

158 FERC ¶ 61,101
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Cheryl A. LaFleur, Acting Chairman;
Norman C. Bay, and Colette D. Honorable.

California Independent System Operator Corporation Docket No. ER16-1518-000

ORDER ON TECHNICAL CONFERENCE

(Issued January 31, 2017)

1. On October 28, 2016, Commission staff convened a technical conference to gather additional information regarding technical challenges associated with implementing economic bidding at the Energy Imbalance Market (EIM) external interties, as required by the Commission's June 30, 2016 order on EIM tariff enhancements proposed by the California Independent System Operator Corporation (CAISO).¹ In this order, we acknowledge the concerns and challenges presented by CAISO and other technical conference participants and support the continued collaborative efforts to achieve solutions. We also direct Commission staff to monitor CAISO's efforts and expect that CAISO keep the Commission apprised of developments.

I. Background

2. On April 28, 2016, CAISO submitted proposed revisions to its tariff governing the EIM (April 28 Filing), intended to enhance EIM functionality and address issues encountered during the first year of EIM operations. One of CAISO's proposed revisions sought to clarify that EIM Entities² could not exercise the discretion provided them in Section 29.34(i)(2) of CAISO's tariff to implement economic bidding at the EIM external interties until CAISO had completed the development of appropriate market rules. The

¹ *Cal. Indep. Sys. Operator Corp.*, 155 FERC ¶ 61,329 (2016) (June 30 Order).

² An EIM Entity is a balancing authority that opts to participate in the EIM. As of the date of this order, the EIM Entities are: Arizona Public Service Company, PacifiCorp, Puget Sound Energy, and Nevada Power Company and Sierra Pacific Power Company (collectively, NV Energy). For purposes of the technical conference discussion summary below, the term EIM Entity also encompasses those entities that had executed EIM implementation agreements at the time of the technical conference, including Idaho Power Company and Portland General Electric Company.

Western Power Trading Forum (WPTF) filed a protest, arguing that CAISO's proposal would result in bidding at the EIM external interties being postponed indefinitely. In the June 30 Order, the Commission rejected CAISO's proposed revisions related to economic bidding at the EIM external interties and directed staff to hold a technical conference to gather additional information regarding the technical challenges related to the implementation of economic bidding at the EIM external interties.³

II. Technical Conference

3. As directed in the June 30 Order, on October 28, 2016, Commission staff convened a technical conference to gather information regarding the technical challenges related to the implementation of economic bidding at the EIM external interties. As discussed below, technical conference participants expressed varying positions on the need for and challenges associated with implementing bidding at the EIM external interties.⁴ These positions further differed based on which of two forms of bidding at the EIM external interties was being considered: (1) generic economic bidding at the EIM external interties, in which bids do not include information about their specific energy source or sink; or (2) external resource-specific bidding at the EIM external interties.

4. In general, CAISO and the EIM Entities expressed various degrees of concern about the potential impacts of bidding at the EIM external interties. CAISO's concerns focused primarily on the concept of generic economic bids at the EIM external interties, which it asserted would compromise or degrade the fundamental design principles of the EIM. Further, CAISO emphasized that generic economic bidding at the EIM external interties may not be the best solution for the concerns raised by proponents of bidding at the EIM external interties. CAISO also suggested that resource-specific bidding at the EIM external interties was a more technically feasible possibility, if not the best solution. According to CAISO, the best overall solution is likely to expand the capability of the EIM model to support external resources, rather than generic economic bidding at the EIM external interties. CAISO encouraged participants to be open minded in finding a way to reduce barriers to entry.

5. The EIM Entities voiced concerns that both generic economic bids and resource-specific bidding could change the structure of the still-developing EIM, thereby transforming the EIM Entities into quasi-market operators by requiring them to manage

³ June 30 Order at P 38.

⁴ We note that the following summary is intended to be a brief, high-level overview of the issues discussed at the technical conference. More detailed information about the specific positions and comments of all participants at the technical conference is available in the transcript of the technical conference. *See* Revised Transcript of the CAISO Technical Conference Energy Imbalance Market, held October 28, 2016, under Docket Number ER16-1518-000: <https://elibrary.ferc.gov/idmws/common/opennat.asp?fileID=14418515>.

the effects of flows on multiple intertie points, including the ancillary services necessary to support these flows. Specifically, the EIM Entities raised concerns regarding resource sufficiency, risk of non-performance from external generation, transmission utilization and compensation, the lack of market power mitigation, and the feasibility of flows across the network. Some EIM Entities also suggested that a significant modification of the EIM design would change the balance of costs and benefits of participation and could potentially deter future expansion of the EIM. While the EIM Entities expressed support for the growth of the EIM, they emphasized the need to recognize the balance of benefits and risks for current and potential EIM Entities. The EIM Entities noted that they do not believe the EIM construct is the cause of the challenges WPTF has asserted now exist in the bilateral market, which are discussed in more detail below, and that it should not be assumed that intertie bidding is a natural overlay to the EIM.

6. In contrast, WPTF and representatives from certain public power entities, independent power producers, and other non-EIM participants expressed support for some form of bidding at the EIM external interties. They also expressed concerns about the impact the EIM has had on bilateral transactions in the West. For example, WPTF argued that entities outside of the EIM boundaries should be able to participate economically in the EIM by submitting generic energy bids at the EIM external interties. According to WPTF, bilateral transactions have lost much of the scheduling flexibility that was in place prior to the start of the EIM, and transactions in the bilateral markets are now subject to unmanageable price risk. WPTF characterized the lack of intertie bidding and diminished transmission scheduling flexibility as open access issues, the outcome of which, WPTF stated, should not be determined by a popular vote in a CAISO stakeholder process.

7. Some participants expressed support for resource-specific intertie bidding. For example, Public Generating Pool (PGP) explained that while many public power entities cannot join the EIM due to regulatory constraints or other causes, or lack the financial incentive to join, they still have surplus flexibility that could be beneficial to the EIM. PGP expressed openness to market rules that would address CAISO's and the EIM Entities' concerns about needing information on where energy bid into the EIM at external interties originates, and suggested resource aggregation as a means of allowing external resources to participate in the EIM.

III. Discussion

8. At the technical conference, Commission staff and attendees were able to begin identifying some of the specific issues underlying various concerns regarding EIM participation and access through bidding at the EIM external interties and potential areas of cooperation. While no agreement was reached regarding solutions to the identified problems, the discussions identified some stakeholder interests that might be more easily or quickly addressed through solutions other than implementation of bidding at the EIM external interties. In addition, CAISO staff also committed to work with stakeholders to address these issues and find ways to reduce the barriers to EIM participation.

9. We recognize that implementation of bidding at the EIM external interties may pose challenges for CAISO and the EIM Entities. We also understand the concerns expressed by those who would benefit from more expansive EIM participation, such as bidding at the EIM external interties, or from another form of EIM participation that differs from the options currently available under the CAISO and EIM Entity tariffs, and the concerns of those who have experienced challenges in scheduling bilateral transactions since the inception of the EIM. We appreciate CAISO's ongoing efforts to address these challenging issues with stakeholders.

10. We encourage CAISO and the EIM Entities to eliminate barriers to greater EIM participation and to provide opportunities for increased competition within the EIM. We understand that these issues may not have simple solutions, and that CAISO has many stakeholder initiatives that it must prioritize in order to make the best use of its and its stakeholders' limited resources. However, as discussed at the technical conference, some level of increased EIM participation could be beneficial, and we encourage CAISO and its stakeholders to continue to work to facilitate EIM participation so that these benefits can be seen market-wide. We also note that since the technical conference, CAISO has published its 2017 Draft Final Policy Initiatives Roadmap⁵ that prioritizes initiatives that will attempt to address some of the specific concerns raised at the technical conference related to the EIM's impacts on the bilateral markets.⁶ We appreciate CAISO's efforts thus far to address these issues, and we encourage CAISO and the EIM Entities to continue to work with stakeholders to develop solutions to address the other concerns stakeholders have raised and find ways to reduce barriers to EIM participation. We believe CAISO and its stakeholders are in the best position to work through these issues at this time. We look forward to learning more about the solutions CAISO and its stakeholders develop, including any proposals emerging from CAISO's prioritized

⁵See CAISO Stakeholder Initiatives Catalog Process:
<http://www.caiso.com/informed/Pages/StakeholderProcesses/StakeholderInitiativesCatalogProcess.aspx>.

⁶ These initiatives include "Real Time Market Enhancements," which will, among other things, improve 15-minute market and EIM base schedule submission timing, and "Management of EIM Imbalance Settlement for Bilateral Schedule Changes," which will investigate whether CAISO's current wheeling through functionality can be used to allow market participants with potential bilateral transactions to submit a bid price at which the balanced source/sink pair would result in a schedule change.

initiatives in its 2017 Draft Final Policy Initiatives Roadmap. We direct Commission staff to monitor CAISO's efforts and expect that CAISO keep the Commission apprised of developments.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.