

Comments on the Imbalance Conformance Enhancement Draft Final Proposal

Department of Market Monitoring

February 20, 2018

I. Overview

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the ISO's *Draft Final Proposal for the Imbalance Conformance Enhancements* posted on January 30, 2018. This most recent draft includes additional detail addressing improvements to the conformance process and removing the conformance limiter. DMM is supportive of the proposed enhancements to the imbalance conformance limiter as a significant improvement over the current approach.¹ As previously noted, the changes will likely have the effect of significantly reducing the intervals when the limiter is triggered. However, DMM is providing these additional comments on the removal of the limiter, the conformance process, and the proposals to improve it.

II. Comments on specific aspects of the proposal

1. Removal of the conformance limiter:

The draft final proposal indicates the ISO plans to remove the conformance limiter in approximately two years. Per the web conference on the Imbalance Conformance Enhancements on February 6, 2018, this length is in-line with the 2020 fall release. DMM recommends that the ISO base the removal of the limiter on analysis of data and market conditions rather than a calendar date. DMM supports removal of the conformance limiter in a manner that coincides with improvements that minimize the need for course conformance.

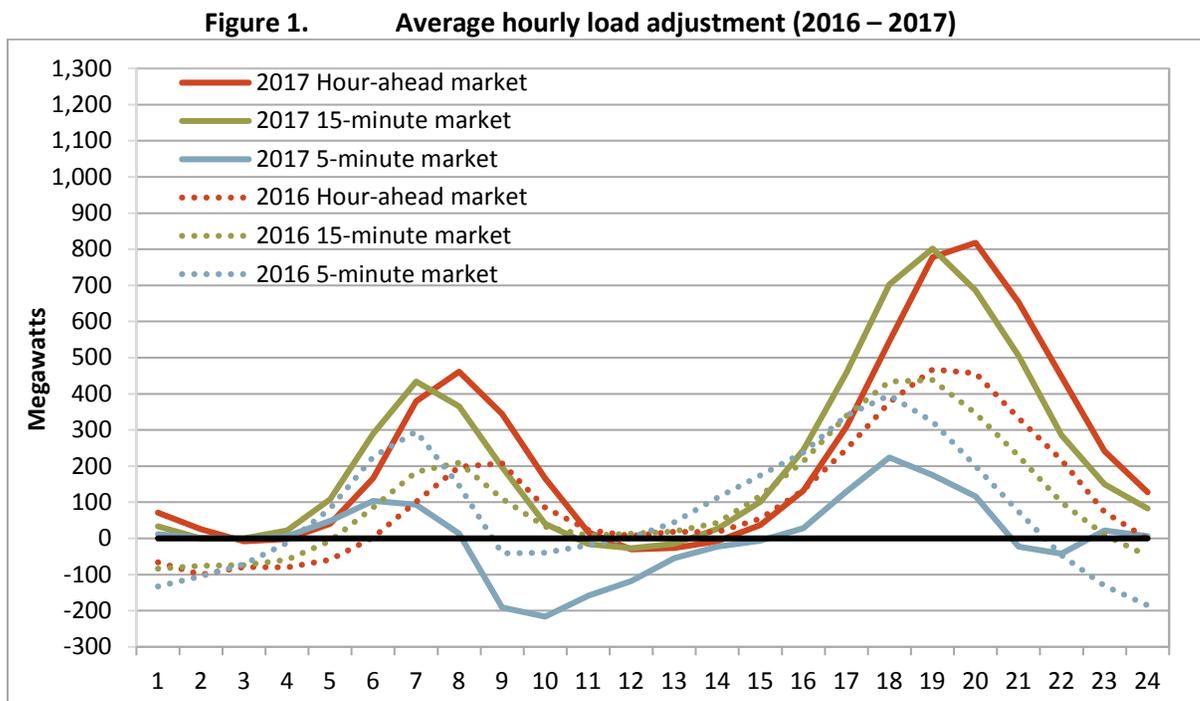
2. Imbalance conformance tool:

The draft final proposal indicates that the ISO is committed to building a tool that compiles inputs based on real-time grid conditions and estimates a conformance value that may be appropriate. When the tool is created, DMM recommends that the ISO provide details on the inputs into the estimated values and analysis on the composition of the estimated values. To the extent that the tool provides insight into the drivers for conformance, the root causes of the anticipated conformance requirement should be addressed. This should help lead to improvements that minimize the need for conformance. As noted above, once such improvements are observed in the market, the ISO can remove the conformance limiter entirely.

¹ Comments on the Imbalance Conformance Enhancement Straw Proposal, December 20, 2017: <http://www.caiso.com/Documents/DMMComments-ImbalanceConformanceEnhancements-IssuePaper-StrawProposal.pdf>

3. Pattern of conforming:

The draft final proposal includes the third quarter average hourly load adjustment that was originally published in DMM's *Third Quarter Market Issues and Performance Report*.² The figure and proposal emphasizes the predictable pattern of conforming for hour-ahead and 15-minute market adjustments. Figure 1 below shows the average hourly load adjustment profile for the hour-ahead, 15-minute, and 5-minute markets, updated for all of 2017. Compared to the prior year, load forecast adjustments in the ISO's hour-ahead and 15-minute markets increased dramatically in 2017. Further, hour-ahead and 15-minute market load adjustments regularly follow a predictable daily pattern that mirrors the shape of hourly net load, with larger and more frequent positive load adjustments during the morning and evening peak net load periods. DMM emphasizes that improvements should be made to minimize known conformance needs and prevent conformance to a predictable pattern.



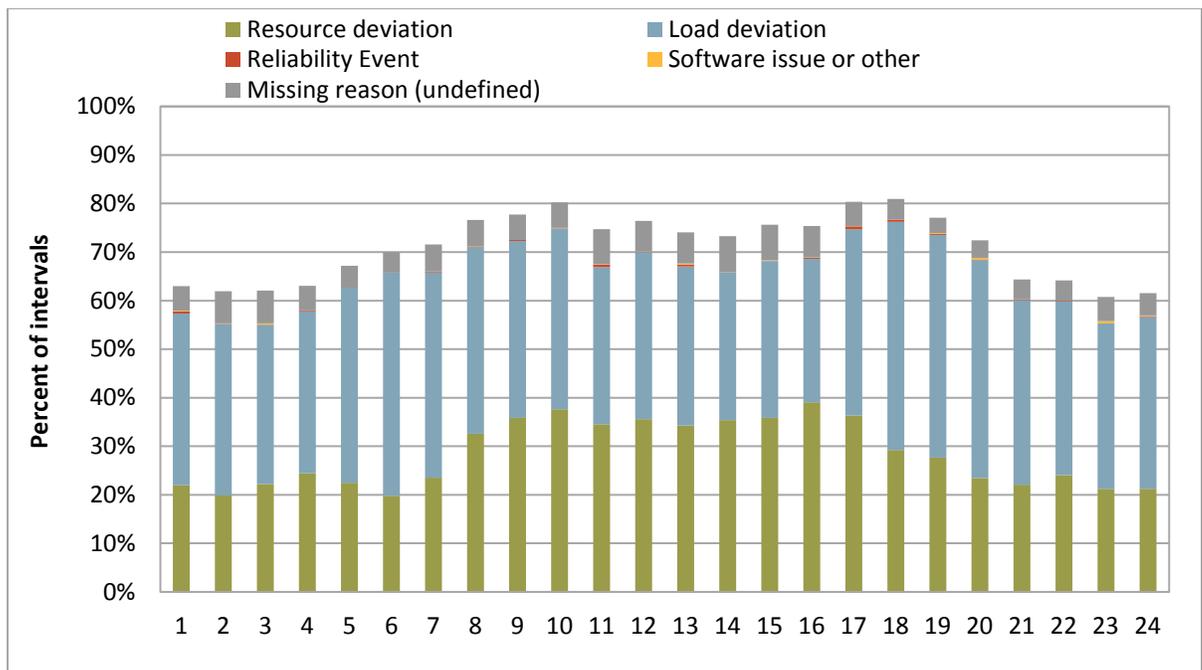
To the extent that large predictable load adjustments during peak net load hours persist after improvements to the conformance process are made (e.g. as an avenue used by operators to procure additional generation overall or from market participants in the hour-ahead and 15-minute market in particular), the root cause for that need should be addressed to reduce the practice of manual load adjustments.

² 2017 Third Quarter Report on Market Issues and Performance, December 8, 2017: <http://www.caiso.com/Documents/2017ThirdQuarterReport-MarketIssuesandPerformance-December2017.pdf>

4. Reasons for conformance:

The draft final proposal provided analysis of the reasons for conformance in the 5-minute market (as recorded by operators) for 2017, and highlights the relatively high frequency of intervals for which the reason for adjustments in the 5-minute market are “missing” or “undefined”. DMM’s own analysis of conformance reasons indicates that the frequency of such “missing” or “undefined” reasons for load adjustments in the 5-minute market is much lower, as shown in Figure 2.³

Figure 2. Frequency of load forecast adjustment by reason in 2017 (5-minute market)



DMM is also including in these comments additional data on the hourly frequency of 15-minute market load adjustments in the ISO by the reason selected for the adjustment during 2017 (see Figure 3). Figure 3 shows that load adjustments in the 15-minute market were undefined in about 11 percent of adjustments. ISO operators selected load deviation most frequently, or about 64 percent of 15-minute market load adjustments.

³ Analysis was completed for intervals when a load adjustment was entered and a particular reason from the predefined list was specifically selected. This does not include instances when the reason was indirectly logged as an additional detail in the free-form text box.

Figure 3. Frequency of load forecast adjustment by reason in 2017 (15-minute market)

