

# Comments of Seattle City Light on the April 30, 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 thanks CAISO for the opportunity to provide comments on the EIM Offer Rules workshop and looks forward to working with all stakeholders to evaluate these issues through a full stakeholder process.

## Summary

Seattle appreciates the opportunity to comment on the topics of EIM Resource Sufficiency Evaluation and the Default Energy Bids (DEB) addressed at the EIM Offer Rules Workshop held on April 30, 2018. Seattle recommends that CAISO take up both of these issues in a formal stakeholder initiative that fully vets all stakeholder positions and explores multiple options to improve both the DEB framework and EIM resource sufficiency tests. Comments concerning default energy bids and resource sufficiency are detailed below.

## Default Energy Bid Framework

Seattle agrees with CAISO's statements at the EIM Offer Rules workshop that the concerns expressed by stakeholders regarding the limitations of the existing DEB framework for hydroelectric resources outside the CAISO footprint are significant, and if not resolved could impact the success and sustainability of the EIM. Seattle appreciates CAISO's recognition of the importance of the DEB issue and the need to address the concerns raised by stakeholders. Seattle recommends that CAISO take up this issue in a formal stakeholder initiative to fully explore options to resolve the DEB issue.

We are open to considering all proposed solutions to the DEB issue that would address the concerns identified below. Powerex's proposal should be explored and analyzed for market impacts. Specifically, it would be illustrative to explore the impacts to the market of applying various multipliers to the reference price included in Powerex's proposal. Seattle is also very interested in evaluating proposals from other parties, including CAISO and DMM.

Based on the information available to us, Seattle believes that the current DEB options may not be sufficiently flexible to reflect an accurate estimate of marginal opportunity costs for Seattle's hydroelectric resources. Among the DEB options that are currently available, historical locational marginal prices and variable operating costs may not be sufficient to reflect Seattle's marginal opportunity costs in bilateral markets.

A Negotiated Default Energy Bid (NDEB) is the remaining option available, but the current NDEB process presents several concerns for Seattle. First, it is problematic to have water used and reservoirs depleted for generation in hours when Seattle would choose not to generate. Powerex and PacifiCorp identified this situation in FERC filings regarding the impact of the current DEB process on their hydroelectric resources.<sup>1</sup> Second, the value of water changes over the course of a day, and a fixed daily value presents challenges as a reasonable estimation of marginal opportunity cost. It appears that the current NDEB process allows only for a fixed daily DEB value.<sup>2</sup> Finally, there may be other challenges to the current NDEB process that Seattle has not yet identified because we have not yet established DEB values with CAISO.

## **EIM Resource Sufficiency Evaluation**

Seattle recommends that CAISO continue the discussions begun at the April 30, 2018, workshop regarding EIM real-time resource sufficiency (RS) evaluation in a formal stakeholder initiative. Moving this discussion to a stakeholder process, even if tariff changes are ultimately not required, will allow stakeholders to fully vet the proposals and thoroughly explore all options to improve the workability of EIM RS tests. Additionally, the transparency provided by the written proposals that emerge from the stakeholder process will allow market participants to clearly identify the timelines in which studies will be performed and the forums and timelines in which changes will be implemented. If CAISO chooses not to progress to a stakeholder process on this issue, it should publish a document that includes the forums and timelines in which the issues identified through this process will be addressed. The remainder of this section addresses intertie award visibility requirements, flexible ramping sufficiency test (FRST) evaluation, test requirements, and test granularity.

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, Motion of Powerex Corp. to Intervene and Comments, Docket No. ER18-1339-000 (April 25, 2018); *Nevada Power Co., Sierra Pacific Power Co., and PacifiCorp*, Amendments to Market-Based Rate Tariffs Regarding Market-Based Rate Authority for the Energy Imbalance Market, Exhibit 2: Affidavit of Kelcey Brown, Docket Nos. ER17-2392, et al (August 31, 2017).

<sup>2</sup> See, e.g., Negotiated Default Energy Bids, presentation of Dr. Amelia Blanke for the Department of Market Monitoring, slide 11 (April 30, 2018), available at <http://www.caiso.com/Documents/DMMDefaultEnergyBidPresentation1-EnergyImbalanceMarketofferRulesTechnicalWorkshop.pdf>.

Intertie awards, if counted towards resource sufficiency test requirements, should be backed by a physical resource or system. Seattle supports the exploration of visibility requirements, e.g., a tagging or resource identification requirement, for CAISO's intertie awards.

Second, Seattle is supportive of Powerex's proposal to evaluate if the FRST requirement is meeting the P95 standard it was designed to achieve.

EIM participants also raised concerns that they do not have visibility in the FRST's requirements before the test is performed. Therefore, EIM participants requested changes that would give them the ability to accurately and consistently know the FRST requirement ahead of time, allowing them to meet the requirement without overcommitting resources. It appears that CAISO publishes some individual test components after the fact, but it does not publish the total requirement in advance and with enough time for EIM participants to know how much they are required to procure. Seattle supports CAISO providing EIM participants increased transparency regarding the components of the tests and total test requirements. Seattle supports publication of the total test requirements in one place with enough time for EIM participants to position their resources to meet the requirement.

Another concern that Seattle would like to see explored in a stakeholder process is that the FRST's uncertainty requirements does not appear to recognize the actual condition of variable energy resources. For instance, when a wind resource is at 0 MW there is no downward uncertainty, and when a resource is at its maximum output there no upward uncertainty. Yet the test requires capacity to meet uncertainty in those directions even though the downward or upward movement cannot occur. Seattle supports CAISO exploring and evaluating changes to the uncertainty requirement so a variable resource at 0 MW does not require DEC's, and a variable resource at its maximum output does not require INC's.

Finally, Seattle supports moving resource sufficiency tests to 15-minute granularity as a part of the day-ahead market enhancements process. Seattle also supports modifications of the EIM real-time resource sufficiency tests to freeze transfers for only the intervals where the test fails.

Seattle thanks CAISO for the opportunity to provide these comments and looks forward to continuing its participation in the process to address these issues.