

**COMMENTS OF IDAHO POWER COMPANY  
ON CAISO’S JULY 19, 2018, EIM OFFER RULES WORKSHOP**

<b>Submitted By</b>	<b>Company</b>	<b>Date Submitted</b>
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Idaho Power Company (“Idaho Power” or “Company”) appreciates the opportunity to comment on the California Independent System Operator’s (“CAISO”) July 19, 2018, Energy Imbalance Market (“EIM”) Offer Rules workshop. Idaho Power thanks CAISO for holding the workshop. The discussions of the flexible ramping sufficiency test and market power mitigation were extremely valuable, and Idaho Power appreciates CAISO staff’s and the participants’ work on these issues.

**I. FLEXIBLE RAMPING SUFFICIENCY TEST**

Idaho Power appreciates the detailed presentations on the resource sufficiency tests, particularly the flexible ramping test. Idaho Power understands that CAISO does not intend to initiate a stakeholder process to consider policy or tariff changes to the tests, but that CAISO is willing to consider other changes, including Business Practice Manual (“BPM”) changes.

Changes are needed to better enable the flexible ramping test to achieve its goals. While Idaho Power appreciates CAISO’s willingness to consider other changes, the Company urges CAISO to begin a stakeholder process to consider a broad set of changes. The EIM participants and footprint have changed significantly from the time the tests were developed, and there are enough potential issues to warrant a stakeholder process.

Idaho Power strongly urges CAISO to implement a band (for example, a percent of load or 100 megawatts, whichever is less) around flexible ramping sufficiency test results, such that if an EIM Entity's results are within the band, it would be deemed to pass the test for that interval. Idaho Power has failed the test—and, as a result, had its transfers frozen, impacting both it and neighboring EIM Entities—by a small amount of megawatts. The test was never intended to impose consequences for failures by such de minimis amounts. The inputs into the tests—estimates of variability on the system—are themselves not nearly that precise, and the test was never meant to be that precise. A band, within which results are deemed to pass the test, would acknowledge the variability and uncertainty of the inputs to the test and would avoid imposing consequences on EIM Entities that otherwise would fail by a de minimis amount. (Similarly, to enhance the accuracy of the test, Idaho Power recommends CAISO consider improvements to the calculation of the uncertainty requirement, including probabilistic forecasting instead of using histograms and considering additional factors.)

Idaho Power also strongly urges CAISO to consider allowing additional sources of ramping capability—other than solely that from participating resources—to count for purposes of the test. CAISO should consider allowing any physical generation under the control of the EIM Entity, that it can rely on for ramping within its Balancing Authority Area (“BAA”), to count as ramping capability for the purposes of the test. The EIM Entity would use those resources for ramping in its BAA absent the EIM, so it makes sense to allow them to count for purposes of the test in the EIM. For example, CAISO should consider allowing at least a portion of Available Balancing Capacity to count toward each EIM Entity's overall ramping capability.<sup>1</sup> Similarly, CAISO should consider allowing at least a

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<sup>1</sup> Idaho Power raised this issue in its Comments on the April 30, 2018, workshop as well.

portion of a non-participating resource's ramping capability to count toward the test if the resource is under the control of the EIM Entity.

These approaches would recognize that the EIM Entity has ramping capability available, separate from what it has bid into the market, that it can use to maintain reliability on its system. These approaches would also recognize that there are valid, legitimate reasons for an EIM Entity to not bid some of those resources into the EIM.<sup>2</sup> Idaho Power has a resource—the hydroelectric Hells Canyon power plant—that it had planned to designate as a participating resource. However, after discussion with CAISO, Idaho Power realized that CAISO would be unable to adequately model the operational constraints imposed on the plant by its Federal Energy Regulatory Commission (“FERC”) license. As a result, if the Hells Canyon plant was a participating resource, the market's dispatches might cause the plant's operations to violate the requirements of its FERC license. This was an unacceptable risk to Idaho Power; therefore, it designated Hells Canyon as a non-participating resource. However, in real-time, the plant remains available to Idaho Power for ramping purposes. Idaho Power believes that ramping capability for plants that CAISO is unable to model for participation should count toward the flexible ramping sufficiency test.

CAISO should also consider changes to how resources with longer ramp times are counted. With reliability-based controls, and under the North American Electric Reliability Corporation's (NERC) Resource Demand and Balancing (BAL) reliability standards, a BA has 30 minutes to adjust generation to respond to a deviation and return Area Control Error to zero. On the other hand, the flexible ramping sufficiency test requires resources that can ramp in 15 minutes. Idaho Power understands that this is due to the operation

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<sup>2</sup> It is not simply EIM Entities “strategically participating” with the minimum amount of resources necessary to pass the test, as suggested by CAISO staff. See slide 29 of CAISO staff's presentation at [http://www.caiso.com/Documents/ISOPresentation-Jul19\\_208-EIMOfferRulesTechnicalWorkshop-ResourceSufficiencyTest.pdf](http://www.caiso.com/Documents/ISOPresentation-Jul19_208-EIMOfferRulesTechnicalWorkshop-ResourceSufficiencyTest.pdf).

of the 15-minute market; nonetheless, CAISO should consider whether changes could be made to acknowledge and account for longer ramping resources that EIM Entities use to maintain reliability in their BAAs.

Finally, Idaho Power supports the changes to the flexible ramping sufficiency test that are proposed in the Day-Ahead Market Enhancements (“DAM-E”) initiative. Idaho Power understands that CAISO is now looking at implementing DAM-E in the fall of 2020.<sup>3</sup> Idaho Power encourages CAISO to consider whether the changes to the flexible ramping sufficiency test, particularly freezing transfers for individual intervals, could be implemented earlier.

## **II. EIM MITIGATION AND DEFAULT ENERGY BIDS**

Idaho Power strongly supports a CAISO stakeholder initiative on EIM market power mitigation and default energy bids, and thanks CAISO for scheduling it. There are several areas that deserve attention.

First, Idaho Power has been mitigated in situations when it is in a competitive “bubble” with three or four of its neighboring EIM Entities (that is, transmission is constrained between the bubble and CAISO or other EIM Entities, but, within the bubble, transmission is not constrained). Mitigation in that situation is inappropriate. Idaho Power does not have market power when transfers can freely occur between it and its neighboring EIM Entities. In particular, Idaho Power does not have sufficient generation to hold market power in that situation. Idaho Power questions whether the pivotal supplier test is being appropriately applied in that situation.

Second, Idaho Power agrees with a point made by Powerex in the workshop: If an EIM Entity is determined to have market power, it should be given the opportunity to

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<sup>3</sup> July 31, 2018, Release Users Group presentation, slide 5, at [http://www.aiso.com/Documents/Agenda-ReleaseUserGroupWebConferenceJul31\\_2018.pdf](http://www.aiso.com/Documents/Agenda-ReleaseUserGroupWebConferenceJul31_2018.pdf).

simply withdraw its bid or be “skipped over.” It is inappropriate for the bid price to be unilaterally changed to something that does not reflect the opportunity costs of the resource. Idaho Power’s ratepayers are harmed when it is mitigated to and forced to sell at a default energy bid that does not reflect its real opportunity costs. Idaho Power may have been saving that fuel—water—to serve load in later higher-priced hours, and now may have to buy energy at those higher prices to serve the load.

Third, there should be greater flexibility in negotiating default energy bids. When Idaho Power was negotiating its default energy bids, it brought several proposals to CAISO that the Company believed would more accurately reflect its opportunity costs, only to have its proposals rejected each time. CAISO should recognize each EIM Entity’s expertise in calculating its own opportunity costs and be open to new or alternate methods that it has not seen previously, thus providing more flexibility. (Similarly, in some months, the 10 percent adder is not sufficient to reflect the amount of water Idaho Power has; there should be flexibility to use a higher adder in certain circumstances.)

In the workshop, CAISO posed several questions regarding EIM mitigation and default energy bids. Idaho Power responds to those questions below.

1. Idaho Power believes the mitigation issues uniquely affect EIM Entities. Entities within CAISO’s BAA and participating in the day-ahead market do not experience the forced sales and lost opportunities to sell in the future in the same way that EIM Entities do. Entities internal to CAISO would also not be impacted by being mitigated when they are in a “bubble,” as EIM Entities are.

2. Idaho Power does not believe the issues are unique to hydro, but impact any use-limited resource, and that proposed solutions could potentially apply to any such resource.

3. Idaho Power believes that both the mitigation issues and the default energy bid issues need to be resolved. Solving one would not necessarily solve the other. Even with a default energy bid that more accurately reflects opportunity costs, it is inappropriate to mitigate an entity when it is in a competitive “bubble” with three or four other EIM Entities.

4. Regarding the structure of a new default energy bid, there has not been a formula accepted by CAISO that works well for hydro with storage. More flexibility and openness to new or alternate methods is needed. As mentioned above, Idaho Power talked extensively with CAISO and the Department of Market Monitoring (“DMM”) about potential formulas and, each time, Idaho Power was redirected toward something similar to items contained in the tariff or variations that the DMM had accepted previously.

5. Regarding the feasibility of reference level adjustment requests to resolve the concerns, Idaho Power believes there needs to be greater flexibility to look at new default energy bid approaches. Using the greater of two indices is an example that could reduce the need for reference level adjustment requests in some circumstances.

6. Adjustment requests or cost estimates could be verified by looking at bilateral market data, including forwards.

### **III. CONCLUSION**

Idaho Power appreciates the thought and effort that CAISO, EIM Entities, and other stakeholders have put into these important issues. Resolution of these issues will improve the operation of the EIM for current and future participants. Idaho Power again appreciates the opportunity to submit these Comments and looks forward to continued collaboration with CAISO on these and other issues.