



## Department of Energy

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### **Stakeholder Comments on California ISO's June 13, 2017 Issue Paper: Consolidated EIM Initiatives from 2017 Roadmap**

<b>Submitted by</b>	<b>Company</b>	<b>Date Submitted</b>
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Thank you for the opportunity to comment on the Consolidated EIM Initiatives from 2017 Roadmap Issue Paper. Bonneville Power Administration (BPA) would like to submit the following comments for consideration.

#### **Third Party Transmission Contribution**

BPA supports the concept of the CAISO allowing third parties to contribute transmission to the EIM; however, the proposal to use Congestion Revenues to compensate third parties for this contribution is self-defeating. The value of third party transmission is to alleviate congestion the EIM is experiencing between generation and load. Additional transmission would allow the EIM to move more generation to load over transmission paths that otherwise would be congested. As congestion is alleviated, the Congestion Revenues between LMPs would tend to approach zero. Hence the more third party transmission a party contributes, the less the party is paid. Taken to the extreme, the party would receive no payment for use of its contributed transmission.

BPA does not have a specific proposal at this time for compensation of third party transmission, but believes that in order to incent third party transmission to be made available to the EIM, the CAISO needs to find a compensation method that fairly compensates the third party contributor even when no congestion exists. Finally, for the same reasons above BPA agrees that a third-party should not be subject to charge as a result of providing transmission. Providing transmission only serves to improve market efficiency and thus the EIM market should incent parties to offer transmission to that end. BPA does not have a position at this time as to who would be the appropriate party to receive such a charge or the intervals at which a net charge should be exempted.

#### **Management of Bilateral Schedule Changes**

BPA appreciates the CAISO's attempt to resolve seams issues that exist between the EIM and the bilateral market through the Management of Bilateral Schedule Changes. However, the

proposal does not address a major impact of those seams – the inability for load inside the EIM to make schedule changes after the window for hourly base schedules has closed. That window is both well ahead of the WECC standard for changes to hourly schedules and also doesn't allow for loads to benefit from 15-minute schedules as they are implemented throughout most of WECC. As such, EIM loads are precluded from adjusting schedules to reflect changes in load or generation. Therefore, EIM loads often have to choose between minimizing their scheduling error or subjecting themselves to unknown prices in the market, the result of which may be an actual *increase* in imbalance in the EIM. BPA does not believe that this is a rational result and encourages the CAISO to develop a mechanism for parties to make scheduling adjustments for bilateral imports into an EIM Entity consistent with standard bilateral scheduling practices. There have been discussions about narrowing the EIM timelines, *i.e.*, moving the T-57 requirement closer to the WECC-wide T-20 schedule change. This would be one solution for addressing the current seams issue.

### **Net Wheeling Charge**

BPA strongly believes that an EIM BAA whose transmission system is being used to wheel generation from one EIM BAA to another EIM BAA should be compensated.

As the EIM area expands, certain EIM Entities' transmission systems will increasingly facilitate additional EIM transfers by wheeling generation from one EIM BAA to another EIM BAA. Currently, source and sink EIM BAAs accrue benefits when a wheel-through transfer occurs. However, wheel-through transfers without congestion provide no incremental benefit for the EIM Entity, whose transmission system facilitates the EIM transfer.

BPA believes compensation for transmission system use by EIM transactions is an important consideration in the overall EIM design. Compensation for transmission use is essential to address the issues of:

- Cost recovery for flows caused by EIM dispatches that cross over a transmission provider's system without originating or sinking in that system.
- Preventing market distortions arising from discounted transmission pricing in any one temporal market and not the others.
- Preventing the problem of a "free rider."
- Cost shifts among transmission owners and customers due to reduced transmission revenues.

Two major concerns are focused on (1) revenue associated with wheel-through transactions where neither the load nor the generator is located and (2) equity between parties that benefit from those transactions and those who do not. Without a specific EIM transmission charge, individual transmission providers would not have a mechanism to recover costs for EIM flows that cross over their system or to correctly assign costs to customers who cause them.

The overriding revenue concern is that customers might reduce or cease to purchase firm and non-firm transmission in amounts that reduce revenues, increasing transmission rates for the remaining customers. This could create a feedback loop of rising rates, partially stranded assets, and inequitable cost shifts among customer classes. Non-EIM bilateral transactions are typically scheduled and tagged using a combination of firm, non-firm, network, and re-directed transmission service. However, the EIM creates the potential for those transactions to be replaced by EIM transfers, which do not incur a transmission charge. Sub-hourly EIM flows are not intended to displace, or replace, existing transmission service required to serve firm obligations, including serving load and honoring export obligations, but that is exactly what may occur. The EIM is not intended to be a mechanism for eliminating the purchase of firm transmission services from transmission providers and the CAISO should manage the risk of this happening.

Additionally, the ability of market participants to flow transactions over transmission facilities over which they have not purchased transmission service and for which they are not required to pay, may also result in inequitable rates in which some customers pay for transmission costs attributable to others. The EIM should support cost causation principles that are generally accepted throughout the interconnection. Such principles incentivize maximum use of transmission systems for maximum benefit. Customers wheeling through an EIM Entity receive a benefit that is supported by that EIM Entity's local customers, which could undercut the incentive for the EIM Entity to maximize the transmission it makes available for the market, thus reducing market efficiency in general. This situation could hold true for EIM Entities that directly make transmission available for EIM Transfers as well as those that depend on transmission rights holders to "donate" transmission for EIM Transfers.