

Western Power Trading Forum Comments on EIM Year 1 Enhancements

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WPTF appreciates the opportunity to submit comments on the CAISO's Energy Imbalance Market (EIM) Year 1 Enhancement Proposal as described in the ISO's November 10, 2014 straw proposal and further discussed at the November 17, 2014 stakeholder meeting.

WPTF offers comments on a variety of the ISO's proposal elements.

Settlement of Non-Participating Resources: WPTF understands the ISO's proposal to provide a mechanism to treat the ramping energy for hourly block schedules of EIM non-participating resources as instructed, rather than uninstructed, energy. WPTF supports this aspect as it would encourage – rather than penalize - smooth ramps across the hours. WPTF also supports payment of bid cost recovery (BCR) to such resources when pricing results would otherwise result in adverse impacts.

GHG Flag and Cost Based Adder: WPTF recognizes the motivation for designing a “flag” to allow parties to opt out of sending carbon-based energy to California. We understand the ISO is further considering a more dynamic election by an SC, one that would specify a MW quantity that could be delivered to California, thereby allowing a provider to send some or none of their energy to California. However, WPTF does not agree that it is necessary or appropriate for the CAISO to limit the GHG bid adder once the flag or equivalent is implemented. Rather FERC identified the fact that it will no longer be necessary for SCs to bid a high GHG adder with this functionality. But it would be more appropriate for SCs to specify their GHG adder cost rather than having the ISO fix such a cost. This would ensure that the bids reflect the actual costs as they may change with operating conditions for example. It would also provide that GHG adders in the EIM are set like are those inside the ISO are absent mitigation. Lastly, when resources are able to import into the EIM there will be no objective means that the ISO could use to set a fixed adder for energy that may be system energy or may be source specific from hour to hour. We strongly encourage the ISO to reconsider their proposal in this regard.

EIM Transfers Using ATC: WPTF supports methods for determining ATC transfers that maximize the amount of transfer capability and thereby maximize economy efficiency. The ISO's proposal for determining the Nevada EIM transfer limits based on ATC methods seems consistent with these efficiency maximizing principles. Having said that, we are still challenged to understand exactly what the ISO is proposing with respect to setting these Nevada EIM transfers. In particular we continue to have a lack of understanding of the relationship between EIM transfer capability and traditional FMM transfer capability on the ties relevant to the Nevada EIM. WPTF requests that the ISO make further attempts to explain the proposed practices and the relationship of the scheduling and ATC determination for EIM and non-EIM schedules and bids.

Applying the Flexible Ramping Test to the ISO and applying the Flexible Ramping Down test: The ISO indicated in its paper that it will begin to apply the flexible ramping test to the ISO area. WPTF asks the ISO to clarify why it feels compelled to do so at this time. (Although WPTF has no strong objection to the CAISO applying the test to itself, so long as that application is robust.) We do question, however, the efficacy of the CAISO's proposal to apply a flexible ramping down test. The ISO poses an example of what would happen if an export schedule was not tagged and thereby did not flow. If such an event occurred, however, it seems most prudent to let the EIM and ISO *markets* work to resolve the fact more energy in the ISO BAA would result and less would result in the receiving BAA. If instead the CAISO simply stops the transfers between the two BAAs there could be a significant loss of efficiency from not being able to make use of the excess energy in one or more of the EIM BAAs.

15-Minute Intertie Bidding: The ISO's straw proposal provides discussion points and examples illustrating the benefits of the EIM Entity allowing participation in the EIM at the EIM boundary points. In particular the ISO indicates that the ISO would prefer to have information regarding the scheduling of energy at the EIM boundaries rather than just having external participants schedule to an ISO scheduling point. The ISO also points the lost value of scheduled counterflows and the discontinuity in the FMM vs. RTD settlements that result when the EIM Entity does not allow participation at its tie points. WPTF has consistently advocated for participants' ability to participate in the EIM at the EIM boundary points, and certainly we support the ISO's proposal to enhance such participation.

EIM Transfer Limit Constraint: WPTF supports an efficient application of constraints in the greater EIM/CAISO footprint. WPTF looks forward to more information about the specific implementation the ISO is recommending within the NVE and PacifiCorp EIM footprints.