

Section	Party	Comment	ISO Response
	SCE	There are several changes to the document, particularly Appendix C, which was not discussed in the EIM Enhancement stakeholder process and policy document. In addition, some changes are being made without explanation. In the future, it would be helpful to have a description linking the tariff changes to respective sections of the policy document. With this added explanation, parties can better understand the implementation of the policy into the tariff language.	All of the proposed tariff changes are tied to the policy reflected in the Draft Final Proposal, with the exception of (1) the clarification that the EIM Administrative Charge, not the Grid Management Charge, should be used for calculating Default Energy Bids and Commitment Costs (see proposed changes to Sections 29.30 and 29.39(d)); and (2) revisions to Appendix C (see discussion below). The ISO has included cross references to the approved policy in the past and neglected to do so here given the limited number of proposed changes. However, the ISO understands SCE's suggestion and will strive to include policy cross references in the future.
	Powerex	Powerex fully respects that the tariff drafting phase of this stakeholder initiative is not the forum for determining the policy for allocating EIM Transfer congestion revenues on third-party transmission systems. It is vital, however, for the tariff language that is adopted now to not inadvertently prejudice or be misapplied to circumstances beyond what was intended and approved in the Draft Final Proposal. Powerex therefore requests that CAISO modify the draft Tariff language to clarify that the proposed language applies only to congestion rents for EIM Transfers over the transmission facilities of EIM Entities, and not to congestion rents for EIM Transfers over third-party transmission facilities.	<p>The ISO respectfully disagrees and does not intend to change the proposed tariff language. Powerex confuses transmission rights that are made available by a third party transmission service provider and transmission rights of an EIM Entity over a third party transmission service provider's system that the EIM Entity makes available to support transfers. The proposed tariff amendment address only the allocation of congestion offset costs associated with EIM transfers supported by the latter, <i>i.e.</i>, transmission rights made available by an EIM entity, either as interchange rights or available transfer capability. The ISO disagrees that further clarification here is required.</p> <p>Moreover, the ISO does not agree that congestion offset costs associated with transmission rights made available by an EIM Entity on a third party transmission service provider system should be allocated differently than as proposed. The ISO refunds congestion rents to load serving entities, not transmission owners or rights holders. Here the EIM Entity acts as the proxy for the load serving entity in the EIM and may sub-allocate those amounts under its OATT. In general, EIM Entities allocate the congestion offset to transmission customers on the basis of measured demand – they are not retaining the congestion rents as may be the case if a third party were to make transmission rights available to support EIM transfers. This sub-allocation by the EIM Entities has been accepted by FERC and is consistent with how the ISO allocates congestion rents within its own balancing authority area. Furthermore, if the rights on the third party transmission system were binding, the EIM Entity's rights and the EIM transfers would be reduced and the associated congestion costs allocated to the EIM Entity. The ISO does not calculate or manage congestion on</p>

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			third party systems and it is not appropriate that they be included in the congestion offset allocation process proposed here.
	Powerex	Powerex also respectfully requests that CAISO initiate stakeholder discussions in the coming weeks to develop an appropriate framework and related Tariff provisions to support the allocation of congestion rents associated with EIM Transfers occurring over third-party transmission facilities.	The ISO will review whether there is a present need to revisit the question of accommodating the transmission rights of third parties making transmission available for EIM transfers and of the appropriate compensation mechanism. The consensus during this stakeholder process was to not undertake such an initiative unless and until the broader question of transmission usage charges in the EIM arose. Nonetheless, the ISO does recognize the potential value that third party transmission will bring and is willing to review the question again if that is the consensus among stakeholders. As always, the ISO suggests that Powerex propose this as an initiative in our annual market initiatives catalogue process to prioritize future initiatives with all stakeholders. Having just completed an evaluation of this proposal in the EIM year-one enhancements phase 2 initiative, the ISO is not prepared to unilaterally commit to a stakeholder process at this time.
<u>11.5.4.1.1</u>	<u>ISO</u>	<u>The discussion with stakeholders suggested to the ISO that the provision as proposed may not fully reflect each potential circumstance or combination thereof. Accordingly, the ISO has revised this section to more specifically describe each potential circumstance.</u>	<u>As explained during the call, the ISO’s approach to the tariff description of how the congestion offset treatment would be allocated in different circumstances changed from how it was described in the Draft Final Proposal. The underlying policy and the intended results have not changed. However, this was the first opportunity for stakeholders to consider this approach and the discussion provided the ISO with additional insights that it has reflected in revised tariff language. The ISO proposes these further changes to clarify that the transmission made available by each EIM entity is treated as a separate constraint at the intertie location and the congestion attributable to that constraint is allocated accordingly. These further changes are shaded in blue.</u>
11.5.4.1.1(a)-(b)	SCE	Why are these changes being made?	These changes are being made to support the policy approved by the ISO Board with respect to EIM transfer congestion rent treatment. See pages 13-15 of the Draft Final Proposal dated September 8, 2015.
11.5.4.1.1(c)(1)(B)	Six Cities	<i>“pro rata”</i> Comment: The term “pro rata” implies equal shares rather than proportional shares, which appears to be what is intended.	The ISO will accept this change to minimize the use of Latin in the ISO tariff.

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11.5.4.1.1(c)(2)(A)-(C)	SCE	This does not seem to match what was in the document about scheduling limits and intertie limits. Does this mean BPA gets congestion revenue on COI?	<p>The ISO found it necessary to provide a more generalized approach for calculating congestion offsets in order to account for all possible combinations of EIM Entity and ISO interties and scheduling points. Please see the illustrations attached to the end of these responses for further information.</p> <p>The ISO agrees there could be some confusion regarding the phrase “manages the intertie” and suggests revising it to read “manages the EIM transmission rights made available on that intertie.”</p>
11.5.4.1.1(c)(2)(B)	SCE	<p><i>Balancing Authority Areas of the EIM Entities</i></p> <p>Comment: This ignores that CAISO is also providing transmission access on their side of the EIM Internal Intertie.</p>	The CAISO appreciates SCE’s identifying this issue and will revise paragraphs (B) and (A) to refer to “each Balancing Authority Area in the EIM Area.”
<u>29.30</u>	<u>ISO</u>	<u>The ISO has determined that it no longer requires the exception for MSG transition costs following the recent changes to how commitment costs are calculated.</u>	<p><u>The ISO originally proposed a negotiated MSG transition cost multiplier due to known defects in the transition cost methodology applicable to ISO resources. The commitment cost enhancements recently accepted by FERC addressed these defects and, therefore, there is no need for this exception. See (FERC Order, ER15-1875-000). Accordingly, the ISO proposes to now remove this exception as no longer necessary. See blue shaded changes to section 29.30(a).</u></p> <p><u>In addition, the ISO has modified the proxy cost reference to more accurately reflect how the startup and minimum load costs are used. See blue shaded changes to section 29.30(b).</u></p>
29.34(i)(2)(C)	Six Cities	<p><i>(C) the CAISO has identified, developed, and implemented market rules necessary to enable such intertie bidding of physical transactions.</i></p> <p>Comment: Has the ISO done so?</p>	The ISO identified issues with economic intertie bidding in its Draft Final Proposal, but has not as yet developed or implemented market rules to address identified issues. See page 17 of the Draft Final Proposal. The ISO believes it necessary to reflect these identified issues by reference in the tariff since it would require a separate stakeholder process to resolve them. Until these issues are addressed, it would not be appropriate for an EIM Entity to pursue economic bidding on its interties.

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			<u>The ISO confirms, as requested by Six Cities, that any further consideration of economic intertie bidding does not implicate virtual bidding since virtual bids are not permitted in real time.</u>
29.34(i)(2)(C)	WPTF	WPTF understands that allowing Economic Bidding of EIM Intertie Transactions at the border of EIM Entities is challenged by the current market scheduling seams between the West's bilateral markets and the CAISO EIM, the current market oversight and mitigation policies for the CAISO EIM, and the complexity of instituting the requisite market changes for EIM Entities. WPTF supports the CAISO's efforts to standardize EIM Intertie Transaction policies across all EIM Entities. However, WPTF is concerned about this proposed tariff addition because it would create a requirement for an explicit process to identify and implement market rules for EIM intertie bidding in the future. Yet the ISO has not identified any forum in which such market rules would be developed or signaled intent to create a stakeholder initiative in the near-term to deal with these issues. WPTF is concerned that by codifying such a requirement, and by not including this initiative in its 2016 catalog, the CAISO is necessarily creating an extended delay between now and when such intertie functionality could become operational.	The consensus during the stakeholder process was that economic bidding on EIM Entity interties should not be enabled unless and until the identified issues could be resolved. The ISO believes that the appropriate course of action at this time is to recognize this consensus by including the proposed changes in the ISO tariff. Otherwise, it would be possible for an EIM Entity to pursue economic bidding on its interties without first addressing known issues through a coordinated ISO process. The ISO has not specifically identified this as an initiative but would be willing to consider stakeholder requests to do so in our annual market initiatives catalogue process to prioritize future initiatives with all stakeholders.
29.39(d)	Six Cities	<i>Default Energy Bids</i> Comment: How, or for what purposes, will the ISO use the Market Services Charge and System Operations Charge?	The calculation of Default Energy Bids normally includes the relevant Grid Management Charge as a cost. The ISO proposed to clarify this point by reference to the Market Services Charge and System Operations Charge, which reflects the EIM Administrative Charge, as a substitution for the Grid Management Charge. See Transmittal Letter, FERC Docket ER15-1919-000, pages 11-14 (describing the EIM Administrative Charge).
Appendix C	SCE	<i>Marginal Losses Component Calculation</i> Comment: Where in the policy document is this discussed?	This was not specifically discussed in the stakeholder process. However, this proposed change is consistent with Commission direction to include an equivalent level of detail in Appendix C for the calculation of the marginal cost of congestion. See Transmittal Letter, ER15-1919-004, pages 3-5 (proposing changes to the marginal cost of congestion in compliance with Commission directives to include an equivalent level of detail in Appendix C). The ISO was not able to include this detail in the compliance filing for the Commission directive because it was beyond the scope of compliance. The CAISO therefore proposes to do so here.

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Appendix C	SCE	<i>“the Real-Time Market”</i> Comment: Real-time market is CAISO BAA and EIM Entity BAAs. Should this be replaced with CAISO BAA?	The two formulae apply respectively to Real-Time Market calculation in the CAISO Balancing Authority Area and the EIM Entity Balancing Authority Areas. It is neither necessary nor appropriate to attempt to separate the market. Because the EIM and the RTM are not separate markets, the distinction by Balancing Authority Area is the only way to make the distinction, which is what the ISO proposed to do.
Appendix C	SCE	<i>“+ λ<sub>j</sub> - ψ”</i> Comment: Is this allocating congestion twice? Why are these shadow prices being included in a physical loss component of the LMP?	No. In order to calculate the appropriate loss, the BAA level power balance constraint congestion is included and the GHG compliance cost contribution is subtracted.
Appendix C	SCE	<i>“the Balancing Authority Area”</i> Comment: Only EIM BAA? Or All BAA?	The definitions apply in a manner to both formulae. Only the CAISO BAA will be relevant for the first formula and only the EIM Entity BAAs for the second formula.
Appendix C	SCE	<i>“EIM export allocation constraint”</i> Comment: What is this? There is no defined term in the tariff?	This is the constraint used to determine the greenhouse gas clearing price.
<u>Appendix C</u>	<u>SCE</u>	<u>SCE requested that the ISO provide some further clarification regarding the derivation of the marginal loss component.</u>	<p><u>The ISO appreciates SCE’s request for information concerning the derivation of the marginal loss component. In fact, considering and responding to this request revealed that the previously posted tariff language included a typographical error that has been corrected in the version attached. This changes the reference to <math>-\partial L/\partial G_i</math> (See blue shaded change to Appendix C).</u></p> <p><u>Below is the correct derivation of the marginal loss component.</u></p> <p><u><math>LPF_i = 1/(1 - \partial L/\partial G_i)</math></u></p> <p><u>Without congestion, the LMP in the ISO is as follows:</u></p> <p><u><math>LMP_i = \lambda/LPF_i = \lambda + \lambda(1/LPF_i - 1) = SMEC + MCL_i</math></u></p> <p><u><math>MCL_i = \lambda(1/LPF_i - 1) = \lambda MLF_i</math></u></p> <p><u><math>MLF_i = 1/LPF_i - 1 = 1 - \partial L/\partial G_i - 1 = -\partial L/\partial G_i</math></u></p>

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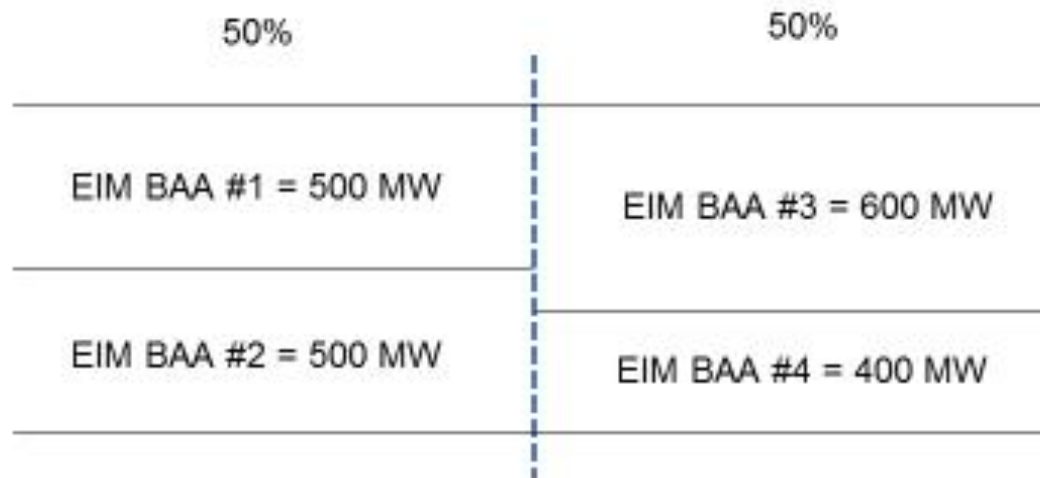
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**The following four illustrations represent the EIM Transfer congestion offset treatment. The first two illustrations are new and the second two were presented to the Board when the policy was approved. The proposed tariff changes capture the circumstances included in the illustrations and is sufficiently broad to address all possible combinations.**

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## EIM Transfer Limit = Intertie Scheduling Limit

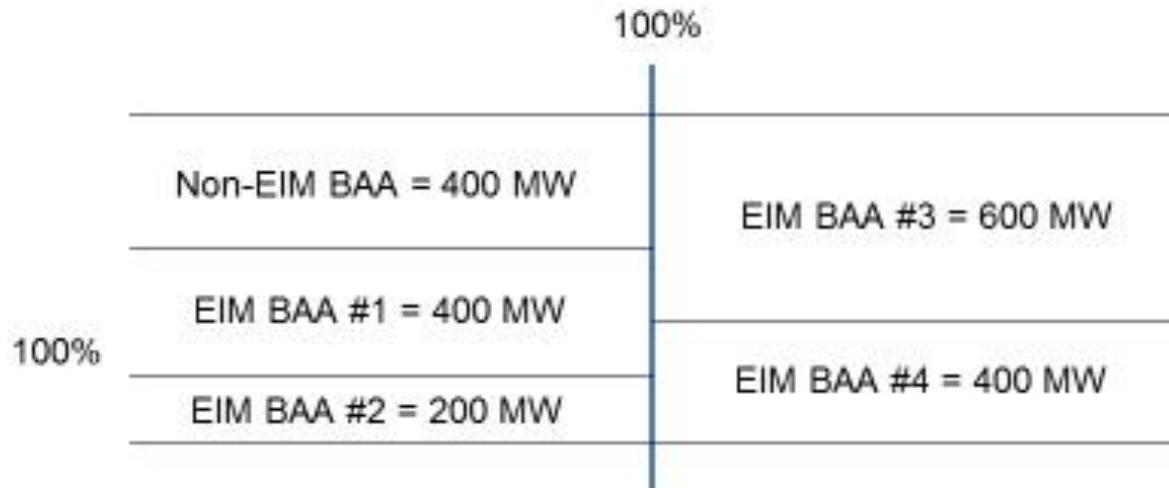


Congestion Rents	BAA #1	BAA #2	BAA #3	BAA #4
ISL	25%	25%	30%	20%
Transfer	N/A	N/A	N/A	N/A

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## EIM Transfer Limit < Intertie Scheduling Limit



Congestion Rents	BAA #1	BAA #2	BAA #3	BAA #4
ISL	0%	0%	60%	40%
Transfer	67%	33%	0%	0%

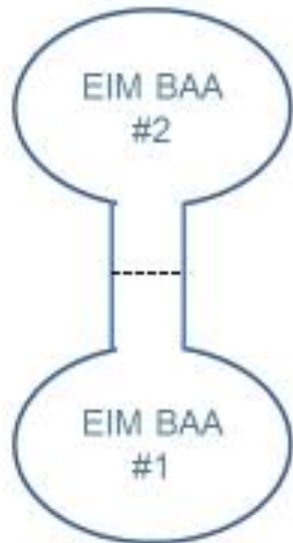
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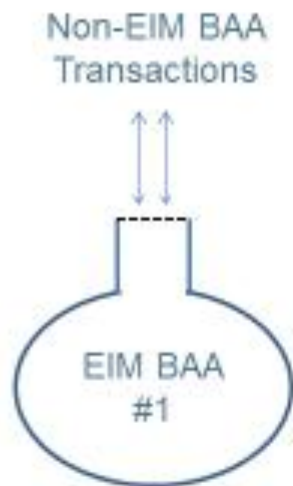
## Market enforces intertie scheduling constraints between balancing authority areas (BAA).

EIM Internal Intertie



Share congestion revenues

EIM External Intertie

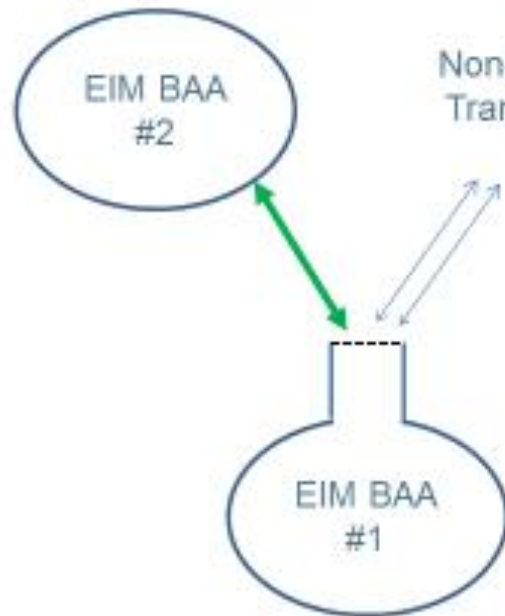


Congestion revenues 100% EIM #1

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In the case of a simultaneous intertie scheduling constraint and EIM transfer constraint, Management proposes...



- Congestion revenues on intertie scheduling limit 100% to EIM #1
- Congestion revenues on transfer limit 100% to EIM #2

----- Intertie scheduling constraint  
↔ EIM transfer constraint

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