



Intertie Deviations Settlement Issue Paper

**Public Generating Pool Comments
September 5, 2018**

PGP appreciates the opportunity to comment on the California ISO's Intertie Deviations Settlement Issue Paper dated August 15, 2018. PGP represents ten consumer-owned utilities in Oregon and Washington that own more than 6,000 MW of generation, around 4500 MW of which is hydro and 96% of which is carbon-free.

Untagged imports should not count towards Resource Sufficiency Tests

Only supply from a verifiable resource should be included as supply towards meeting resource sufficiency requirements. PGP is concerned that CAISO is including in its RS tests intertie supply that is not physically available since CAISO does not become aware of which market awards will be delivered until e-tags are due, as late as 20 minutes prior to the operating hour. With the amount of undelivered intertie resources experienced by the CAISO, this could lead to significant leaning on other EIM Entities to make up for the intertie energy that CAISO was counting on but didn't materialize. To prevent such leaning, CAISO should only include supply that is e-Tagged at the time of the RS tests in CAISO's RS evaluation.

Request for more analysis during critical periods

PGP requests CAISO provide more information regarding undelivered intertie resources during critical periods, such as June 19-22, 2017 and September 1-2, 2017. This information can be helpful in identifying the magnitude of the impact of undelivered intertie awards on the market and grid reliability. Specifically, PGP requests CAISO answer the following questions in their analysis:

- What was the quantity of undelivered intertie awards during those periods and what actions did CAISO have to take to make up for the energy shortfall?
- What was the associated cost to CAISO and other market participants of having to make up for the energy shortfall?
- Were the undelivered intertie resources from day-ahead awards or real-time awards?
- Were any of the undelivered intertie resources from Resource Adequacy (RA) resources?
- If possible, what were the root causes of the undelivered energy?

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Consequence of undelivered inertia supply should be comparable to harm caused

Whatever penalty is considered for undelivered inertia resources should be commensurate in magnitude to the impact or potential impact the undelivered energy has on the market and grid reliability. CAISO states that once the grid operator recognizes the shortage created by undelivered energy, it is too late for the operator to schedule additional energy on the inertias. As a result, the energy may be expensive or unavailable without emergency actions and could even lead to capacity procurement mechanism (CPM) designations. The negative impacts on grid reliability can be severe, hence so should the penalty. PGP recommends CAISO explicitly quantify the harm that can occur (i.e. potential cost of replacement energy, emergency actions and CPM designations) when inertia energy is undelivered and propose a penalty proportionate to the potential damage that can occur.

Proposed solutions should consider root cause of undelivered energy

PGP encourages CAISO to explore root causes of undelivered energy, in particular during critical periods, and broaden its solution set to include alternatives that can be implemented prior to the scheduling deadline. For example, if the inertia deviations are occurring because suppliers are submitting bids that are not backed by physical resources and the supply cannot be acquired after an award is received, CAISO could consider a verification mechanism to validate availability of physical resources at the time of bid submission. If day-ahead inertia awards are not being delivered, CAISO could limit its exposure to undelivered energy by requiring day-ahead e-Tags. If RA resources are not being delivered because there were no physical resources at the time the RA contract was signed and the supplier was unable to find the supply, CAISO could again consider a verification mechanism that confirms the RA physical resources at the time of the RA contract and require day-ahead e-Tags if those RA resources are awarded in the day-ahead market. PGP recommends CAISO explore potential solutions such as e-tagging and other requirements that can be enforced prior to the hour that help assure inertia awards are delivered in addition to financial penalties.

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