result in financial settlement going forward that is consistent with the intended market design; and 6. Explore new measures to effectively monitor the performance of EIM settlements and to more promptly identify issues impacting EIM participants/entities going forward. | The CAISO held a technical workshop to review the prosed changes to the RTIEO. The CAISO believes that the scope of the initiative is sufficient to address the shortcomings in the current RTIEO settlement. The CAISO has not identified, nor have stakeholders, additional issues associated with RTIEO settlement that need to be resolved beyond those presented in the draft final proposal. The CAISO has estimated the aggregate financial impact for EIM entities had the proposed methodology been implemented for Q1 of 2019. The total aggregate value of RTIEO that would be shifted in terms of settlement for this period is \$9.2 million, and the CAISO will advise individual EIM entities of their share of that amount. |

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| | | <p>While the Issue Paper notes that there are many reasons why settlements may not be revenue neutral, including “unaccounted for energy,” no information is provided on the frequency or magnitude of these other contributing factors to non-neutrality. Are the number of factors increasing as the market evolves and the EIM expands? Are the impacts larger for certain EIM Entities than for others? Are they disproportionately larger for EIM Entities outside the CAISO BAA? Are there settlement design revisions that could be considered to reduce the need to rely on these neutrality accounts in the first place?</p> | <p>The current RTIEO settlement is consistent with existing policy and tariff; i.e., the filed rate. However, as identified in this initiative, the RTIEO should be modified to more accurately account for this neutrality.</p> <p>Retroactive corrections will not be considered since the current implementation of RTIEO settlement is consistent with the tariff approved by FERC. The CAISO does intend to request waiver of the 60 day notice period to minimize the ongoing impact to market participants. For example, assuming EIM governing body and CAISO board approval and filing by July 31, 2019, the CAISO would request an effective date of August 1, 2019, which it would implement as part of the fall release on November 13, 2019 retroactive to that date, assuming FERC accepts the proposed change.</p> <p>The CAISO believes the current proposal will result in a more accurate settlement.</p> <p>The CAISO will continue to monitor for market issues and will respond quickly if appropriate.</p> <p>These additional causes of neutrality support the policy change that the RTIEO should be the responsibility of each balancing authority area and that the transfer adjustment undermines this policy change.</p> |
| Public Generating Pool | | <p><input type="checkbox"/> PGP request:</p> <ul style="list-style-type: none"> • Clarity regarding whether CAISO is proposing to make any changes related to accounting of GHG payments and neutrality accounts and the reasoning behind CAISO’s position, • A thorough assessment of how GHG accounting, pricing and settlement currently | <p>The CAISO is proposing to change the calculation of the financial value of the EIM transfer so that the cost of GHG is not included for EIM transfers between non-CA balancing authority areas.</p> |

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| | | works in the EIM and what issues exist or have been raised by stakeholders, <ul style="list-style-type: none"> Multiple examples, including a scenario in which a zero-carbon resource located in an EIM Entity outside the CAISO BAA has MWs “deemed delivered” to the CAISO BAA and the resource is not dispatched above its base schedule, and how offset and neutrality charges apply to BAAs that have resources “deemed delivered” to California. | Focusing on GHG settlement is looking a symptom of the actual root cause which is the financial value of EIM transfers between non-CA balancing authority areas. The CAISO provided examples in the technical workshop. |
| Seattle City Lights | Emeka Anyanwu | Request additional workshops. Request that impact of the issue be further explored. | The CAISO held a technical workshop on May 21. The CAISO has calculated the impact by month in Q1 2019. EIM BAAs can request their data by contacting dtretheway@caiso.com |
| Six Cities | Bonnie Blair | Request more detailed analysis and explanation, including a detailed explanation for why the analysis presented by the ISO in Docket No. ER14-1386-000 and accepted by the Commission is no longer valid, and information on the practical effects of eliminating the RTIEO transfers under Section 11.5.4.1 are necessary for consideration of the Straw Proposal. | The CAISO provided additional examples and discussion at the technical workshop. |
| WPTF | Carrie Bentley | Request additional background information and discussion with stakeholders, especially as it relates to the financial valuation of transfers. | The CAISO discussed the financial value of EIM transfer in detail at the technical workshop. |

Real Time Market Neutrality Settlement Workshop Questions and Requests (May 21, 2019)

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| IPC | Camille Christen | Request more examination and discussion is needed of the issues involved in this initiative and to fully vet potential solutions. CAISO should provide EIM Entities data from an actual settlement interval, including calculations and formulas for each of the determinants used in the Real-Time Imbalance Energy Offset (“RTIEO”) charge code, and show how the settlement would change for that interval under CAISO’s proposal versus under various stakeholders’ proposals. | At the technical workshop, the CAISO presented an approach which correctly differentiates the financial value of transfers with the CAISO and those not including the CAISO. The CAISO will update the configuration guide a part of the implementation activities. |

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| | | <p>CAISO should fully consider and implement mechanisms for correcting the inappropriate clawback of GHG revenue—the past harm—that has occurred for some EIM Entities under the current design.</p> <p>Requests that CAISO consider the current design of the RTIEO calculation and review the current benefit methodology to ensure that benefits have properly accounted for the RTIEO activity.</p> <p>Requests that CAISO holistically re-evaluate its settlement policies as more entities join the EIM.</p> | <p>All settlement changes are made on a going forward basis. The clawback of GHG revenue, is a symptom of the incorrect calculation of EIM transfer financial value. The “clawback” can be observed in the example of BAA6 in the technical workshop. Since BAA6 did not have an EIM transfer out that supported the GHG award quantity. If BAA6 has a net scheduled interchange of 25MWh, then there would be no “clawback.”</p> <p>See response above regarding benefits methodology.</p> <p>The CAISO will continue to monitor for market issues.</p> |
| PG&E | Joshua Arnold | <p>Once each resource’s final Real-Time charge position has been established (i.e. after calculating charge codes 6460, 6470, and 6475), the CAISO needs to determine any physical Unaccounted for Energy (UFE) imbalances for each CAISO Utility Service Area (CC 6474) and EIM BAA (CC 64740) and associated financial settlements (provided suggestions on how this should be done).</p> | <p>The unaccounted for energy (UFE) concern raised is not limited to EIM Transfer System Resources. It applies to all Static and Dynamic System resources. The summation of all the e-tag values at a given intertie location rarely aligns with the intertie meter value at the same location. The intertie meter will capture any inadvertent flow, transmission loss differentials, meter errors, and potential theft. In order to account for these imbalances, UFE is explicitly calculated for specified UDCs and BAAs. UFE is included in the calculation of EIM Transfer Out Adjustment because it was determined that any uplift cost should be distributed to BAAs in relationship to a BAA EIM Transfer out Quantity and internal imbalance where internal imbalance includes EIM Transfer, uninstructed deviation, and unaccounted for energy. Because Real Time Imbalance Energy Offset is not an uplift but rather a neutrality settlement,</p> |

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| | | | the EIM Transfer Adjustment mechanism should not be applied and UFE should remain with the BAA in which it materialized. |
| SCE | Beverly Ann Brereton | <p>SCE request that the Decisional Classification be changed. Initiative focuses primarily on billing accuracy for transactions among EIM balancing authority areas, this initiative affects export transactions from the CAISO balancing authority area to EIM BAAs also and the California greenhouse gas compliance costs. Provided explanation of how GHG compliance costs may be inaccurate.</p> <p>Request that the ISO use of a Counterparty BAA's Imbalance Information in the Denominator of The Transfer Adjustment Factor Calculation is Incorrect for the Current Settlement Approach when the Counterparty BAA transacts with Multiple BAAs.</p> <p>Suggest that the use of the system marginal energy cost net of the marginal greenhouse gas cost seems to be a proxy transfer value for export transactions between the CAISO BAA and EIM BAAs and, export and import transactions among EIM BAAs</p> | <p>The CAISO has responded to SCE's decisional classification in the draft final proposal.</p> <p>When there are export transactions from the California balancing authority areas, the marginal GHG cost is zero. Load outside of California pays the same price as generation is paid inside California when exports from the California balancing authority areas occurs.</p> |
| SCL | Emeka Anyanwu | <p>Request that he ISO consider ideas that transparently and accurately account for GHG costs in settlements and believe further discussion and consideration of the best long-term solution is warranted. Request that CAISO calculate the dollars involved for each EIM entity for each issue.</p> <p>Requests that CAISO provide a break-down of the dollars involved in these settlements issues (including calculations with applicable notes), by EIM entity and by issue, and provide this in the draft final proposal. If there are concerns with confidentiality, it would be acceptable to remove EIM entity names, but still provide the breakdown by EIM entity.</p> <p>Request CAISO to provide further information in the draft final proposal that clearly outlines the sections of the tariff and business practice manuals that CAISO has followed as it relates to these settlements issues and for which it believes negates the possibility of any retroactive true-up. And, provide the tariff sections that include CAISO's rules for determining when a retroactive true-up is appropriate.</p> | <p>The CAISO has reviewed additional approaches for ensuring the correct financial value for transfers is correct. It believes that the use of a GHG credit for EIM transfers that occur between non-California balancing authority areas correctly reflects these transfers do not include the cost of compliance with the CARB program.</p> <p>The CAISO has provided Q1 2019 aggregate data in the draft final proposal.</p> <p>The CAISO has posted changes to the tariff language with the draft final proposal. Changes to the tariff are red lined.</p> |

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| | | Request that ISO provide written responses to the recommendations from stakeholders. | |
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