

# Notice

**To:** David Olsen, Chair, Board of Governors  
Douglas Howe, Chair, EIM Governing Body

**From:** Roger Collanton, Vice President, General Counsel and Corporate Secretary

**Date:** April 5, 2018

**Re:** Notice of Planned Decisional Classification for “Imbalance Conformance Enhancements”

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***Any objection by the Chairs to this decisional classification is due by April 12, 2018.***

This is formal notice of ISO Management’s decisional classification for the “imbalance conformance enhancements” initiative. Any objection by the Chairs to the decisional classification is due by April 12, 2018. Otherwise, this initiative will be presented for decision consistent with the classification described below.<sup>1</sup>

For purposes of obtaining approval of this initiative, Management will be dividing it into two parts. The following element of this initiative falls within the EIM Governing Body’s primary authority (E1):

- Tariff clarification authorizing EIM operators to conform imbalances by adjusting their load in the ISO’s market software

This element of the initiative will be presented to the EIM Governing Body for approval and, if approved, will be included on the consent agenda at the next ISO Board of Governors meeting after Governing Body approval.

The remaining elements of the initiative fall within the EIM Governing Body’s advisory role (E2):

- Tariff clarification authorizing the ISO operator to conform imbalances by adjusting the ISO’s load in the market software
- Tariff clarification authorizing use of the imbalance conforming limiter in the real-time market
- Enhancements to the conformance limiter
- Plan to improve conformance inputs and remove the limiter from the real-time market in approximately two years

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<sup>1</sup> The process is described in the [Guidance for Handling Initiatives within the Decisional Authority or Advisory Role of the EIM Governing Body](#).

These elements of the initiative will be presented to the ISO Board of Governors for approval with any advisory input from the EIM Governing Body that it elects to provide.

Please note that the classification for this initiative has changed since the Briefing on Policy Outlook at the November 29, 2017 EIM Governing Body meeting. At that point, Management proposed to classify the entire initiative as advisory. Management subsequently revised the classification after considering stakeholder comments on the draft final proposal and recognizing the amendments will likely include a tariff clarification authorizing imbalance conforming by the EIM operator, which would be an EIM-specific rule.

The revised draft final proposal for this initiative is located [here](#). Additional relevant papers for this initiative are located [here](#).

Written stakeholder comments on the revised draft final proposal, including the proposed classification, were due March 21, 2018. One stakeholder objected to the decisional classification:

- NV Energy maintains the entire Imbalance Conformance Enhancements initiative should be classified as hybrid non-EIM specific for decisional purposes. NVE comments on the revised draft final proposal and the EIM categorization are located [here](#).

NVE originally objected to Management's proposed classification after publication of the draft final proposal. It took the position that the initiative should be classified as hybrid-non EIM specific, as opposed to the advisory classification proposed by Management, because NVE believed the initiative "will impact Balancing Authority Areas differently."

Although Management did not agree with NVE's position, considering and responding to its arguments led Management to recognize that the ISO would need to add an EIM-specific rule to the tariff in order to clarify that EIM operators may conform imbalances using the ISO's market tool. Accordingly, Management published a revised draft final proposal with a new decisional classification. Instead of classifying the entire initiative as advisory, Management proposed the initiative be separated into two parts for decisional purposes, as explained above. The portion of the initiative that is specific to the EIM is subject to the primary authority of the EIM Governing Body; the remainder of the initiative is still generally applicable to the real-time market and therefore remains in the advisory role of the EIM Governing Body.

In response to the revised draft final proposal, NVE again submitted written comments stating that the initiative should be categorized as hybrid because it proposes changes to both rules that are generally applicable to the real-time market and rules that are EIM-specific. In addition, NVE argues that the conformance limiter "is not a generally-applicable feature of the real-time market," apparently because it applies only to "the CAISO and EIM Entities," as opposed to other market participants.

Management continues to believe that this initiative is severable for decisional purposes along the lines described above, and therefore would not be properly classified as hybrid. Even if the EIM-specific provision allowing EIM operators to conform imbalances using the ISO's market software were rejected by the EIM Governing Body, Management would file the remainder of the initiative. In that case, EIM Entities could continue to conform imbalances through means outside the ISO market, such as adjusting the output of generating units or entering bilateral transactions with neighboring balancing authority areas. NVE's written comments on the revised draft final proposal do not address whether these two parts of the initiative are severable for decisional purposes.

In addition, Management believes that NVE's position that the conformance limiter is not a generally applicable rule of the real-time market reflects a misunderstanding. The load conformance limiter proposed in this initiative applies in the same way to imbalance conformance by either the ISO or an EIM Entity. This makes it a generally applicable rule of the real-time market. Conforming is a balancing authority area function used to maintain reliability of the bulk electric grid. It is therefore appropriate that the tools used for conforming are only available to the ISO and EIM Entity operators. The fact that not all market participants have the ability or need to conform load is irrelevant to whether the rule is generally applicable throughout the real-time market.