

# Stakeholder Comments

## Consolidated EIM

### February 14, 2017 Straw Proposal

Submitted by	Company	Date Submitted
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SCE appreciates the opportunity to provide comments on the Consolidated EIM issue paper issued on June 19, 2017.<sup>1</sup> The issue paper covers three topics:

1. Third party transmission contribution for EIM Transfers
  2. Management of EIM imbalance settlement for bilateral schedule changes
  3. Net EIM Wheeling
1. There are additional issues that the CAISO would need to address before adopting an proposal to pay third party transmission providers in EIM:

SCE is supportive of having more transmission available within EIM as additional transmission allows for additional transfers which allows for incremental market efficiency. That said, this topic is not as simple as providing congestion revenue to the third party provider, the settlement granularity, and the allocation of costs in a situation in which the congestion is a net charge.

Under the CAISO current market design, all real-time congestion revenues are allocated to load. Within the CAISO, this is done directly to the SCs for the load while in the EIM it is provided to the EIM Entity which is an entity that is a BA serving load. If the discussion was centered on Day-Ahead congestion, there are provisions in that

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<sup>1</sup> <http://www.caiso.com/Documents/IssuePaper-ConsolidatedEnergyImbalanceMarketInitiatives.pdf>

context for alternative distributions of congestion revenues including methods to allocate CRRs to transmission owners. However, this discussion is not centered on Day-Ahead congestion. As such, SCE questions whether such a fundamental shift is warranted or if there should be other mechanisms investigated to encourage additional transmission to become available to the EIM.

2. Management of EIM imbalance settlement for bilateral schedule changes

SCE is concerned with potential impacts of this optionality. SCE would like to understand from the CAISO how the proposed solution (i.e. the pairing of bids that only clear based upon a price spread between a source and sink) does not become subject to the problems that PJM has observed with such bidding practices (i.e. spread bidding). While it is not clear that this process is subject to those problems, it is not clear that it is not. SCE would appreciate discussion in this process to address this concern.

3. Additional compensation for providing wheeling between EIM Entities

EIM has been successful in attracting new participants which includes the provision of mutual use of transmission by not charging a wheeling fee for the EIM Transfer. EIM Entities joined with the understanding that some wheeling revenues will be reduced, requiring changes to their ratemaking process to collect the revenue requirement. Parties have offered transmission to support the transfer so they can sell or purchase power to other EIM participants for their benefit. The entry into EIM came with the knowledge that their transmission may be used to support transfers through their system, but in turn, they may receive benefits from wheels through other systems.

Establishing a payment to capture benefits would introduce a fee which would create dispatch distortions if implemented through a hurdle rate or rate pancaking. Furthermore, developing a rate to share benefits is complex because it is not simply a quantity basis, but would reflect the value of energy which changes during time periods and seasons.

SCE understands the concerns of potential lost revenues from wheeling and appreciates that they may not be uniform to all participants. However, the options must be viewed within the context of total benefits which must include potential market inefficiencies if the wheel is charged via a method that creates rate pancaking which will ultimately result in market inefficiencies. If on the other hand, the charge is made in a manner that does not impact the bids of an entity in the wholesale market, this issue could be mitigated. SCE looks forward to this discussion and would encourage the CAISO to add to its list of questions, the total benefit assessment including potential market inefficiencies introduced by potential rate pancaking.