

Comments of Seattle City Light on the July 19, 2018, EIM Offer Rules Workshop

Submitted by	Company	Date Submitted
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Seattle City Light (Seattle) is the tenth largest consumer owned electric utility in the nation, providing electrical service to more than 415,000 residential, commercial, and industrial customers in the City of Seattle, Washington and six adjacent cities. Seattle owns and operates hydroelectric resources with approximately 2,000 MW of flexible, fast-ramping capacity. We regularly transact in the wholesale energy and transmission markets. Seattle executed an Implementation Agreement with the California Independent System Operator (CAISO) and intends to begin participating in the Energy Imbalance Market (EIM) in April 2020.

Seattle appreciates the opportunity to comment on topics of Mitigation and Default Energy Bids and Resource Sufficiency Evaluation addressed at the EIM Offer Rules Workshop held on July 19, 2018. Seattle recommends that a formal stakeholder initiative be opened to explore the mitigation issues described and a new default energy bid option for use-limited resources. Seattle also recommends a separate, formal stakeholder initiative to address real-time resource sufficiency test reform. Detailed comments concerning default energy bids, market power mitigation and resource sufficiency follow below.

Mitigation and Default Energy Bids

Seattle shares the concerns and questions raised by stakeholders regarding the application of local market power mitigation in the EIM and the suitability of the existing default energy bid (DEB) options for use-limited resources.

Seattle appreciates the constructive proposals shared by CAISO, DMM and Powerex at the July 19 workshop to address both the mitigation and DEB issues and we are very supportive of CAISO's decision to continue to explore these issues in a formal stakeholder initiative. We believe the issues related to mitigation and DEB options for use-limited resources are not mutually exclusive and should both be addressed in a formal stakeholder initiative.

Mitigation Issues

Seattle shares the concerns regarding the "flow reversal issue" raised by Powerex, where flow changes from import to export after bid mitigation has been triggered due to import congestion. A scenario where an EIM entity becomes an uneconomic forced seller is problematic from both

an operational and economic standpoint. Seattle believes it would be beneficial for DMM and CAISO to further analyze the occurrence of flow reversal to better understand how this issue impacts or may impact other EIM entities. Seattle also believes it would be helpful further analyze Powerex's proposed solution of blocking exports during intervals that the applicable entity's purchases are mitigated to sales, as well as other potential solutions. We agree with DMM that any solution for flow reversal should be applicable to all EIM entities.

The "extension of mitigation" issue raised by stakeholders refers to the existing framework where market power mitigation in a single 15-minute interval is automatically extended to the rest of the hour, and bids mitigated for a 15-minute interval are then mitigated during the corresponding three 5-minute intervals. Seattle believes it is valid to question whether automatically applying LMPM to subsequent intervals after it is triggered is necessary when resources have not reached their ramp constraints. Seattle appreciates the point made by CAISO that any policy measures to address the extension issue should seek to avoid adverse consequences. Seattle suggests that CAISO and stakeholders thoroughly explore any potential adverse consequences in the stakeholder initiative.

Stakeholders also raised concerns with regard to the "misapplication" of mitigation. The specific situation that was explored in the workshop is whether LMPM should be applied in cases where customers are not subject to FERC jurisdiction or EIM prices. Seattle would like to better understand the applicability of the "misapplication" scenario described above to other EIM entities and what it means for customers to be "exposed to EIM pricing." For example, does this question hinge on whether an EIM entity's load is participating or not in the market?

In the context of addressing mitigation and DEB concerns, stakeholders raised for discussion modifying the current CAISO LMPM framework to incorporate a conduct and impact test. While we note that modifying the CAISO LMPM framework would be a more complicated and longer-term endeavor than other options under discussion, Seattle is open to further exploring the incorporation of a conduct threshold tailored to area constraints in the CAISO LMPM framework.

Default Energy Bid Options

Seattle believes any new DEB option should increase the flexibility for use-limited resources to reflect their opportunity costs and provide more certainty to stakeholders. Seattle appreciates both Powerex and CAISO bringing proposals for new DEB options for discussion at the July 19 workshop. As explained in our April 30 comments, we share the concerns of many stakeholders that the current DEB options may not be sufficiently flexible to accurately reflect opportunity costs for hydroelectric resources. As stakeholders have stated, while the negotiated DEB option theoretically offers the required flexibility for use-limited opportunity costs, it has fallen short of doing so in practice.

Seattle believes the DEB options presented by CAISO and Powerex at the workshop have merit and should be further explored. Both Powerex and CAISO presented options that recognize the opportunity costs for a use-limited resources based in part on its storage horizon. This was accomplished through a formula that would allow for the max of a daily

market price and future/forward prices, with a scalar that ranges from 110% (CAISO) to 250% (Powerex). A DEB option that reflects opportunity costs with varying storage horizons would increase the flexibility for use-limited resources to reflect their opportunity costs. The scalar further recognizes and accounts for the fact that any formula may not reflect all opportunity costs and having market-based offers replaced by a DEB that does not fully reflect opportunity costs is damaging to an entity. Seattle suggests that CAISO fully analyze a range of different scalars, and how the resulting DEBs would compare to historical market prices.

Resource Sufficiency Evaluation

Seattle thanks CAISO for taking the time to provide a presentation with slides that address the specific questions stakeholders submitted concerning the EIM resource sufficiency (RS) tests. The presentation and associated discussion underscore the need for CAISO to undertake a comprehensive reevaluation of its resource sufficiency tests to ensure that they are equitably applied across Balancing Authority Areas (BAA).

Seattle requests that CAISO start a formal stakeholder initiative to address real-time RS test reform. CAISO's approach to make piecemeal improvements in different forums is problematic because it is extremely difficult to understand the cumulative impacts of various small changes to the tests. A piecemeal approach does not provide EIM entities a complete analysis of all the moving parts, nor a comprehensive solution.

The necessity of a comprehensive approach is confirmed by CAISO's response to the requests of Seattle and other EIM entities to publish EIM entities' total RS test requirements in advance and with enough time to position their resources to meet the requirement. Seattle believes that a comprehensive reevaluation should examine options that allow the publication of RS test requirements in advance and prevent one BAA from leaning on another. After four years of experience with, and piecemeal changes to, the current tests, the time is ripe for a holistic analysis of the RS test's goals, equity in current operation, and shortcomings.

Should CAISO not commence a formal stakeholder initiative on RS tests, Seattle requests that CAISO clearly document the venue, schedule, and timeline for the resolution of each concern identified by stakeholders.

Seattle supports BPA's recommendation that CAISO publish a standalone business practice or other documentation that more specifically addresses all aspects of the EIM RS tests. EIM entities expressed concern about their ability to track the progress and implementation of the various modifications made over the past four years. Therefore, Seattle recommends that CAISO publish and regularly update documentation that describes in detail the operation of, and implementation of changes to, EIM RS tests.

Seattle fully supports CAISO's proposal evaluate if the flexible ramping sufficiency test requirement is equitably meeting the P95 standard it was designed to achieve. We look forward to participating in the scoping of this analysis. As a part of this evaluation, Seattle

suggests that CAISO provide an analysis that shows how the ISO BAA met its RS test obligations when loads were above contracted resource adequacy amounts, including June 19-22, and September 1-2, 2017.

Further, Seattle continues to support a full evaluation of the performance of inertia awards. Seattle suggests that CAISO explore visibility requirements, *e.g.*, a tagging or resource identification requirement, for inertia awards that count towards RS test requirements.

Finally, Seattle supports exploring the counting of available balancing capacity (ABC) towards the RS test requirements in limited circumstances.