

Stakeholder Comments

Intertie Deviation Settlement Issue Paper and August 22nd Stakeholder Webconference

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The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to comment on the issues presented by the CAISO in the Intertie Deviation Settlement Issue White Paper and during the web-conference held on August 22nd.

Data on Un-tagged Resources

SMUD interprets the major concern of the CAISO, leading to this new initiative, as the operational challenges created by a scheduling coordinator (SC)'s failure to submit an E-Tag after receiving a CAISO award, and potentially using this as an alternate to declining a schedule, to avoid the decline penalty. If this practice consistently results in smaller penalty than a decline charge, then the current practice does seem to create some incentive that is not aligned with efficient market operation.

First, SMUD appreciated the description of the current issues the CAISO is facing related to intertie e-tagging. The data shared by the CAISO during the web-conference (slide 19) is very compelling in that it seems to show a problem of a magnitude that is concerning and could have a significant market impact. However, it would be helpful to stakeholders, such as SMUD, if CAISO would present information about the potential causes of this problem. This would allow stakeholders to better understand and weigh in as CAISO aims to design a solution.

The presentation shows "undelivered intertie resources in June 2018" and states that undelivered interties primarily occur due the scheduling coordinator's failure to submit an E-Tag. SMUD is curious as to whether CAISO has analyzed if it is only a few scheduling coordinators who are primarily causing the undelivered resources? Has CAISO inquired with the associated entities regarding why these untagged quantities exist? We are curious as to whether there may be some mistaken understanding on the part of the SC, rather than disregard for the

expectations. It seems prudent to better understand the root cause of the problem before designing a specific solution.

Scheduling Coordinator Adjustments

The existing decline charge structure has a threshold under which an SC is not penalized, in recognition that unpredictable events may occur. When this rule was implemented in 2009, CAISO stated they could not tell whether a reduction was due to a reliability curtailment or another type of adjustment. This issue is tied to the question posed in this initiative (slide 36) as to whether the 10% threshold should be eliminated or adjusted.

The web-conference presentation overall suggests, but does not specifically state, that CAISO wishes to determine whether the SC had a valid reliability reason for failing to deliver scheduled energy over interties, and that CAISO has some ability now to ascertain the cause behind an adjustment, *ie*, whether it was made by a balancing authority or the SC. The presentation states: "Existing decline charge does not distinguish between scheduling coordinator adjustments and reliability operator curtailments" (slide 32). Is CAISO considering how to develop a process to determine reliability curtailment vs. market adjustment and whether the SC's reason for not submitting e-tags is valid? We would like to suggest that this would be an appropriate topic to consider in this initiative. If there is a reliability curtailment, then a penalty equivalent to a decline charge may not be appropriate because there may be valid reliability reasons for the failure to deliver/ submit an e-tag. In an instance where a balancing authority had to curtail for reliability reasons, an entity should not be penalized for tag reduction.

Therefore, on the question of the 10% threshold: if the current threshold for not meeting scheduled deliveries is too high, then perhaps it may make sense to lower the threshold but not to remove it completely. It seems that stakeholders need more detail on how this information would be brought into settlements to be comfortable that CAISO could accurately capture this to determine whether the existing threshold (10%) or a new threshold was met. How will this "test" flow into settlements? Once that process is determined stakeholders may be better able to weigh in on changing the threshold percentage. We would appreciate CAISO providing more detail around how the determination of reliability need would be made.

Aligning Deadlines

SMUD is uncertain whether a separate stakeholder initiative (underway or past) has discussed whether it would be more efficient to move the real-time market deadline for intertie trading of T-40 closer to the e-tagging deadline of T-20. It seems appropriate for CAISO to consider that as a possibility in this initiative, as it could provide a complimentary solution to the other proposals being considered. Given the problems of visibility this initiative has identified, perhaps changing the market deadline could help resolve some concerns discussed in the issue paper and presentation.