

Stakeholder Comments

**EIM Year 1 Enhancements, Issue Paper and Straw Proposal-
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Submitted by	Company	Date Submitted
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SDG&E appreciates the opportunity to comment on CAISO's Energy Imbalance Market (EIM) Year 1 Enhancements Issue Paper and Straw Proposal. We recognize and agree with the CAISO's determination and addressing of outstanding issues with the implementation of the EIM. However, SDG&E is cautious on supporting many of the proposed changes. Overall, we would like to see more analysis on the design changes and enhancements, specifically to detail the impacts from the increasing complexity of the EIM market and its interaction with Contingency Modeling Enhancements and the Flexible Ramping Product.

SDG&E does not support the CAISO's proposal to include non-participating resources in Bid Cost Recovery (BCR) payments, as proposed in section 3, Settlement of Non-Participating Resources. Non-participating resources, by the very nature of their bidding behavior, acknowledge they are either must-take energy by submitting an energy schedule with no bid attached, or, have forgone their opportunity to be made-whole by submitting a self-schedule bid indicating they accept the terms of being paid the market clearing price for their generation with no make-whole payments if that revenue does not cover costs. In the first case, it is inappropriate to assign a 'generation cost' to a non-participating resource using the settlement LMP as a proxy. These non-participating must-take resources are, most often, renewable energy sources and have low to no generation cost. So, to compensate them the difference of the price corrected LMP is inaccurate and an unfair charge to load. In the second instance, a self-scheduled unit, as mentioned above, forgoes being made-whole per CAISO BCR BPM. Thus, it does not make sense for non-participating resources to receive BCR.

SDG&E is concerned about market timing, available transmission capacity (ATC), gaming the market and possible leaning on the CAISO by other EIM BAA entities, especially with Nevada Energy (NVE) joining the EIM in Fall 2015 making the EIM more complex. CAISO outlines instances in the issue paper where EIM participating

BAAs encounter different market timing as the paper looks at both establishing EIM transfer limits using ATC and evaluating resource sufficiency of ISO and EIM entities using ATC. In each instance, incongruous timing of markets has the potential to allow for gaming opportunities. And, since CAISO has stricter resource procurement and bidding rules, CAISO participants are exposed to risks of supporting other BAAs beyond variable energy imbalances. Currently the T-40 timing for final base schedules and ATC information at T-20 look to be problematic. The issue paper proposes EIM entities submit their ATC at T-40 which would help align commitment and transmission limits (the main problem is final NERC tags are not due until T-20 and may never be created as assumed at T-40).

It seems CAISO is trying to address outstanding design issues inherent to varying market timing. SDG&E's concern is discontinuity presents possible gaming potential. SDG&E would like to see more detail on the threshold and proposed monitoring methods of the flexible ramping test and threshold to safeguard BAAs against compromising internal balances. SDG&E supports the use of a conservative threshold to start. As mentioned in the paper, this is an important construct to ensure the BAAs do not continue to lean on the EIM for flexible ramping. Specifically, SDG&E would like to see some sort of test employed to ensure other BAAs are not leaning on CAISO for meeting load beyond variable energy deviations. This could negatively impact CAISO market settlement as well as wear and tear on generation units. Additional protections should be developed to ensure CAISO energy is not exported to support EIM base schedules but to mainly help balance intermittent resource imbalances in the EIM.

After looking at the Issue paper and Technical paper, SDG&E is concerned about flows and counterflows at interties. This adds an additional layer to monitor, especially with additional BAAs and possible loop flow scenarios. SDG&E would appreciate more detail to ensure possible market gaming is addressed.