

July 10, 2023

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: California Independent System Operator Corporation  
Docket: ER15-2565-\_\_\_  
Independent Assessment by the Department of Market Monitoring  
May 2023 Western Energy Imbalance Market Transition Period Report for El Paso  
Electric Company**

Dear Secretary Bose:

The Department of Market Monitoring (DMM) hereby submits its independent assessment on the transition period of El Paso Electric Company (EPE) during its first six months of participation in the Western Energy Imbalance Market (WEIM) for May 2023, as EPE joined the WEIM on April 5, 2023.

Please contact the undersigned directly with any questions or concerns regarding the foregoing.

Respectfully submitted,

**By: /s/ Eric Hildebrandt**

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## California ISO

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# Report on Western Energy Imbalance Market issues and performance: El Paso Electric Company for May 2023

July 10, 2023

Prepared by: Department of Market Monitoring

## Executive summary

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Pursuant to the Commission’s October 29, 2015 Order on the CAISO’s Western Energy Imbalance Market (WEIM), the California ISO (CAISO) filed a report on June 26, 2023 covering the period from May 1 through May 31, 2023 (May report) for El Paso Electric Company (EPE) in the Western Energy Imbalance Market. <sup>1</sup> EPE joined the WEIM on April 5, 2023, and the transition period will apply to the EPE balancing authority area (BAA) until September 30, 2023. <sup>2</sup>

This report provides a review by the Department of Market Monitoring (DMM) of Western Energy Imbalance Market performance for the EPE balancing authority area during the period covered in the CAISO’s May report. This is the second report for the transition period of the EPE balancing authority area. Key findings in this report include the following:

- Prices in the EPE area were below prices in the Desert Southwest WEIM region during peak hours, and above mid-day prices at the Southern California Edison (SCE) default aggregation point within the CAISO.
- The EPE balancing authority area failed the flexible ramping sufficiency test 21 times in the upward direction and 27 times in the downward direction in May. Additionally, EPE failed the bid range capacity test 2 times in the upward direction and 4 times in the downward direction.
- For the month, EPE had 8 valid under-supply and 5 valid over-supply infeasibilities in the 15-minute market. In the 5-minute market, there were 82 valid under-supply infeasibilities and 28 valid over-supply infeasibilities.
- Transition period pricing decreased EPE area prices by \$2.30/MWh and \$8.57/MWh in the 15-minute and 5-minute markets, respectively.

Section 1 of this report provides a description of prices and power balance constraint relaxations, and Section 2 discusses the flexible ramping sufficiency and bid range capacity tests.

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<sup>1</sup> The CAISO’s May 2023 Report was filed at FERC and posted on the CAISO website on June 26, 2023: <http://www.caiso.com/Documents/Jun26-2023-May2023WEIMTransitionPeriodReport-ElPasoElectricCompany-ER15-2565.pdf>

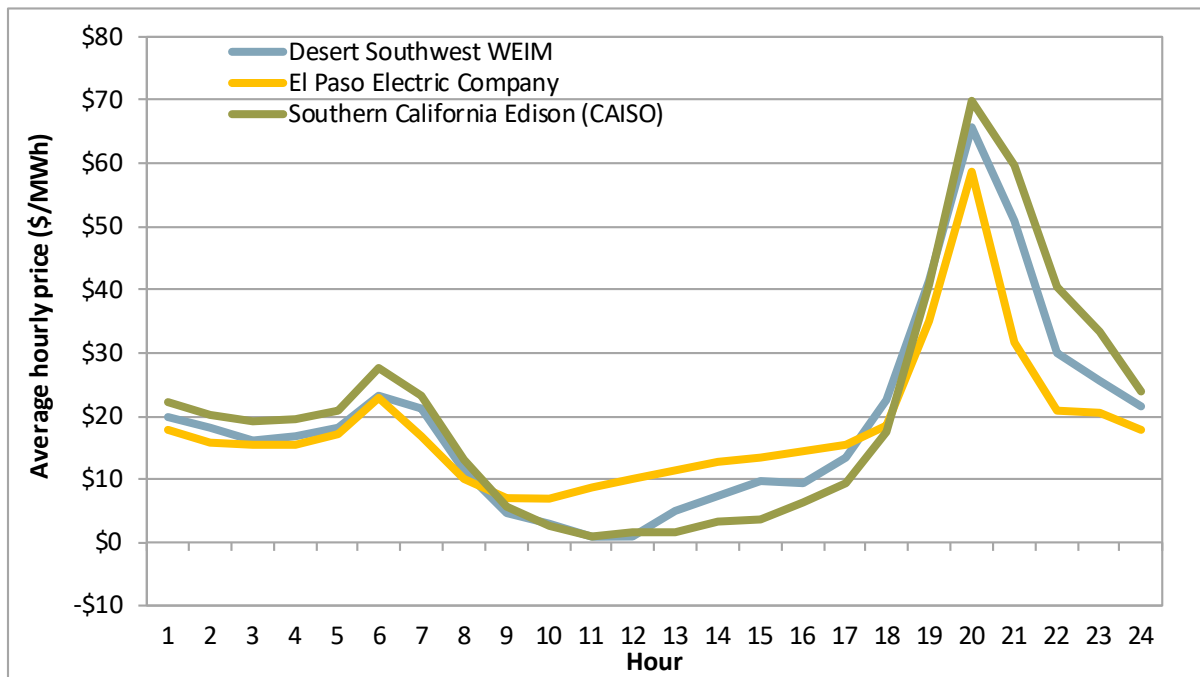
<sup>2</sup> This follows from the application of CAISO Tariff section 27(b)(1), which refers to a number of months rather than a number of days.

# 1 Western Energy Imbalance Market prices

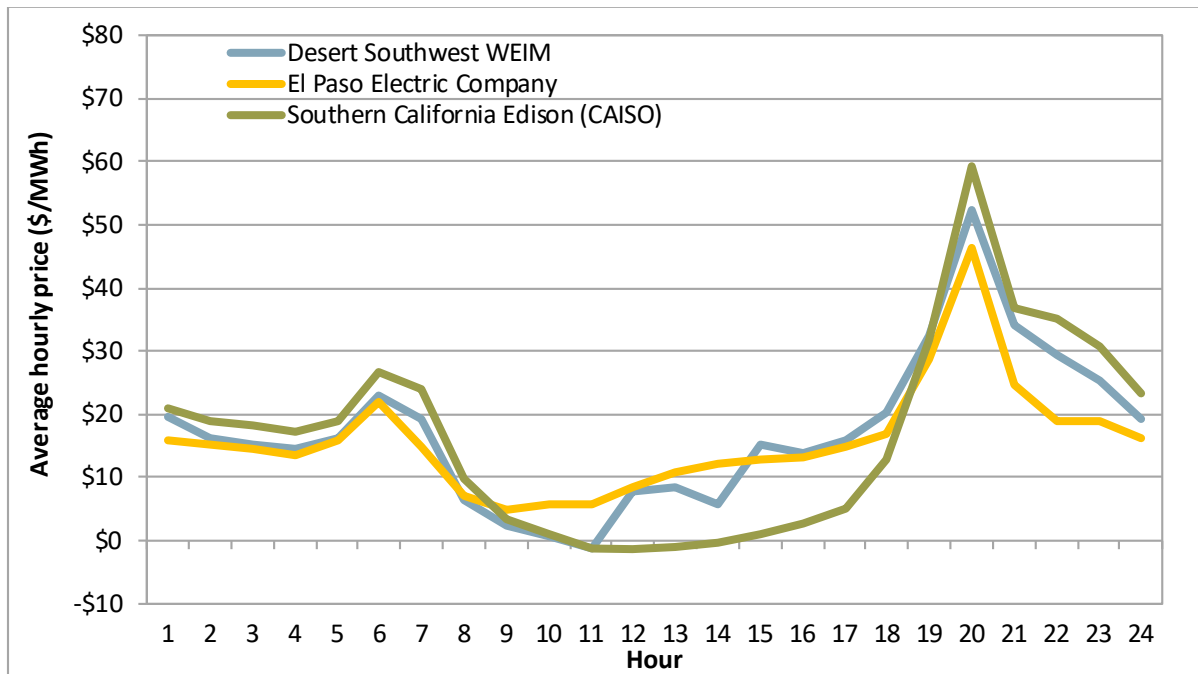
Figure 1.1 and Figure 1.2 show hourly average 15-minute and 5-minute prices during May for EPE compared with prices in the CAISO at the Southern California Edison (SCE) default load aggregation point and the average Desert Southwest WEIM regional prices.<sup>3</sup>

Average prices in the El Paso Electric Company area were below prices in the Desert Southwest WEIM region during peak hours, and above mid-day prices at the Southern California Edison (SCE) default aggregation point within the CAISO. For the month, EPE prices averaged \$18.10/MWh in the 15-minute market and \$15.76/MWh in the 5-minute market.

**Figure 1.1 Average hourly 15-minute price (May 2023)**



<sup>3</sup> The Desert Southwest WEIM region includes Arizona Public Service, Tucson Electric Power, Nevada Energy, Public Service Company of New Mexico, and Salt River Project. Western Area Power Administration – Desert Southwest Region is part of this WEIM region, but is not included for this analysis.

**Figure 1.2 Average hourly 5-minute price (May 2023)**

All power balance constraint relaxations that occurred in May were subject to the six-month transition period pricing that expires on October 1, 2023.<sup>2</sup> The transition period pricing mechanism sets prices at the highest cost supply bid dispatched to meet demand, rather than at the \$1,000/MWh penalty parameter while relaxing the constraint for shortages, or the -\$155/MWh penalty parameter while relaxing the constraint for excess energy.<sup>4 5</sup> Power balance constraint relaxations can be grouped in the following categories:

- **Valid under-supply infeasibility** (power balance constraint shortage). These occurred when the power balance constraint was relaxed because load exceeded available generation. The CAISO validated that CAISO software was working appropriately during these instances.
- **Valid over-supply infeasibility** (power balance constraint excess). These occurred when the power balance constraint was relaxed because generation exceeded load. The CAISO validated that CAISO software was working appropriately during these instances.

<sup>4</sup> When transition period pricing provisions are triggered by relaxation of the power balance constraint, any shadow price associated with the flexible ramping product is set to \$0/MWh to allow the market software to use the last economic bid dispatched.

<sup>5</sup> The penalty parameter while relaxing the constraint for shortages may rise from \$1,000/MWh to \$2,000/MWh, depending on system conditions, per phase 2 implementation of FERC Order 831.

- **Load conformance limiter would have resolved infeasibility.** The load conformance limiter automatically reduces the size of an operator load adjustment and sets prices at the last economic signal when the conditions for the limiter are met.<sup>6</sup> During the transition period, the limiter does not change price outcomes because transition period pricing is applied during these intervals instead. However, in these cases, the load conformance limiter *would have resolved the infeasibility* had transition period pricing not been in effect.
- **Correctable infeasibility.** These occurred when the CAISO software relaxed the power balance constraint concurrent with a software error or data error that resulted in a price correction, or would have triggered a price correction if transition period pricing were not active.<sup>7</sup>

Figure 1.3 and Figure 1.4 show the weekly frequency of under-supply and over-supply infeasibilities in the 15-minute and 5-minute markets, respectively. In May, there were 8 valid under-supply and 5 valid over-supply infeasibilities in the 15-minute market. In the 5-minute market, there were 82 valid under-supply infeasibilities and 28 valid over-supply infeasibilities.

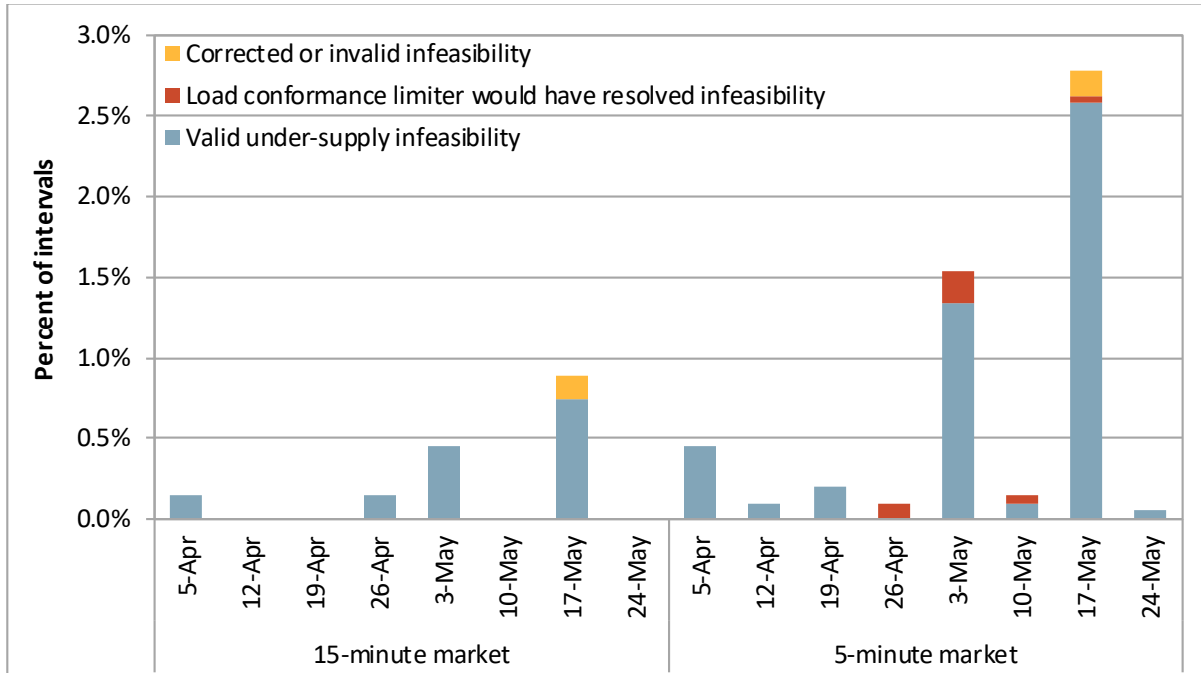
Additionally, there were 6 intervals during May when the load conformance limiter would have triggered in the 5-minute market for the EPE balancing authority area had transition period pricing not been in effect.

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<sup>6</sup> The CAISO implemented an enhancement to the load conformance limiter, effective February 27, 2019. With the enhancement, the load conformance limiter triggers by a measure based on the change in load adjustment from one interval to the next, rather than the total level of load adjustment.

<sup>7</sup> Section 35 of the CAISO tariff provides the CAISO authority to correct prices if it detects an invalid market solution or issues due to a data input failure, occurrence of hardware or software failure, or a result that is inconsistent with the CAISO tariff. During erroneous intervals, the CAISO determined that prices resulting under transition period pricing were equivalent to prices that would result from a price correction, so no further price adjustment was appropriate. For more information: [http://www.aiso.com/Documents/Section35\\_MarketValidationAndPriceCorrection\\_May1\\_2014.pdf](http://www.aiso.com/Documents/Section35_MarketValidationAndPriceCorrection_May1_2014.pdf)

**Figure 1.3 Frequency of under-supply power balance infeasibilities by week El Paso Electric Company**



**Figure 1.4 Frequency of over-supply power balance infeasibilities by week El Paso Electric Company**

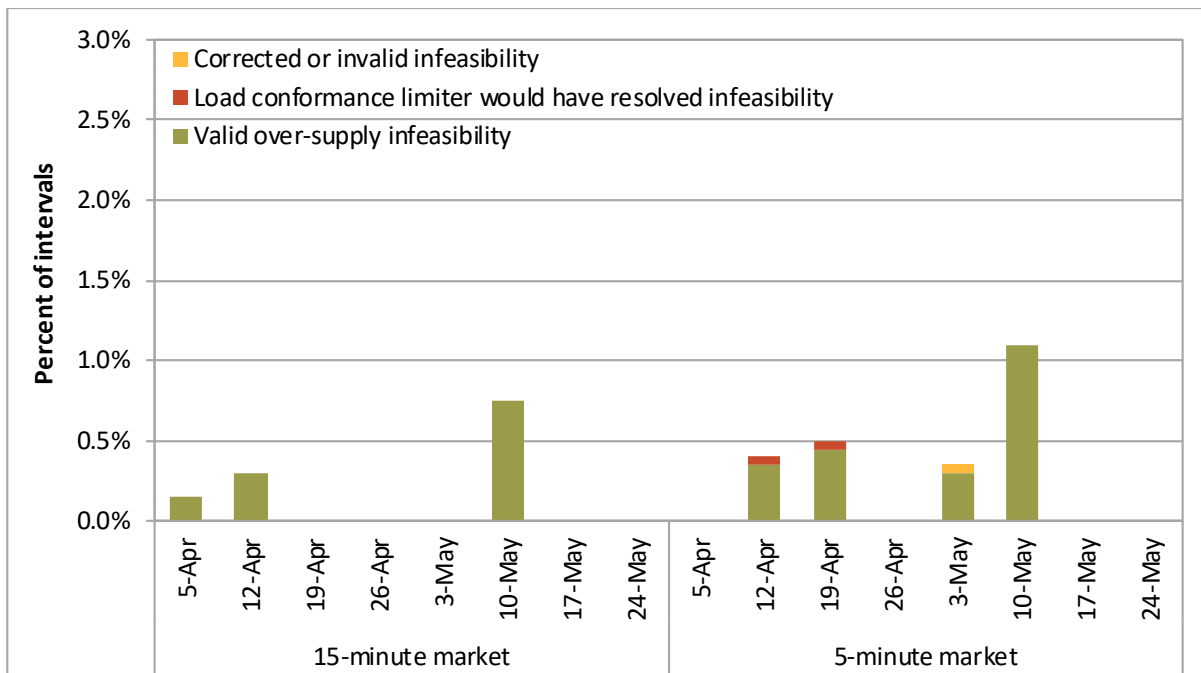
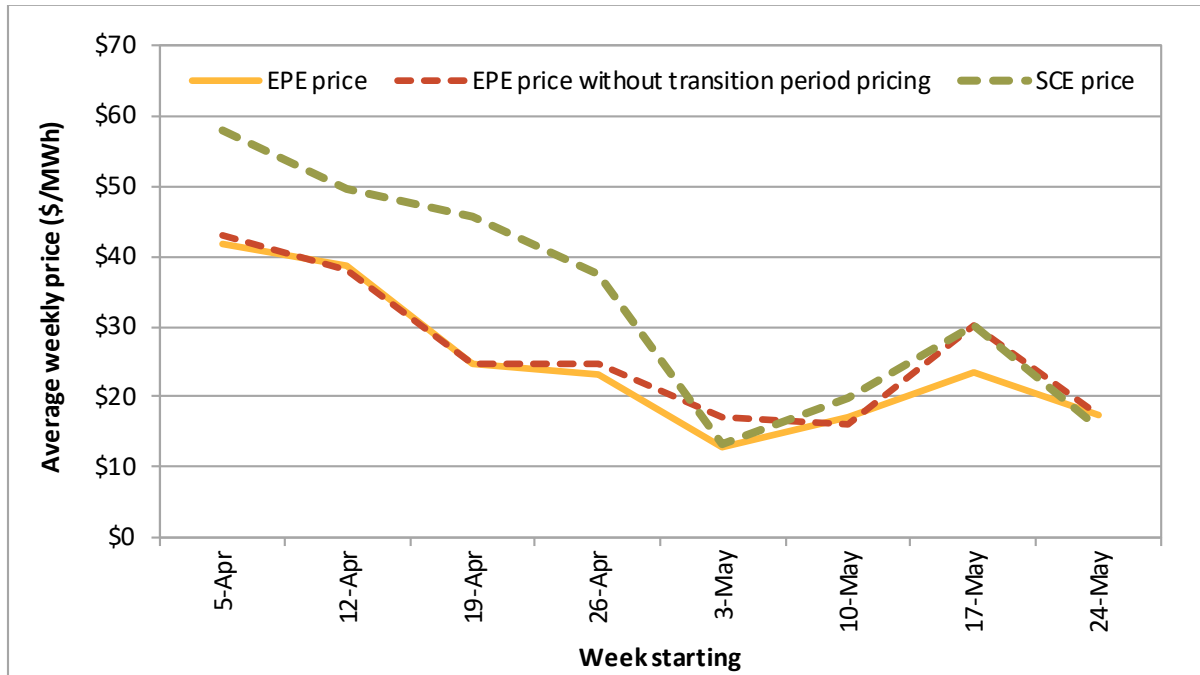


Figure 1.5 and Figure 1.6 show the average weekly prices in the 15-minute and 5-minute markets *with* and *without* the special transition period pricing provisions applied to mitigate prices in the EPE area during the month.<sup>8</sup> On average for May, transition period pricing decreased EPE area prices by \$2.30/MWh and \$8.57/MWh in the 15-minute and 5-minute markets, respectively.

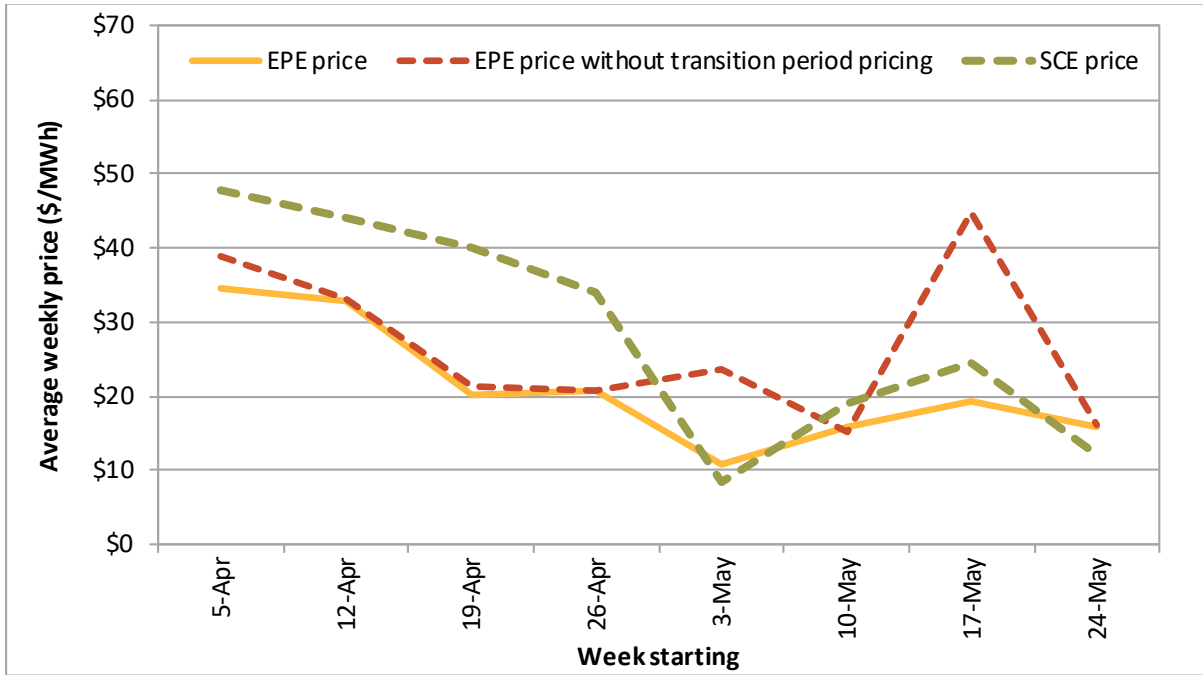
**Figure 1.5 Average prices by week – El Paso Electric Company (EPE) (15-minute market)**



<sup>8</sup> A detailed description of the methodology used to calculate these counterfactual prices that would result without transition period pricing was provided on p. 7 of the January 2017 report for Arizona Public Service from DMM: [http://www.caiso.com/Documents/May1\\_2017\\_Department\\_MarketMonitoring\\_EIMTransitionPeriodReport\\_ArizonaPublicService\\_Jan2017\\_ER15-2565.pdf](http://www.caiso.com/Documents/May1_2017_Department_MarketMonitoring_EIMTransitionPeriodReport_ArizonaPublicService_Jan2017_ER15-2565.pdf)



**Figure 1.6 Average prices by week – El Paso Electric Company (EPE) (5-minute market)**



## 2 Flexible ramping sufficiency and bid range capacity tests

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As part of the WEIM, each area including the California ISO is subject to a resource sufficiency evaluation. The evaluation is performed prior to each hour to ensure that generation in each area is sufficient without relying on transfers from other balancing areas. The evaluation includes two tests:

- **The bid range capacity test (capacity test)** requires that each area provide incremental bid-in capacity to meet the imbalance between load, inertia, and generation base schedules.
- **The flexible ramping sufficiency test (sufficiency test)** requires that each balancing area has enough ramping flexibility over an hour to meet the forecasted change in demand as well as uncertainty.

If an area fails either the bid range capacity test or flexible ramping sufficiency test, energy imbalance market transfers into that area cannot be increased.<sup>9</sup> Failures of the capacity and sufficiency test are important because these outcomes limit transfer capability. Constraining transfer capability may affect the efficiency of the WEIM by limiting transfers into and out of a balancing area that could potentially provide benefits to other balancing areas. Reduced transfer capability also affects the ability for an area to balance load, since there is less availability to import-from or export-to neighboring areas. This can result in local prices being set at power balance constraint penalty parameters.

The EPE balancing authority area failed the flexible ramping sufficiency test 21 times in the upward direction and 27 times in the downward direction in May. Additionally, EPE failed the bid range capacity test 2 times in the upward direction and 4 times in the downward direction.

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<sup>9</sup> If an area fails either test in the upward direction, net WEIM imports (negative) during the hour cannot exceed the lower of either the base transfer or optimal transfer from the last 15-minute interval prior to the hour.

**CERTIFICATE OF SERVICE**

I certify that I have served the foregoing document upon the parties listed on the official service list in the captioned proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, this 10<sup>th</sup> day of July, 2023.

*/s/ Aprille Girardot*

Aprille Girardot