

Stakeholder Comments

Energy Imbalance Market Transition Period Draft Final Proposal, December 15, 2014

Submitted by	Company	Date Submitted
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SDG&E appreciates the opportunity to comment on CAISO's Energy Imbalance Market (EIM) Transition Period Draft Final Proposal paper.

SDG&E continues to support the CAISO's expansion of the EIM. It is still too early to see any significant benefits, but the initial problems implementing EIM have not changed SDG&E's expectation of future value. SDG&E does have concerns about the CAISO's implementation of EIM and the limited time available in this rushed schedule has not enabled SDG&E to have confidence in this EIM transition period proposal.

It appears to SDG&E that this EIM transition period proposal is a reflection of a larger issue that has been of great concern to SDG&E for over a year. It started with the delay of RIMPR 1 from Fall 2013 to Spring 2014 with FERC Order 764. This forced an unacceptable level of changes together that could not be properly tested in the market simulation from bid to bill. SDG&E relied on blind faith in the CAISO's ability to correct the issues in production that were not working in simulation to support go-live. Unfortunately, major problems arose that resulted in inappropriate charges on SDG&E's settlement statements worth millions of dollars. These inappropriate charges have been disputed but have not yet been addressed by the CAISO. The delay in resolution may be the result of the CAISO's over-optimistic Fall 2014 schedule for Full Network Model Expansion, EIM and OMS release. The aggressive Fall schedule didn't leave CAISO resources to fix the problems with the Spring 2014 release.

SDG&E was hopeful the Fall 2014 releases would go better particularly with the CAISO's decision to delay the releases and have an entire month of parallel production testing. However, the parallel production had many problems and without synchronization of outages and other market aspects, the simulation results were unacceptable. The CAISO was able to manually force conformance of the parallel

production for two days with good results. This again put SDG&E in the position of taking a leap of faith on only two days of data to approve go-live and production would work properly. Unfortunately problems with EIM occurred in production which led the CAISO to ask FERC for a 90 day waiver to correct problems with EIM.

Now the CAISO is asking for a permanent one year transition period for each existing and new EIM entity. SDG&E was surprised by this proposal since up to this point, the CAISO has led market participants to believe that EIM has been working fairly well, known problems were being addressed and no show-stoppers had been found or expected.

The EIM transition period will impact price formation and mute signals of actual constraints for significant periods of time and could cause unintended consequences with other market changes the CAISO has scheduled (return of convergence bidding on the inter-ties, Contingency Modeling Enhancements, Flexible Ramping Product, Flexible Resource Adequacy from inter-ties, etc.). It seems overkill at this point to rush into multiple one year EIM transition periods.

SDG&E recommends that the CAISO should implement a true parallel production simulation from bid to bill that is not concluded until all issues are resolved instead of institutionalizing a yearlong market disruption (with unknown consequences) to resolve any problems that arise in production.