



Comments on Penalty Prices and Scheduling Priorities in CAISO Market – 11/20/20 Informational Call

Comment period

November 30, 2020 - December 9, 2020

1. Provide summary of your organization’s comments on the workshop and the scope of the material presented:

Shell Energy North America (US), L.P., (“Shell Energy”) participated in the stakeholder call held 20 Nov. 2020 regarding PRR1282 and appreciates the opportunity to comment. The scope of the material was very focused on internal scheduling priorities internal to the ISO and did not address reliability impacts to neighboring BAs and the material impacts to market participants who may subjectively have their schedules reclassified as non-firm or curtailed. Shell Energy has seen the response to PRR1282 creating disruption in markets and to neighboring BAAs and market regions. The ISO should commit to a stakeholder initiative in lieu of simply holding a second conference call so that concerns from participants can be addressed.

2. Provide your organization’s comments on change in practice the CAISO adopted on September 5, 2020, to use schedules from scheduling run in the day-ahead residual unit commitment (RUC) process instead of schedules from pricing run:

No comment.

3. Provide your organization’s comments on the change in practice the CAISO adopted on September 5, 2020, to use RUC schedules for exports as the reference protected into real-time markets:

See answer to 6.

4. Provide your organization’s comments on current priority assigned to the various types of export self-schedules as described in Section 31.4 and 34.12 of the CAISO tariff:

No comment.

5. Provide your organization’s comments on what additional detail regarding today’s practices should be included in the BPM language to better describe business practice change adopted on September 5, 2020

The ISO should specify if it will use pro-rata curtailments; if it will allow SCs to elect to terminate its entire schedule; when it will notify SCs of its intent to curtail; that curtailments will only take place in DA and not in RT.

6. Provide your organization’s comments on what additional details regarding scheduling priorities and the treatment of self-schedules should be discussed in subsequent stakeholder meetings.

The ISO must address the significant implications this BPM change will have on external BAAs and bilateral market transactions scheduled from the ISO. The recently released DMM special report on August and September 2020 market conditions states:

“[t]he threat of an export curtailment to another BAAs when conditions are constrained throughout the system may prevent access to emergency energy at either that time or in the future”¹.

Curtailing firm interchange schedules, as part of a CAISO RUC process, does not align with NERC and WECC reliability standards. Firm interchange may only be interrupted when the host BAA is in a declared system contingency (EEA2, EEA3). This change will contribute to seams issues between external markets and ISO markets because exports tagged as firm (G-F) and made from the ISO are understood to be firm energy. This change casts doubt upon firmness of ISO exports and pits ISO rules directly at odds with NERC and WECC reliability standards.

Uncertainty due to ISO export firmness will result in ISO-sourced exports being considered non-firm by market participants and other BAAs. This would have adverse impacts upon interconnection reliability. The ISO may avoid this by designating exports as non-firm in advance or by changing all CAISO-sourced exports to generation firm contingent generation (G-FC). Further, the ISO must recognize energy is contracted for in bilateral markets on a preschedule basis. Any announcements of export curtailments after prescheduling and trading is completed would be detrimental to other BAAs active in bilateral markets. As the ISO has the outage approval authority and is the entity that determines how much excess generation is available for RUC procurement, the ISO would be the appropriate entity to publish on a forward basis the quantity of available capacity to signal to the market when exports might be assigned a non-firm classification.

Further, this change will result in increased costs to ratepayers vis-à-vis elevated LMP/LAP DAM prices charged to load and exports in the IFM without appropriate “crediting” for any curtailed exports (reduced demand). This change, as implemented, could lead to measured demand including exports setting high IFM prices. Curtailments made to ISO-sourced exports, would reduce overall demand and result in lower prices *without* crediting load lower market prices due to the reduced demand caused by export curtailments. This approach is discriminatory and not appropriately applied.

Finally, the ISO must recognize the need for grid planning and coordination between ISO markets and other BAAs in the WECC. The recent DMM special report summarizes this point well:

“The Rules and process for curtailment of exports by the CAISO and other balancing areas should be reviewed, clarified and potentially modified—with a goal of establishing equal treatment and expectations pf exports by all balancing areas”².

Shell Energy respectfully requests that the ISO consider conducting a more thorough stakeholder discussion to vet the impacts of its proposed BPM change and to seek stakeholder input for alternate solutions to minimize market disruptions.

Sincerely,

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¹ DMM Report on system and market conditions, issues and performance: Aug and Sep 2020, pp. 47

² DMM Report on system and market conditions, issues and performance: Aug and Sep 2020, pp. 69-71