Comments on EIM Resource Sufficiency Evaluation Enhancements
Emergency Assistance Workshop March 23, 2022

Department of Market Monitoring

April 1, 2022

Comments

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *WEIM Resource Sufficiency Evaluation Enhancements – Emergency Assistance Workshop*.[1]

A Residual Emergency Energy Service (REES) appears workable if there is stakeholder consensus for WEIM to provide the service

The REES proposal outlined by NV Energy on behalf of the joint commenters appears generally workable. Stakeholders would still need to work out additional design and implementation details, but the fundamental design seems a reasonable way for the WEIM to provide this option. A larger question is whether stakeholders can come to a consensus on whether they want the WEIM providing this option and what policy objectives they want it to achieve.

DMM stands ready to report needed information on the REES

DMM stands ready to report on REES performance if implemented. This reporting would include balancing areas triggering the REES, the transfer values, and the hours and intervals of REES use.

After-the-market versus in-market financial settlement

As suggested by NV Energy, financial settlement of REES after the market reduces complexity. A design where REES prices are directly determined in the real-time market or included in locational energy prices would increase complexity. Such a design would require great care so that prices in a balancing area using a REES would not inappropriately affect other areas. An in-market penalty design could also create the opportunity for the WEIM entity to benefit from receiving emergency transfers if generation from the power marketing arm of the WEIM entity was supplying imbalance energy to third-party load at higher in-market penalty prices.

Either design may need to alter real-time congestion settlements. The design should explicitly take into consideration the extent to which congestion rent allocations should or should not reimburse the area receiving the emergency assistance transfers.

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[1] *EIM Resource Sufficiency Evaluation Enhancements Revised Draft Final Proposal*, California ISO and NV Energy, March 23, 2022: http://www.caiso.com/InitiativeDocuments/Presentation-WEIMResourceSufficiencyEvaluationEnhancements-EmergencyActionsCriteria-Mar23-2022.pdf

Finally, stakeholders should explicitly consider if the penalty applied to emergency transfers in the after-the-market design will be net of the LMPs or in addition to the LMPs in the receiving balancing area.

Five-minute market might lower REES transfers from the levels cleared in the fifteen-minute market

During the workshop, stakeholders and the CAISO discussed potential REES transfers through the WEIM. However, this discussion did not seem to include a distinction between transfers in the fifteen-minute market and the five-minute market. The five-minute market can reduce transfers below the level cleared in the fifteen-minute market. Stakeholders should design the REES to explicitly consider whether or not the five-minute market will be allowed to reduce REES transfers below the fifteen-minute market REES transfers, and how such reductions should be settled.

Allowing the five-minute market to reduce fifteen-minute market REES transfers can have implications for how the REES transfers are settled. Consider an area that receives fifteen-minute market REES transfers, but the five-minute market reduces REES transfers to zero. An in-market penalty design should consider whether or not it is appropriate for the area receiving the transfers to pay $2,000/MWh (minus a five-minute market price that would usually be less than $2,000/MWh) for REES transfers that never arrived. Implementation of an after-the-market penalty should probably be careful to only apply the penalty to the final five-minute market REES transfers.

Alternatively, if the design does not allow the five-minute market to reduce fifteen-minute market REES transfers, this could increase design complexity and open up additional considerations.

Stakeholders could consider capacity payments for a REES

The workshop included discussion on REES payments mainly as a per megawatt-hour charge for transfers. However, leaning is a capacity concept. Stakeholders may want to consider capacity payments as part of these options for developing a REES. There are many potential REES payment options. For example, the REES could be a capacity charge for the maximum REES megawatts used plus the market price for energy transferred. Another option could be starting with the NV Energy proposal of charging an after-the-market penalty price for each MWh of REES transfer. A capacity price, such as the Capacity Procurement Mechanism soft offer cap, could be added as a floor for the monthly payments an area receiving REES would pay for the largest megawatt quantity of REES transfers the area received during any interval of the month.

Stakeholders should consider how existing emergency assistance practices should align with a REES

Stakeholders should also consider if existing emergency assistance practices should align with REES. DMM assumes that a REES construct would not preclude the ability for balancing areas to ask for traditional emergency assistance from other areas. Should a balancing area be weighing the costs of procuring emergency assistance through a REES construct with the cost of traditional existing emergency assistance? How could the availability of REES affect the availability or use of emergency assistance?

Need to determine conditions when an area could use a REES

If stakeholders decide to move forward with a REES, they need to determine the conditions in which a balancing area could use the REES. Can an area receive REES transfers when it fails a sufficiency test, but does not declare an emergency? When it fails a sufficiency test and also declares an emergency? Or only when an area has not failed a sufficiency test and but it declares an emergency?