

Western Power Trading Forum Comments on CAISO 3rd Revised EIM Straw Proposal

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WPTF appreciates the opportunity to comment on the ISO's 3rd Revised Energy Imbalance Market (EIM) straw proposal dated August 13, 2013 and the discussion at the August 20 EIM meeting, as well as the technical presentations of August 12 and 13th related to uplift allocation, convergence bidding and flexible ramping.

WPTF offers comments in the following areas.

The CAISO Should not Support any EIM Design that Restricts Participation

In the ISO's third EIM proposal, the ISO proposes to cede authority to the EIM Entity to determine who can have access to the EIM. WPTF strongly believes that the ISO must only file an EIM design that has non-discriminatory access for participation within the EIM and at the boundaries of the EIM.

To the extent that an EIM Entity believes it necessary for technical reasons to limit EIM participation, then that EIM Entity must be required to justify to FERC that such technical limitations warrant temporary limitations on EIM participation. Any restrictions must be objective, based on technical requirements, and clearly specified. Under no circumstances should ability to restrict participation be based on EIM Entity "discretion".

Specifically, with respect to the PacifiCorp EIM, up to the issuance of the third EIM proposal, the ISO has stated that there would be open participation within the EIM and participation access at the boundaries of the EIM not unlike the participation opportunities that exist at the current ISO intertie points. However, PacifiCorp has now proposed to limit access within the EIM in two ways. First, they propose to limit the ability to become a Participating Resource to those entities that have long term firm transmission rights that matches their EIM participation in size. Second, Pacificorp has proposed that to participate from outside the EIM, a Participating Resource has to be a Designated Network Resource. PacifiCorp is also proposing to not support bilateral market participation in the EIM at the EIM intertie points, and this is one basis PacifiCorp offers to limit participation at EIM boundaries.

The ISO should not support Pacificorp's proposed limitations on EIM participation. It is counter to the underlying principles of ISO markets, to have broad participation and open access, and it is not consistent with assumptions used in estimating the benefits of the EIM.

WPTF opposes the EIM participation limits proposed by Pacificorp, and urges the ISO to reconsider and revise its position of ceding authority to the EIM Entity to determine whether the EIM is open for competition or not; it is critical that the ISO take a stand on this issue in its EIM policy and ultimate filing at FERC.

Clarification is warranted regarding the proposed requirement that neighboring BAAs must have 15-minute scheduling in place.

WPTF seeks clarification as to whether the ISO can accept bids/schedules at EIM boundary points when the neighboring BAAs may not have 15-minute scheduling in place. For example, the ISO's Order 764 proposal calls for the ability for a participant to submit hourly block schedules, struck on the first 15-minute interval, and anticipated that parties could have single interval curtailment possibilities for schedules that were out of the money for subsequent intervals. Such mechanisms should enable participation at the intertie points irrespective of whether the host BAA fully supports 15-minute scheduling. WPTF seeks clarification on these points.

WPTF requests further discussion of the comparison of the ramp test and the ISO's must offer rules and anticipated future rules

The ISO has proposed that the EIM participants' portfolios must satisfy a ramping test, intended to limit the extent to which one EIM Entity would have the ability to "lean on" another EIM Entity or the ISO. Yet the ISO is also proposing to implement must offer bid requirements as part of its flexible capacity must offer requirement. As a result, the EIM will have a different mechanism to ensure ramping than will the ISO BAA. WPTF requests further characterization from the ISO about the extent of, and implications of, these different mechanisms.

The modification in the 3rd Revised Proposal to allow GHG cost submission by Participants is seen as a significant enhancement to the prior proposal

WPTF supports the CAISO proposal to allow EIM participants - both internal EIM participants and imports to the EIM - to bid their GHG costs for flows deemed to California. Participant-specified costs will at a minimum place the ability to manage differences between the presumed carbon costs and the ultimate actual carbon costs with participants and not with the ISO. WPTF seeks a minor clarification; that is, for the ISO to clarify whether the carbon costs are expected to be specified at a fixed level by resource by hour, a fixed level by resource by day, or by an amount that varies in some other ways - for example - by output level in addition to any time varying capability. Clarity from the ISO on the structure of these bids would be useful.

The proposed congestion imbalance and convergence bidding treatment requires further refinement

WPTF appreciates the ISO's further thinking on the treatment of convergence bids given the EIM constraints and the movement away from adjusting convergence bidding payments per se, due to the inability to incorporate the EIM constraints in the CAISO's DA prices. However, further refinement is needed on the proposed treatment of convergence bids in the ISO's 3rd revised proposal. The policy proposal as drafted discriminates against convergence bidders by allocating congestion imbalance offset charges to them when the convergence bidders "profit" from the EIM treatment but does not provide an offset charge credit when the convergence bidders "lose" from the EIM treatment. The proposal must be modified to provide a more balanced approach.

The CAISO's proposed bid cost recovery policy does not recognize that ISO resources may be committed to serve EIM load.

The ISO has proposed to allocate ISO commitment costs to the EIM if the EIM Entity opts to have the ISO perform commitment of EIM Entity resources, and to not do so if the EIM Entity self commits. However, not allocating ISO commitment costs fails to reflect that ISO resources may be committed to serve EIM Entity load at times. Under these conditions it may be appropriate for the EIM Entity load to share in the cost recovery of those RT commitments. WPTF asks that the ISO consider further the bases for not allocating those RT commitment costs also to EIM Entity load.

More detail and specificity is needed for the EIM proposal

The ISO has presented descriptions and examples for many technical design aspects. We request additional technical information that ensures market participants have the details (e.g., equations) necessary to understand all the elements of the design.

Thank you for your ongoing consideration.