Real-Time Settlement Review

Issue Paper/Straw Proposal

August 17, 2020
Real-Time Settlement Review

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1. Executive Summary

This initiative proposes two settlement calculation changes and provides stakeholders insight into some of the metrics the CAISO uses to monitor the settlements process.

The primary market design and policy considerations include:

**Asymmetrical Wheeling:** The CAISO has identified an asymmetrical settlement for energy wheeling through the Energy Imbalance Market (EIM) area when one of the EIM balancing authority areas (BAAs) has a power balance constraint violation. This issue can cause inappropriate cost shifting both within the EIM area and between EIM and non-EIM entities. This issue is exacerbated when EIM entities elect not to settle the schedule deviations of their base energy transfer system resources (ETSRs). This initiative proposes to eliminate the election for EIM entities to settle their base ETSR schedule deviations bilaterally, thus requiring entities to settle deviations through the market. In addition, this initiative proposes to settle base ETSR schedule deviations at Scheduling Point-Intertie prices rather than as a ratio of the source and sink BAAs internal prices.

**Unaccounted for Energy Settlement:** This initiative proposes to give EIM entities who must derive their load through generation and intertie meters the option not to settle unaccounted for energy. This change is intended to accommodate EIM entities who do not have a complete set of distribution load meters with which to aggregate and calculate their load.

As part of its commitment to monitor and improve the settlement process, the CAISO has implemented metrics to help identify inappropriate cost shifting in the real-time market settlement. These metrics include:

**Imbalance Energy and Financial Value Settlement:** Compares the imbalance energy settlement to the ETSR financial value settlement to help identify the driver of real-time neutrality.

**Real-Time Congestion Comparison:** Compares each BAA’s marginal cost of congestion to the real-time congestion allocation to help ensure congestion costs are allocated properly.

**Real-Time Offset Comparison:** Compares the settlement of real-time offsets to identify which component of the locational marginal price (LMP) is driving neutrality imbalances.

2. Initiative Scope

During the recent Real-Time Market Neutrality Settlement policy initiative\(^1\), the CAISO committed to conduct a comprehensive review of the real-time settlement charge codes associated with interactions between balancing authority areas (BAAs) in the Energy Imbalance Market (EIM). This initiative has two purposes. First, this initiative provides insight into some of the real-time settlement metrics the CAISO

\(^1\) CAISO Real-Time Market Neutrality Settlement initiative. 
https://stakeholdercenter.caiso.com/StakeholderInitiatives/Real-time-market-neutrality-settlement
reviews and analyzes. Second, this initiative presents two proposed changes to the CAISO settlement calculations to stakeholders. These proposed changes are a result of both on-going monitoring and working with stakeholders to improve the overall settlement solution.

The first settlement change proposed here is a change in the application of pricing to the import and export of energy as it wheels through EIM areas. The second change gives EIM BAAs the option to settle unaccounted for energy (UFE) based on their load meter determination. The CAISO will consider any further settlement enhancements for any additional identified settlement issues either in later stages of this initiative or in future initiatives, as is appropriate.

3. Real-Time Settlement Metrics

The CAISO is committed to maintaining and improving the quality and transparency of market settlements. To support this objective, the CAISO has a process to monitor and analyze settlement charge code results and performance. The CAISO generated settlement metrics, presented in this paper, targeted to identify any inappropriate cost shifting that may be occurring as part of the real-time market settlements process. The CAISO seeks stakeholder feedback on these metrics, as well as feedback on additional metrics that stakeholders would like the CAISO to include as part of its ongoing and continuous assessment.

Similar to other market metrics the CAISO produces, the CAISO analyzes these metrics using historical data to look for spikes or anomalies that materialize. When anomalies emerge, the CAISO evaluates the cause of the spike or anomaly. To the extent the anomaly reveals a systemic problem, the CAISO will address it through appropriate process.

Assessment of these metrics has helped identify one issue that will be addressed in this stakeholder initiative (see Section 4.1). The CAISO used these preliminary metrics to identify an inappropriate cost shift between BAAs. Analysis identified the cause was directly related to a power balance constraint violation and energy wheeling through an EIM BAA. The CAISO determined this is a systemic issue based on current market and settlement rules and hence this initiative proposes to address it.

The CAISO will continue to monitor these metrics to ensure any new market or settlement changes do not have unintentional impacts on the settlements process. The CAISO is committed to reviewing these metrics on an ongoing basis and plans to present issues as they arise through various forums such as the Market Performance and Planning Forum.

The preliminary metrics the CAISO is using are described below.

3.1 Metric 1: Imbalance Energy and Financial Value Settlement

This metric compares the imbalance energy settlement against the ETSR financial value settlement. Table 1 describes the components of these calculations.
Table 1: Imbalance Energy and Financial Value Metric Components

<table>
<thead>
<tr>
<th>Imbalance Energy</th>
<th>Financial Value²</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMM Instructed Imbalance Energy</td>
<td>FMM ETSR Financial Value Settlement</td>
</tr>
<tr>
<td>Real Time Instructed Imbalance Energy Settlement</td>
<td>RTD ETSR Financial Value Settlement</td>
</tr>
<tr>
<td>Real Time Uninstructed Imbalance Energy Settlement</td>
<td>GHG ETSR Financial Value Settlement</td>
</tr>
<tr>
<td>Real Time Unaccounted for Energy Settlement</td>
<td></td>
</tr>
<tr>
<td>Greenhouse Gas Emission Cost Revenue</td>
<td></td>
</tr>
<tr>
<td>Real Time Convergence Energy Settlement</td>
<td></td>
</tr>
</tbody>
</table>

To the extent the sum of the settlement amounts for the components of imbalance energy does not equal zero, the CAISO settlement process will assess charges or make payments through Real Time Marginal Losses Offset (CC 6985, CC 69850), Real Time Congestion Offset (CC 6774, CC 67740), and the Real Time Imbalance Energy Offset (CC 6477, CC64770). This is important to compare against the ETSR financial value because it provides insight on which portion of real-time market (i.e., FMM or RTD) is driving the real-time neutrality. The ETSR settlement is the non-binding financial account of energy exporting from one BAA and importing into another. The financial value settlement is critical in determining drivers of neutrality. For example, if a generator in BAA 1 was dispatched to resolve demand in BAA 2, the real-time neutrality for both BAAs is non-zero by at least the cost of the energy transferring between the BAAs. The real-time neutrality for BAA 1 would be the payment to the generator that was dispatched because the binding settlement does not include the export ETSR cost. The real-time neutrality for BAA 2 would be the charge to the net load because the binding settlement does not include the import ETSR payment. Once the financial values are considered, the true BAA real-time neutrality amount becomes known.

The comparison of the real-time imbalance energy settlement to the financial values provides insight into the potential cost drivers of real-time neutrality. This comparison was recently used to identify ESTR tagging issues because the ETSR financial values settlement did not correspond with the market dispatches. A root cause analysis determined that some ETSRs were being double counted based on submitted tags. CAISO settlements team was able to correct the tagging issue before publication of the specific trade dates.

The CAISO can evaluate this metric for each trade date or over a trade period, and can be produced per BAA or the EIM area as a whole. The CAISO uses trade period comparisons (e.g., quarterly, yearly) to identify market trends.

3.2 Metric 2: Real-Time Congestion Comparison

This metric is designed to compare each BAA’s marginal cost of congestion to the real-time congestion allocation. Real-time market congestion represents the nodal congestion revenue and cost by BAA. The real-time congestion allocation represents which BAA’s congestion is being resolved. Put differently, ²ETSR financial value is calculated as the product of the transfer quantity and the system marginal energy cost for FMM and RTD.
this metric identifies which BAAs have congestion neutrality and compares that to the BAAs that are financially responsible for the congestion.

This metric has two purposes. First, the metric identifies intervals with significant congestion cost, which allows the CAISO to analyze the validity of market results. If the market results are valid, then no action is required. If the results are invalid, then mitigation measures such as price corrections are triggered. Second, this metric helps ensure congestion costs are allocated to the correct BAA. For example, if the metric indicates that the congestion costs are allocated to a non-EIM/CAISO BAA, then mitigation measures are required.

Metric 2 can be evaluated for each trade date or over a trade period, and can be produced per BAA or the EIM area as a whole.

3.3 Metric 3: Real-Time Offset Comparison

The purpose of this metric is to compare the settlement of real-time offsets. Real-time offsets are used to ensure CAISO is revenue neutral as the market operator. Offsets are calculated for each component of the locational marginal price (LMP) – energy, congestion, and losses. This metric allows the CAISO to identify which component of the LMP is driving neutrality imbalances. Neutrality imbalances occur when the actual metered energy does not equal the market results.

This metric also evaluates the effectiveness of changes made in the Real-Time Market Neutrality stakeholder initiative. That initiative made modifications to the calculation of the real-time offset amounts for each BAA. This comparison will show if the offset quantities are in line with what was anticipated.

4. Proposed Changes

This initiative presents two proposed changes to the CAISO settlement calculations. The first proposal is a change in the application of pricing to the import and export of energy as it wheels through EIM areas. The second change gives EIM BAAs the option to settle unaccounted for energy (UFE) based on their load meter determination. These proposed changes are a result of both ongoing monitoring and working with stakeholders to improve the overall settlement solution.

The CAISO believes it is desirable to address these issues quickly. Thus, the CAISO plans to bring the proposal to address these issues to the November 2020 EIM Governing Body and CAISO Board meetings for approval. The asymmetrical wheeling issue will be part of the December 2020 Settlement Release.

3 BPM CG CC 64770 Real Time EIM Imbalance Energy Offset
4 BPM CG CC 67740 Real Time EIM Congestion Offset
5 BPM CG CC 69850 Real Time Marginal Losses Offset
The UFE change will be implemented in fall 2021 and included with the Bonneville Power Authority EIM launch in spring 2022.

The CAISO is open to addressing other issues identified either internally or by stakeholders as long as they adhere to the scope of this initiative outlined in Section 2. Issues identified either internally or by stakeholders that are not considered in this initiative can be addressed in separate initiatives or added to the CAISO’s policy initiatives roadmap. The CAISO will consider any further settlement enhancements for any additional identified settlement issues either in later stages of this initiative or in future initiatives, as is appropriate.

4.1 Asymmetrical Wheeling Settlement

In the previous Consolidated Energy Imbalance Market initiatives, the CAISO implemented an enhancement to allow EIM entities the option to settle Base ETSR schedule deviations through the ISO market instead of bilaterally. When settling Base ETSR schedule deviations through the market, the BAAs settle deviations at some agreed-upon ratio of the source and sink BAAs internal prices. The CAISO has identified a potential settlement issue when energy wheels through multiple EIM areas and there is a power balance constraint in one of the EIM BAAs. Figure 1 illustrates the issue.

9 An Energy Transfer System Resource (ETSR) is the representation of how the EIM facilitates energy transfer from one EIM BAA to another for the purposes of tracking, tagging, and settlement. Base ETSRs are defined to represent the bilateral transactions between two EIM entities. For more information, see [https://www.westerneim.com/Documents/EIMProcessOverview-FacilitatingETSRs.pdf](https://www.westerneim.com/Documents/EIMProcessOverview-FacilitatingETSRs.pdf)
10 A 50/50 ratio is the typical arrangement.
A wheeling transaction between two non-EIM BAAs which flows through multiple EIM BAAs will receive an imbalance energy settlement for the import/export Transaction ID (TID) to/from the EIM area. The TID import is paid the Scheduling Point-Intertie (SP-Tie) LMP at the entry point to the EIM area. The TID export is charged the SP-Tie LMP at the exit point from the EIM area. These SP-Tie LMPs are typically the same if there are no losses, physical congestion, or power balance constraint violations in the EIM solution.

The optional settlement of base ETSR schedule deviations results in an asymmetrical settlement of energy wheeling through an EIM BAA when there is a power balance constraint violation in one of the EIM BAAs. This issue can be described in the example below using the illustration in Figure 1.

**Example: BAA2 has PBC violation.** As shown in Figure 1, the net settlement cost of the import/export TID transaction is the PBC shadow price of BAA 5 minus the PBC shadow price of BAA 4. Therefore, when BAA 4 and BAA 5 have the same LMP, the TID import is settled at the same price as the export. It is the ETSR settlement that causes the price separation when the PBC in BAA 2 is binding. Under this condition, the wheeling energy is subject to the PBC violation in BAA 2. There is a cost shift from BAA 4 to BAA 5 because there is a price difference between the ETSR and the TID import/export. Table 2 shows an example of how money flows in this scenario.

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11 The SP-Tie LMP is the location marginal price of energy schedules awarded at interties based upon intertie bids or base schedules.
**Table 2: Settlement for wheeling energy when BAA 2 has a PBC violation**

<table>
<thead>
<tr>
<th>EIM</th>
<th>SMEC (λ)</th>
<th>PBC (λj)</th>
<th>LMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAA 4</td>
<td>$30</td>
<td>$0</td>
<td>$30</td>
</tr>
<tr>
<td>BAA 2</td>
<td>$30</td>
<td>$500</td>
<td>$530</td>
</tr>
<tr>
<td>BAA 5</td>
<td>$30</td>
<td>$0</td>
<td>$30</td>
</tr>
</tbody>
</table>

Energy Flow | EIM | MW | Settlement | Congestion | RTCO |
-------------|-----|----|------------|------------|------|
Import       | BAA 4 | 100 | $3,000     | $-25,000   | $0   |
ETSR4-Export | BAA 4 | -100 | $-28,000   | $0         | $0   |
ETSR2-Import | BAA 2  | 100  | $28,000    | $0         | $0   |
ETSR2-Export | BAA 2  | -100 | $-28,000   | $0         | $0   |
ETSR5-Import | BAA 5  | 100  | $28,000    | $25,000    | $0   |
Export       |       | -100 | $3,000     | $0         | $0   |

In this example, BAA 2 has a PBC violation. Because ETSRs currently settle as a ratio of the source and sink BAAs’ internal prices, BAA 4 is paid $3,000 for the TID import and is charged $28,000 for the ETSR export. In addition, BAA 5 is paid $28,000 for the ETSR import and is charged $3,000 for the TID export. From an EIM area perspective, the settlement of energy is neutral. However, from the individual BAA perspective, BAA 4 paid BAA 5 for the energy wheeling through the EIM area.

This asymmetrical settlement for wheeling transactions through the EIM area would become more pronounced if BAA 4 or BAA 5 experienced a PBC violation. Under this condition, not only would the ETSR settlement result in cost shifting between EIM entities, but the TID import/export price would be affected as well. This means there could also be a cost shift between EIM and non-EIM entities. Table 3 shows an example of how money flows when one of the boundary BAAs has PBC violation.

**Table 3: Settlement for wheeling energy when BAA 5 has a PBC violation**

<table>
<thead>
<tr>
<th>EIM</th>
<th>SMEC (λ)</th>
<th>PBC (λj)</th>
<th>LMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAA 4</td>
<td>$30</td>
<td>$0</td>
<td>$30</td>
</tr>
<tr>
<td>BAA 2</td>
<td>$30</td>
<td>$0</td>
<td>$30</td>
</tr>
<tr>
<td>BAA 5</td>
<td>$30</td>
<td>$500</td>
<td>$530</td>
</tr>
</tbody>
</table>

Energy Flow | EIM | MW | Settlement | Congestion | RTCO |
-------------|-----|----|------------|------------|------|
Import       | BAA 4 | 100 | $3,000     | $0         | $0   |
ETSR4-Export | BAA 4 | -100 | $-3,000   | $-25,000   | $0   |
ETSR2-Import | BAA 2  | 100  | $3,000     | $0         | $0   |
ETSR2-Export | BAA 2  | -100 | $-28,000   | $-25,000   | $0   |
ETSR5-Import | BAA 5  | 100  | $28,000    | $-25,000   | $50,000 |
Export       |       | -100 | $-53,000   | $0         | $0   |

In this example, BAA 5 has a PBC violation. Because ETSRs currently settle as a ratio of the source and sink BAAs’ internal prices, BAA 2 is paid $3,000 for the ETSR import and is charged $28,000 for the ETSR export. BAA 5 is paid $28,000 for the ETSR import, but because the TID export is settled at the SP-Tie price, BAA 5 is charged $53,000. Of
the $50,000 charge to TID, $25,000 offsets the ETSR import settlement and $25,000 is allocated to BAA 5 through Real Time Congestion Offset. In addition, there is a $25,000 cost shift from BAA 2 to BAA 5 through the real time congestion offset allocation of BAA 2 congestion.

As shown above, energy wheeling through an EIM BAA with a PBC violation can cause a cost shift between EIM entities and in/out of the EIM area. EIM entities also currently have the option not to settle their base ETSR schedule deviations through the market. This can exacerbate this cost shifting issues described above.

The proposal requires a change in CAISO process to eliminate the option for EIM entities not to settle Base ETSRs. Base ETSR schedule deviations will have to be settled through the CAISO market at SP-Tie prices. This is the same price that TID schedule deviations would settle at the intertie if the BAA at the other end were a non-EIM BAA. Figure 2 illustrates the proposal.

**Figure 2: Proposed Symmetrical Wheeling Settlement**

In Figure 2, both legs (import and export) of a wheeling transaction through an EIM BAA are settled at the same SP-Tie LMP irrespective of the type of the schedule (TID or base ETSR). This results in a symmetrical settlement where the payment for the import and the charge for the export cancel out. When all EIM BAAs in the schedule path settle base ETSR schedule deviations at the applicable SP-Tie LMP, the imbalance energy settlements cancel out for the entire wheeling transaction from source to sink. Furthermore, the financial value of base ETSR schedule deviations must be the settlement charge at the applicable SP-Tie LMP that is used in the settlement instead of the system marginal energy cost (SMEC), shown as the symbol \( \lambda \) in Figures 1 and 2.

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12 Complete cancellation only happens when transmission losses and physical congestion are ignored, as is the case in the example.
Table 4: Settlement of wheeling energy under proposed solution

<table>
<thead>
<tr>
<th>Energy Flow</th>
<th>EIM</th>
<th>MW</th>
<th>Settlement</th>
<th>Congestion</th>
<th>RTCO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Import</td>
<td>BAA 4</td>
<td>100</td>
<td>$3,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>ETSR4-Import</td>
<td>BAA 4</td>
<td>-100</td>
<td>$-3,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>ETSR2-Import</td>
<td>BAA 2</td>
<td>100</td>
<td>$3,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>ETSR2-Export</td>
<td>BAA 2</td>
<td>-100</td>
<td>$-3,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>ETSR5-Import</td>
<td>BAA 5</td>
<td>100</td>
<td>$53,000</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Export</td>
<td></td>
<td>-100</td>
<td>$-53,000</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

The proposed solution settles ETSR imports and exports the same as TID imports and exports, eliminating the cost shifting under a power balance constraint violation.

4.2 Unaccounted for Energy Settlement

Based on discussions with stakeholders, the CAISO proposes a market rule change to allow EIM entities to choose whether to settle unaccounted for energy for their BAA or by utility distribution company (UDC) area. This option would be available based on how the EIM entity obtains their load meter values. Unaccounted for energy is the difference between the energy delivered into a UDC service area and the total metered demand within the UDC service area, accounting for losses. This quantity is settled at the applicable locational marginal price.

Load Meter Value Determination

There are two ways for EIM entities to determine their load meter values.

- “Load aggregation” meter approach
- “Load derivation” meter approach

In the load aggregation meter approach, the EIM entity scheduling coordinator collects load meter values from load meters on the distribution system (e.g., retail, residential, and/or commercial meters). These load meter values measure the true load consumption. EIM entities using a load aggregation approach will still be required to settle UFE because it provides a more accurate accounting of energy and real-time market losses.

It is the CAISO’s preference for participants with non-participating load use a load aggregation meter approach because the distribution meters provide a high level of accuracy of the load consumption for the measured interval. There are some instances where EIM entities do not have a complete set of load meters on the distribution system. Therefore, the CAISO made some accommodations to EIM entities.

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13 This option is not available to entities within the CAISO BAA because they are required to calculate their load using a load aggregation approach, described later in the section.
14 Including loop flow, inadvertent flow, excess behind the meter, and distribution system losses.
that need to measure demand using a load derivation approach. In the load derivation approach, the EIM entity scheduling coordinator derives the load meter values indirectly using internal generation and intertie meters, applying a transmission loss factor. The CAISO believes it is beneficial to offer EIM entities the option not to settle UFE when they derive their load meter values using a load derivation approach.

An EIM Entity using a load derivation approach will have the following two options:

- **Elect to settle Unaccounted for Energy:** If the EIM entity elects to settle UFE, the UFE settlement will remain unchanged from its current status. The EIM entity will provide the ISO their OATT loss factor. The ISO will apply the OATT loss factor when calculating the hourly load base schedule. In addition, the EIM entity will apply the same OATT loss factor in the load derivation approach calculation. The ISO shall calculate the UFE settlement quantity as the product of the real-time market hourly LAP price and the sum of the generation meter readings and the intertie import meter readings less the sum of intertie export meter readings, load derivation meter calculations, and real-time market losses.

- **Elect not to settle Unaccounted for Energy:** If the EIM entity elects not to settle UFE, the EIM entity shall account for base schedule losses outside of the ISO market. The EIM entity and CAISO settlements will not incorporate losses by assuming an OATT loss factor of zero. The ISO will apply this OATT loss factor when calculating the hourly load base schedule. In addition, the EIM entity will apply the same OATT loss factor in the load derivation meter calculation. The ISO shall then exclude the EIM BAA from calculation of UFE amount.

The proposal involves a market rule change that will allow an EIM entity the option not to settle UFE if they use a load derivation approach. Currently, the EIM tariff states that the CAISO will calculate UFE for each EIM entity. The EIM tariff takes precedence over the relevant section in the CAISO tariff that allows market participants the option to settle or not settle UFE.

5. Stakeholder Engagement and Next Steps

Stakeholder input is critical for developing market design policy. The schedule proposed below allows several opportunities for stakeholder involvement and feedback.

The two changes proposed in this initiative will be brought to the EIM Governing Body and ISO Board of Governors in November 2020. However, this initiative may continue if additional issues are identified that fit within the scope of this initiative and are appropriate to address right away.

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15 The Open Access Transmission Tariff (OATT) loss factor describes how losses associated with transmission service are calculated by the transmission provider.

16 Note even though the EIM Entity has elected not to settle UFE, the market shall still run the real-time market based on power flow to ensure a quality market solution.
5.1 Schedule

Table 5 lists the planned schedule for the Real-Time Settlement Review stakeholder process. The proposed timeline is subject to change, in part based on stakeholder inputs or unforeseen complexities presented within the process. The CAISO will include the schedule and any potential revisions at each step in the process.

Table 5: Proposed schedule for the RTSR stakeholder process

<table>
<thead>
<tr>
<th>Item</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post Issue Paper/Straw Proposal</td>
<td>August 17, 2020</td>
</tr>
<tr>
<td>Stakeholder Conference Call</td>
<td>August 24, 2020</td>
</tr>
<tr>
<td>Stakeholder Comments on Issue Paper/Straw Proposal Due</td>
<td>September 7, 2020</td>
</tr>
<tr>
<td>Post Draft Final Proposal and Draft Tariff Language</td>
<td>October 1, 2020</td>
</tr>
<tr>
<td>Stakeholder Conference Call</td>
<td>October 8, 2020</td>
</tr>
<tr>
<td>Stakeholder Comments on Draft Final Proposal and Draft</td>
<td>October 22, 2020</td>
</tr>
<tr>
<td>Tariff Language</td>
<td>November 4, 2020</td>
</tr>
<tr>
<td>EIM Governing Body</td>
<td>November 18-19, 2020</td>
</tr>
<tr>
<td>ISO Board of Governors</td>
<td>November 18-19, 2020</td>
</tr>
</tbody>
</table>

The ISO will discuss this issue paper during a stakeholder conference call on August 20, 2020. The ISO requests that stakeholders submit written comments by September 3, 2020 to InitiativeComments@caiso.com.

5.2 EIM Governing Body Role

This initiative includes two proposals. First, the ISO proposes to modify the settlement rules that apply when energy is wheeling through one or more EIM BAAs and there is a power balance constraint violation in one of the EIM BAAs. Second, the ISO would provide EIM BAAs that use a top-down approach to calculating UFE the option to have CAISO calculate their UFE settlement using a top-down approach. These proposals are severable for purposes of approval and filing. This means that if only one of the two changes were approved, the ISO would proceed to file that change without the other.

Staff believes the EIM Governing Body should have primary authority in the approval of each of the proposed changes. An initiative proposing to change rules of the real-time market falls within the primary authority of the EIM Governing Body if either

- The proposed new rule is EIM-specific in the sense that it applies uniquely or differently in the balancing authority areas of EIM entities, as opposed to a generally applicable rule, or
• The proposed market rules are generally applicable and “an issue that is specific to the EIM balancing authority areas is the primary driver for the proposed change.”

The proposed tariff rules to implement to the changes described in this paper would be EIM-specific. The rules to implement the first change, about settlement for wheeling energy, will apply only to EIM Entities, because they concern base ETSRs. The CAISO BAA does not use base ETSRs. The rules to implement the second change also would apply only to EIM Entities. Entities internal to the CAISO BAA may not use a top-down approach, and the initiative will not change this rule. Accordingly, the EIM Governing Body would primary authority over each of the proposed rule changes.

This proposed classification reflects the current state of this initiative and may change as the stakeholder process moves ahead. We encourage stakeholders to submit comments on this proposed classification. If any stakeholder disagrees with this proposed classification, please include in your written comments a justification of which classification is more appropriate.