



Stakeholder Comments Template

Intertie Deviation Settlement: Draft Final Proposal

This template has been created for submission of stakeholder comments on the Intertie Deviation Settlement Draft Final Proposal that was published on December 13, 2018. The Intertie Deviation Settlement Draft Final Proposal stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/IntertieDeviationSettlement.aspx>

Submitted by	Organization	Date Submitted
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Upon completion of this template, please submit it to initiativecomments@caiso.com.

Submissions are requested by close of business on **January 8, 2019**.

Please provide your organization's comments on the following topics:

1. Curtailed E-Tags will be excluded from the under/over delivery charge, which allows for removal of the 10% threshold.

WPTF supports removing the 10% threshold now that the CAISO can differentiate between curtailments/operator adjustments and undelivered imports/exports.

2. The under/over delivery charge will be evaluated in each fifteen-minute interval as opposed to the decline charge, which is applied on a monthly basis.

No comment.

3. The logic for the 15-minute market (FMM) will be based on the submission of an E-Tag transmission profile instead of the assumption that an E-Tag will be submitted.

No comment.

4. Declined and undelivered energy will be subject to the under/over delivery charge = $0.5 \times \text{MAX}(\text{FMM LMP}, \text{RTD LMP})$, with a \$10/MWh minimum

WPTF supports the CAISO developing an incentive-based settlement structure that results in improved market efficiency, price signals, and grid reliability. For an incentive to be effective, it must result in the desired behavior change – in this case, fewer instances of undelivered imports/exports. Thus, it is extremely important that market participants can react to the incentive structure developed through this stakeholder process to address the issue identified by the CAISO – otherwise it simply becomes an added cost with no market improvements or results in unintended behavioral changes. Incentives should be market-based, such as incenting economic participation from interties, rather than prescriptive, otherwise there could be unintended consequences.

WPTF appreciates the CAISO's effort in developing the excel settlement models as they are extremely helpful to walk through the implications of the proposal. The latest proposal addressed most concerns previously raised and is a significant improvement over the existing penalty structure. As noted in previous comments, WPTF supports a settlement structure that does not discriminate between internal and external resources; interties should be subject to the market prices the same as everyone else. WPTF continues to be concerned with the implications this proposal may have given the potentially inequitable treatment between internal and external generation, as illustrated below, and potential unintended consequences. For example, given higher cost to external resources, could there be a decline in intertie participation and what impact would this have on the market?

Based on this proposal, equitable treatment is only obtained when the price spread between FMM and RTD is the same as 50% of the maximum of the FMM and RTD Price. An internal resource that is scheduled in the FMM but does not generate in the 5-minute market is exposed to the price difference between FMM and RTD. However, an external resource that clears HASP but does not deliver in the FMM will be exposed to 50% of the higher of the RTD and FMM price.

For example, the scenario below from the CAISO's UODCP excel model shows an hourly resource with 100MW HASP schedule but does not tag nor deliver. Based on these prices, the resource would be charged \$2,750 for not delivering. An internal resource with an 100MW FMM schedule but does not deliver in real-time would be paid \$5,500 for the FMM energy and charged \$2,000 MW for not delivering in real-time for a total payment of \$3,500. The only case in this scenario when an internal resource would be settled the same as an external resource is if the price spread between the FMM and RTD is equal to 50% of the higher of the FMM and RTD price, e.g., \$55 FMM and \$90 RTD.

PROPOSED HOURLY BLOCK						
	1	2	3	4	price	settlement
DAM	0	0	0	0	\$ 30.00	\$ -
HASP	100	100	100	100	\$ -	\$ -
XMSN PROFILE	0	0	0	0	\$ -	\$ -
FMM	0	0	0	0	\$ 55.00	\$ -
RTD (E-TAG)	0	0	0	0	\$ 20.00	\$ -
					<i>ENERGY SETTLEMEN</i>	\$ -
UODP	-100	-100	-100	-100		\$ (2,750.00)
					TOTAL	\$ (2,750.00)

WPTF understands that in some cases this may result in internal resources being more costly than external resources, specifically when the price spread between FMM and RTD is more than 50% of the higher of FMM and RTD price. Using the same CAISO scenario but with slightly different FMM and RTD prices, an internal generator will be charged \$1,500 with a 100 MW FMM schedule and 0 MW RTD schedule. Whereas an external resource will be charged \$1,000.

PROPOSED HOURLY BLOCK						
	1	2	3	4	price	settlement
DAM	0	0	0	0	\$ 30.00	\$ -
HASP	100	100	100	100	\$ -	\$ -
XMSN PROFILE	0	0	0	0	\$ -	\$ -
FMM	0	0	0	0	\$ 5.00	\$ -
RTD (E-TAG)	0	0	0	0	\$ 20.00	\$ -
					<i>ENERGY SETTLEMEN</i>	\$ -
UODP	-100	-100	-100	-100		\$ (1,000.00)
					TOTAL	\$ (1,000.00)

It is WPTF's understanding, and appreciate, that using 50% of the maximum of FMM and RTD price is considered a reasonable parameter to closely mimic how internal resources are treated. Given the inherent differences between how internal and external resources are scheduled, dispatched, and settlement in the market it is challenging to ensure identical treatment. Additional discussion on the analysis that led the CAISO to propose 50% of the higher of FMM and RTD could be insightful in this policy process along with examples of how this settlement structure compares to an internal resource that is awarded in the FMM but does not fully deliver in real-time.

Additional comments