



**COMMENTS OF NV ENERGY  
SECOND REVISED FLEXIBLE CAPACITY FRAMEWORK  
FLEXIBLE RESOURCE ADEQUACY CRITERIA AND MUST OFFER OBLIGATION-2  
DATED APRIL 27, 2018  
CAISO STAKEHOLDER PROCESS**

**May 21, 2018**

NV Energy seeks confirmation from the CAISO that a resource in an EIM Entity's Balancing Authority Area would need to reserve and pay for point-to-point transmission capacity to participate in supplying flexible capacity with a must-offer obligation in the CAISO's Day-Ahead Market as part of the FRACMOO. Such a requirement is consistent with longstanding practice. For example, sales from EIM Entity's merchant group into CAISO's Day-Ahead Market must use and pay for point-to-point transmission.

Unfortunately, the CAISO has clouded this clear delineation in the FRACMOO stakeholder process. On one hand, the CAISO's proposal states,

The ISO proposes that transmission capacity must be secured prior to the day-ahead market and must be shown in the e-tag from the EIM Participating Resource all the way to the ISO Scheduling Point. Further, this transmission capacity must be specified in the day-ahead market and real-time market bid for the System Resource. The OASIS field on the e-tag must specify the System Resource name, as registered in the Master File and with an association to the EIM participating resource ID shown for flexible RA capacity.

This statement appears to recognize the need to obtain and pay for the requisite point-to-point transmission. One important clarification is that "EIM Participating Resources" cannot supply FRACMOO, when they are participating in the EIM. They are expressly prohibited from bidding into both the CAISO's Day-Ahead Market and the EIM. The separation between the EIM and the CAISO's Day-Ahead Market is complete. As stated in Section 29.31 of the CAISO Tariff,

EIM Entity Scheduling Coordinators and EIM Participating Resource Scheduling Coordinators may not submit Bids in the CAISO's Day-Ahead Market on behalf of EIM Market Participants that they represent in their capacity as an EIM Entity Scheduling Coordinator or EIM Participating Resource Scheduling Coordinator."

Any FRACMOO would need to be supplied by either a non-participating resource in the EIM Entity's Balancing Authority Area or an EIM Participating Resource not participating in the EIM.



NV Energy requests clarification from CAISO that a California LSE could secure flexible capacity from a resource in an EIM Entity's Balancing Authority Area but may not rely on reciprocal EIM transmission to move the energy into California. Any contrary approach would be fundamentally inconsistent with the EIM design concept, FERC Orders, the CAISO Tariff and the FERC-approved OATTs of the participating EIM Entities. The issue of how transmission would be reserved and compensated to support Day-Ahead Market participation is part of a separate upcoming "EDAM" stakeholder initiative – not FRACMOO. Accordingly, the CAISO should clarify that EIM reciprocal transmission cannot be used to support a FRACMOO obligation.

FERC has recognized that the EIM is separate from elements of CAISO's resource adequacy capacity construct:

The EIM is the extension of CAISO's real-time market only to allow utilization of CAISO's existing market software beyond the borders of CAISO BAA. The requirements for forward capacity commitment in the CAISO BAA and EIM Entity BAAs remain unchanged, and are not within the scope of the EIM proposal. Further, we find CAISO's EIM resource sufficiency measures for the CAISO BAA and for EIM Entity BAAs to be adequate. CAISO and the EIM Entities continue to operate under their separate respective tariffs, amended in part for EIM arrangements only. CAISO's EIM proposal thus is not an appropriate forum to address any deficiencies that may exist in CAISO's or EIM Entities' forward capacity requirements or non-EIM tariff provisions.

*California Independent System Operator*, 149 FERC ¶ 61,058 (2014) at P. 54.

Previously, the CAISO has recognized the distinction between the reciprocal EIM transmission service and the need to pay for transmission to offer into the day-ahead market.

Customers transmitting energy for forward transactions receive a different service than customers transmitting energy in the real-time Energy Imbalance Market. All customers purchasing energy in the latter market enjoy the benefit of the non-pancaked rate. Any balancing authority in the Western Interconnection will be eligible to join the Energy Imbalance Market. There is accordingly no undue discrimination.

Some stakeholders objected to this proposal based on speculation about how it may affect market behavior or the distribution of revenues. Such objections, however, are premature and unfounded. For example, some stakeholders speculated the shifting of EIM Entities' existing day-ahead and real-time trading and scheduling activities into the Energy Imbalance Market to take advantage of the reciprocal waiver of wheeling charges. This contention ignores the countervailing benefits that market participants can receive through day-ahead and forward trading or in other real-time markets.

CAISO February 28, 2014 Filing Letter in Docket No. ER 14-1386 at page 37.



As reflected in the EIM OATTs, the reciprocal transmission service is only applicable to EIM Participating Resources *when they are bidding as EIM Participating Resources*. This is reflected in Attachment P, Section 8.7 of the NV Energy OATT. Non-participating resources must have the requisite transmission capacity or otherwise are charged for unreserved use. Finally, the CAISO must recognize that the issue of transmission usage and compensation is not a solely a CAISO determination, but an approach that must be undertaken with the consent and participation of the EIM Entities.