



**Arizona Public Service Company
Comments on CAISO 2017 Stakeholder Initiatives
November 17, 2016**

Arizona Public Service Company ("APS") submits the following comments on California Independent System Operator's ("CAISO") 2017 Stakeholder Initiatives Catalog and Draft Policy Initiatives Roadmap dated November 4, 2016 ("2017 Roadmap"). CAISO is specifically seeking stakeholder comment on the rankings for CAISO's proposed stakeholder initiative's. APS appreciates the opportunity to provide comments CAISO's rankings and 2017 Roadmap and is providing its comments on a specific element of the ranking criteria and providing APS recommended priorities in regard to the specific discretionary initiative's impacting participants in the Energy Imbalance Market ("EIM") or the real-time market below.

CAISO 2017 Policy Initiatives Roadmap Ranking Criteria

APS appreciates the complexity of the CAISO's ranking process and supports the CAISO's plan for 2017. APS notes a possible unintended outcome that can result for EIM initiatives related to the "desired by stakeholder" criteria. Due to the fact that the number of EIM stakeholders is smaller relative to the number of ISO stakeholders, EIM initiatives could routinely fall into the "desired by a small subset or customer" category with a relatively low ranking of 3. Therefore, APS is requesting that CAISO consider modifying the ranking for the "desired by stakeholder" criteria for those initiatives that have the primary authority of the EIM Governing Body. APS suggests that CAISO consider adding a weighting method that will allow those impacted EIM initiatives to be weighted based on the total number of stakeholders impacted by EIM.

APS Proposed Initiatives

A. 6.3.1 Real-Time Market Enhancements

APS supports the CAISO's current ranking of the Real-Time Market Enhancement Initiative as the number one discretionary item to be considered for the 2017 policy initiatives. This initiative would examine market design changes that may be needed to enable the five-minute real time dispatch to perform many of the functions that are now performed by the 15-minute market runs. These functions include real-time unit commitments, ancillary service procurement, and local market power mitigation. Decreasing the lead time for unit commitment, and other market functions, allows more recent and accurate information to inform those decisions – which can produce a more efficient market solution. The proposal also includes the potential for extending the market outlook for unit commitment. A longer optimization outlook could prevent some units from being cycled "early" in the day when perhaps using them over peak is the most efficient market solution.

APS also understands that as part of this initiative, the timeframe for the market optimization system to run would be reduced thereby shortening the timeframe to submit bids, including e-Tags, and EIM base schedules to closer to the Western Electricity Coordinating Council's 20 minutes prior to the operating hour ("T-20") deadline. Addressing this issue would resolve certain stakeholder concerns regarding the ability to align the bilateral market more closely with the ISO's real-time market and will provide benefit to the EIM, its participants, and non-participating customers in EIM areas.



B. 6.4.8 Over and Under Scheduling Load Enhancements for EIM

NV Energy suggested adding this initiative during the stakeholder process. APS believes this initiative should be given a higher priority by CAISO and may be an initiative that can be achieved easily at a low cost. APS understands that this initiative would examine potential improvements and enhancements to CAISO load forecasting transparency and accuracy and review the current penalty bands for EIM Entities not balancing to the forecast. While, APS supports the concept that the current penalty bands protect – that each EIM entity needs to come into the market balanced in order to prevent leaning on the market – since entering EIM, APS has experienced numerous load forecast jumps for the sufficiency test hour that result in APS being near or outside of those penalty bands. This requires numerous last second changes that can lead to inefficient base schedules or inefficient unit commitment. Beyond just the sufficiency testing hour, an inaccurate forecast may also cause EIM entities to commit longer start units which may not actually be necessary. For those reasons, APS strongly supports examining improvements and enhancements the CAISO load forecast.

C. 6.4.5 Donation By Third-Party For Transmission Capacity Available for EIM Transfers

APS supports this initiative as being highly ranked by CAISO as it would provide significant benefits to the EIM and is ranked as highly feasible in its implementation. This initiative will analyze if the congestion rents division among EIM Entities can be extended to allow third-parties to receive congestion revenue on transmission made available to support EIM transfers. APS understands that this initiative would provide an incentive for transmission owners or customers to make otherwise unused transmission available in the EIM. This will provide an economic benefit to and help improve operational efficiencies in EIM. The Stakeholder Initiatives Catalog lists three separate initiatives related to compensation for transmission in the EIM: 6.4.2 potential EIM-wide transmission rate; 6.4.4 compensation for third parties making capacity available for EIM transfers; and 6.4.5 donation by third-party transmission capacity available for EIM (as discussed above). APS agrees with CAISO's relatively lower rankings for initiatives 6.4.2 and 6.4.4. APS suggests that these lower ranked initiatives should not be addressed at this time and the EIM should be given more time to expand under its existing structure. Instead, APS believes that these initiatives should be reexamined and ranked in a subsequent stakeholder initiatives ranking process.

D. 6.4.1 External Resource Participation and 6.4.6 Bidding Rules on EIM Interties

CAISO has included two separate initiatives to address the participation of external resources in the EIM: 6.4.1 External Resource Participation, and 6.4.6 Bidding Rules on EIM Interties. APS agrees with the relatively low rankings for these two initiatives and that they should be given a lower priority at this time as additional evaluation needs to take place in order to address potential stakeholder issues underlying the initiatives. This would be consistent with the discussion that recently took place during a Federal Energy Regulatory Commission technical conference regarding challenges associated with bidding at the external EIM interties held on October 28, 2016 ("Technical Conference").¹

¹ Docket No. ER16-1518.



At the Technical Conference, parties discussed that there must be an identification and better understanding of the specific underlying problems that need to be resolved before efforts are undertaken to identify potential solutions. For instance, it may be possible that certain issues could be more appropriately resolved under remedies identified in other existing initiatives. Specifically, there was discussion that the EIM Regional Issues Forum ("RIF") would be a good venue for the ISO and stakeholders to identify and address any perceived problems before launching an ISO stakeholder process designed to provide a solution. APS agrees with the outcome of the Technical Conference and with using that forum as the venue for identifying and discussing potential problems. APS recommends addressing potential solutions associated with external resource participation as part of a stakeholder initiative in a subsequent stakeholder initiative raking process after stakeholders have had chance to evaluate potential issues as part of the RIF process.