IID Comments on CAISO's Proposal on Uneconomic Adjustments

Imperial Irrigation District (IID) appreciates the opportunity to provide comments on the CAISO's Uneconomic Adjustment proposal, described in its September 19, 2008 "Draft Final Proposal on Uneconomic Adjustments in the MRTU Market Optimizations" (Proposal) as it relates to the impact on ETC/TOR Schedules from two perspectives: scheduling priority and unintended financial consequences.

CAISO has stated that the scheduling priorities (as outlined in its tariff), which provide higher scheduling priority to ETC/TOR self schedules, may not be maintained during uneconomic adjustments. Proposal at 11. CAISO has also shown that the extremely high penalty prices do not necessarily protect ETC/TOR schedules and it could result in an inefficient economic outcome. This situation is especially true when the ETC or TOR load resides within a default LAP and the ETC or TOR rights are scheduled near a binding constraint. In this case, ETC/TOR load with higher scheduling priority would almost always be curtailed before the default LAP.

A similar situation, although less likely, could potentially apply to intertie schedules even though transmission constraints associated with intertie scheduling are set by CAISO at high penalty prices ($7000). It is a major concern for IID if its TOR schedules, for example, are curtailed because they effectively receive a lower scheduling right than they are entitled to due to uneconomic adjustments. (IID uses its TOR rights on the Southwest Power Link (SWPL) to bring in energy from Palo Verde to serve its load). CAISO needs to define proper parameters to prevent degradation of TOR/ETC rights while at the same time achieving sound economic results. Achieving one outcome without the other is not acceptable.

The second issue relates to the financial consequence for TOR/ETC schedules that are submitted as balanced self schedules in IFM, but end up as unbalanced pairs as a result of uneconomic adjustments after IFM clears.

According to the CAISO's proposal, rights holder may submit supply schedules after IFM to balance their ETC/TOR portfolio and as long as the supply schedules are accepted by the CAISO and sum of the IFM and HASP/RT source and sinks are equal, then CAISO will provide the perfect hedge settlement. Id. at 12. However, ETC/TOR holders could still be subject to additional charges other than congestion.

It is also important to note that the rights holder may not find an alternative supply resource before HASP/RTM closes to supplement its IFM source schedule. Even if it does, there is no guarantee that the schedule submitted in HASP/RTM will be accepted by the CAISO. If it is not, the rights holder would still be subject to congestion charges for the unbalanced portion of its schedule. Even if the schedules submitted after IFM make the overall source and sink schedules in IFM and RTM balanced, the rights holder could still be subject to charges other than congestion costs.

Assume a situation that the ETC holder submits a self schedule of balanced source and sink for 100 MW in IFM. The CAISO adjusts the ETC source to 80 MW. The ETC sink remains at 100 MW in IFM and in the real time (metered load is 100 MW). Let's say the rights holder submits 20 MW of supply schedule in HASP/RT and it gets accepted by the CAISO. In this case, the ETC holder would receive the perfect hedge settlement and gets exemption from congestion charges between the source(s) and the sink. However, the rights holder could still be subject to IFM Tier 1 bid cost recovery cost allocation, as well as the difference between IFM and HASP/RTM energy prices for 20 MW.

If a balanced ETC self schedule gets curtailed in IFM on the sink side, the ETC holder may be exposed to other charges. Let's assume another example where the ETC holder submits a balanced self schedule of 100 MW in IFM and the ETC sink is curtailed to 80 MW and the real time load is 100 MW. In this case, in addition to paying the RT energy price (instead of the IFM energy price) for the 20 MW of load deviation, the rights holder may potentially be subject to Tier 1 of Exceptional Dispatch costs, PIRP uplifts, Energy Exchange cost allocation (although Energy Exchange transactions would likely remain quite infrequent) and additional GMC charges associated with uninstructed deviations charges.

IID urges the CAISO to honor the scheduling priorities specified in its tariff and protect the ETC/TOR schedules from curtailments except under severe transmission derates. In addition to reversal of congestion charges, IID recommends that TOR/ETC holders be exempt from IFM Tier 1 bid cost recovery cost allocation particularly when the HASP supply schedules submitted by ETC/TOR holders make the overall ETC/TOR schedules in IFM and HASP/RT balanced. In the case of IFM curtailment on the sink side of the ETC/TOR schedule, it is recommended that load deviation between IFM and real time be treated as instructed deviations to minimize the additional cost exposure to ETC/TOR schedules.

IID's understanding with respect to curtailment of wheeling schedules is that if wheeling schedules are curtailed on one side to relieve a constraint, the other side of the wheeling transaction would also be curtailed, and the overall schedule after the curtailment would continue to remain balanced. So from a settlements point of view, the additional charges specified above would not apply to wheeling transactions. If this is not the case, the CAISO is requested to provide clarification.