



## **Comments on Penalty Prices and Scheduling Priorities in CAISO Market – 11/20/20 Informational Call**

### **Comment period**

November 30, 2020 - December 9, 2020

The Imperial Irrigation District (“IID”) thanks the CAISO for the opportunity to comment regarding penalty pricing, following the CAISO’s November 20, 2020 webconference on Penalty Prices and Scheduling Priorities in the CAISO Market. These comments follow IID’s October 20, 2020 comments submitted on this subject as part of the Business Practice Manual (“BPM”) Proposed Revision Request (“PRR”) 1282.

### **1. Provide summary of your organization’s comments on the workshop and the scope of the material presented:**

In its November 30, 2020 Market Notice, the CAISO asks stakeholders to comment “on material presented during its November 20 workshop that discussed penalty prices and scheduling priorities in its markets. . . . Based on the comments received, the ISO will assess the need for a subsequent workshop or whether it should proceed to a stakeholder initiative to consider additional market rule changes. The ISO will issue a notice with its next steps after reviewing stakeholder comments.”

While IID appreciates the CAISO’s presentation discussing the current circumstances involving penalty pricing, IID continues to confront significant challenges in relation to the CAISO’s BPM PRR. Further, although the CAISO’s November 20 Presentation was informative, there was not significant opportunity for interested stakeholders to discuss the issues. IID requests that the CAISO hold a subsequent workshop for stakeholders to discuss these issues. Based on the discussion in the subsequent workshop, IID requests that the CAISO commence a stakeholder initiative to address holistically scheduling priority concerns in future heat stress events. In the interim, IID requests that the CAISO reverse its implementation of BPM PRR 1282.

### **2. Provide your organization’s comments on change in practice the CAISO adopted on September 5, 2020, to use schedules from scheduling run in the day-ahead residual unit commitment (RUC) process instead of schedules from pricing run:**

The BPM change and sudden manner in which it was instituted left IID no time to respond sufficiently in the real-time market on September 5, 2020, resulting in a

curtailment to IID of 301<sup>1</sup> MW, which in turn resulted in a load shed event and the declaration of an EEA#3 event. Impacts to IID's system caused by the BPM change have continued since the September 5 event. IID has observed that it is not receiving export awards in late afternoon hours even though the excessive heat condition is not as extreme. Such decline in awards demonstrates a severe diminishment of IID's export priority that is a result of the BPM change.

The CAISO's presentation confirms that the BPM changes effectively make RUC schedules the final basis for the E-Tag submittal in the day ahead market, which may lead to deficient final self-schedule exports. The BPM change also effectively removes the day ahead schedule priority from the curtailed part of the awarded schedule in the pricing run. IID is unsure why its E-Tag submittals cannot carry through priority into the Real-Time Market. The CAISO is issuing financially binding day ahead market awards for exports that it is not serving, or under the new procedure, not planning to serve, with day ahead priority. Although the Real-Time Market considers curtailed RUC awards with a higher priority than other real time bids, simply resubmitting curtailed schedules in the real time does not meet day ahead scheduling requirements for the day ahead horizon.

IID also observes that the BPM changes mask deficiencies in the Integrated Forward Market ("IFM") and push procurement into the Real-Time Market. The locational marginal prices ("LMP") under the process adopted by the BPM change do not reflect the need for resources, and obfuscate the signal required to show that generation needs to be built near the nodes/locations in question.

The BPM changes also raise uncertainty to long-term planning. Unpredictability increases as reliance is shifted to the Real-Time Market. Costly (and unnecessary) investments to mitigate that uncertainty are a direct consequence of the BPM change.

Market participants do not have a complete picture of the impacts of the BPM change. IID requests that the CAISO make as much information as possible available to market participants regarding the impacts of the change. One area of data that IID requests be disseminated to market participants includes the total amount of exports that have not been accepted as a result of implementation of BPM PRR 1282. Such data should: a) be organized to reflect both the quantity of exports not accepted over the Labor Day weekend (September 4-7, 2020), as well as from BPM PRR 1282's implementation to the present day; b) be presented on an hourly basis; and 3) distinguish between economic export cuts and cuts to higher priority self-schedules. Providing this data will help the CAISO and market participants understand whether the impact is limited, such that the CAISO can balance the benefit of implementing the BPM change versus the harm on market participants resulting from the changes to scheduling priorities. Conversely, if the negative impacts of the change are shared among multiple market participants, that data may assist the CAISO to designing an effective solution.

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<sup>1</sup> IID updates its curtailment figure from its October 20, 2020 comments (noted at 300 MW) with a more precise number.

**3. Provide your organization's comments on the change in practice the CAISO adopted on September 5, 2020, to use RUC schedules for exports as the reference protected into real-time markets:**

See response to question 3.

**4. Provide your organization's comments on current priority assigned to the various types of export self-schedules as described in Section 31.4 and 34.12 of the CAISO tariff:**

IID understands from the September 9, 2020 Market Performance and Planning forum (Presentation at 7) that the CAISO had been using logic derived from the Price Inconsistency Market Enhancements ("PIME") policy to base schedules and prices from the pricing run. What is not apparent from the discussion is whether use of the PIME policy is inconsistent with Section 31.8.1 of the CAISO Tariff. That section states that "Through this RUC constraint the CAISO determines what Day-Ahead Schedules can have an E-Tag submitted Day-Ahead." Section 31.8.1 does not preclude the CAISO from providing E-Tags based on the pricing run. Nor do Section 31.8.1 or Section 34.1.1 of the Tariff (both cited in the proposed revisions to BPM Section 7.1.6) require the CAISO to curtail self schedules exceeding the RUC constraint. Section 34.1.1 states: "All of the Real-Time Market processes utilize results produced by the Day-Ahead Market for each Trading Hour of the Trading Day, including the combined commitments contained in the Day-Ahead Schedules, Day-Ahead Ancillary Services Awards, and RUC Awards." IID does not read RUC Awards as being the sole limiter of what is protected for the Real-Time Market. IID's Day-Ahead Schedules should also be protected. IID asks the CAISO to explain how the above-referenced Tariff provisions interrelate and whether they would permit the CAISO to continue use of the export priority prior to BPM PRR 1282. IID also asks the CAISO to explain how the above-cited Tariff Sections interrelate to Sections 31.4 and 34.12 of the CAISO Tariff.

**5. Provide your organization's comments on what additional detail regarding today's practices should be included in the BPM language to better describe business practice change adopted on September 5, 2020**

IID does not see adequately describing today's practices as a solution to the challenges faced by IID. With BPM PRR 1282, scheduling priorities for Day-Ahead self-scheduled exports changed, to the detriment of entities exporting power and entities relying upon exported power. IID does not believe the CAISO Tariff to be inconsistent with the scheduling priorities in place prior to BPM PRR 1282. However, if the CAISO believes that its scheduling practices are inconsistent with its Tariff, the CAISO should publish a more formal analysis of how its operations and scheduling practices need to be aligned with its Tariff. If the CAISO's scheduling practices were run in a certain manner over the past several years, without complaint, the CAISO and market participants must see merit in scheduling practices and priorities in place prior to September 5, 2020. In that case, the more effective exercise would be to clarify and reconcile any perceived

ambiguities in the CAISO's Tariff and BPMs to accommodate the preferred scheduling priority.

**6. Provide your organization's comments on what additional details regarding scheduling priorities and the treatment of self-schedules should be discussed in subsequent stakeholder meetings.**

IID continues to work to find solutions to address decreased export priority as a consequence of the BPM change. There exists a lack of options to displace lost awards with alternative market options. The lateness in the CAISO's market timeline process for declining exports under the new procedure creates serious obstacles for IID in obtaining alternative supply. Managing a 600 MW intertie, the shift from focusing on the IFM to the RUC imposes higher risk on IID.

At the time of the day when RUC awards are published for the day ahead horizon, the timelines for obtaining equivalent, day-ahead products in Western markets outside of the CAISO markets are formally closed. At that point, those day-ahead markets cannot be utilized as an option to satisfy deficient schedules. Future workshops and initiatives should address the access of market participants to options to obtaining equivalent day-ahead products in Western markets after the CAISO day-ahead markets are closed. IID supports further practice changes where the financially binding results directly correspond with the scheduling practices enforced by tagging. Emergency changes adopted on September 5, 2020 imply unfair divergence between financial and physical implications from the participation in the Day-Ahead Market as an intertie.

As stated above, IID supports a further workshop to continue discussion of penalty pricing and scheduling priority issues followed by a stakeholder initiative to address scheduling priorities from the Day-Ahead Market into the Real-Time Market. IID has observed that many of the recommendations of the October 6, 2020 Preliminary Root Cause Analysis of the Mid-August 2020 Heat Storm contemplate development and vetting through stakeholder processes. For example, the Root Cause analysis contemplates stakeholder processes regarding the redesign of Resource Adequacy rules to better account for planned outages (at 66). The CAISO should rely on its stakeholder processes to make any appropriate changes here.