



July 20, 2020

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket: ER15-2565-__
Energy Imbalance Market Special Report – Transition Period –
May 2020 for Seattle City Light.**

Dear Secretary Bose:

The Department of Market Monitoring (DMM) hereby submits its Energy Imbalance Market (EIM) special report on the transition period of Seattle City Light during its first six months of participation in the EIM for May 2020. Seattle City Light joined the energy imbalance market on April 1, 2020.

Please contact the undersigned directly with any questions or concerns regarding the foregoing.

Respectfully submitted,

By: /s/ Eric Hildebrandt

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California ISO

Report on energy imbalance market issues and performance: Seattle City Light for May 2020

July 20, 2020

Prepared by: Department of Market Monitoring

Executive summary

Pursuant to the Commission’s October 29, 2015 Order on the ISO’s energy imbalance market (EIM), the ISO filed a report on June 30, 2020 covering the period from May 1 through May 31, 2020 (May report) for Seattle City Light (SCL) in the energy imbalance market.¹ SCL joined the energy imbalance market on April 1, 2020.

This report provides a review by the Department of Market Monitoring (DMM) of energy imbalance market performance for the SCL balancing authority area during the period covered in the ISO’s May report. This is the second report for the transition period for the SCL balancing authority area. Key findings in this report include the following:

- Prices in the SCL area were similar to prices within PacifiCorp West. In the SCL area during the month, prices averaged \$14.17/MWh in the 15-minute market and \$13.42/MWh in the 5-minute market.
- The SCL balancing authority area failed the upward sufficiency test during four intervals and the downward sufficiency test during four intervals over the month.
- The frequency of valid under-supply infeasibilities was low during May, occurring during only five 5-minute market intervals, and never in the 15-minute market. There were no valid over-supply infeasibilities for the SCL area during May.
- Transition period pricing did not impact 15-minute market prices, while having a minor influence on 5-minute market prices for the SCL area during May.

Section 1 of this report provides a description of prices and power balance constraint relaxations and section 2 discusses the flexible ramping sufficiency test.

¹ The ISO’s May 2020 Report was filed at FERC and posted on the ISO website on June 30, 2020:
<http://www.caiso.com/Documents/Jun30-2020-EIM-TransitionPeriodReport-SeattleCityLight-May2020-ER15-2565.pdf>

1 Energy imbalance market prices

Figure 1.1 and Figure 1.2 show hourly average 15-minute and 5-minute prices during May for SCL compared with prices in PacifiCorp West and in the ISO at the Pacific Gas and Electric (PG&E) default load aggregation point.

Prices in Seattle City Light were mostly lower than prices in the ISO because of limited transmission to the ISO. This resulted in local resources setting the price in a combined Seattle City Light, Powerex, Portland General Electric, Puget Sound Energy, and PacifiCorp West region during many intervals, instead of prices reflecting the overall system price. In the SCL area during the month, prices averaged \$14.17/MWh in the 15-minute market and \$13.42/MWh 5-minute market. During the majority of intervals in May, real-time prices in SCL and PacifiCorp West were similar.

Figure 1.1 Average hourly 15-minute price (May 2020)

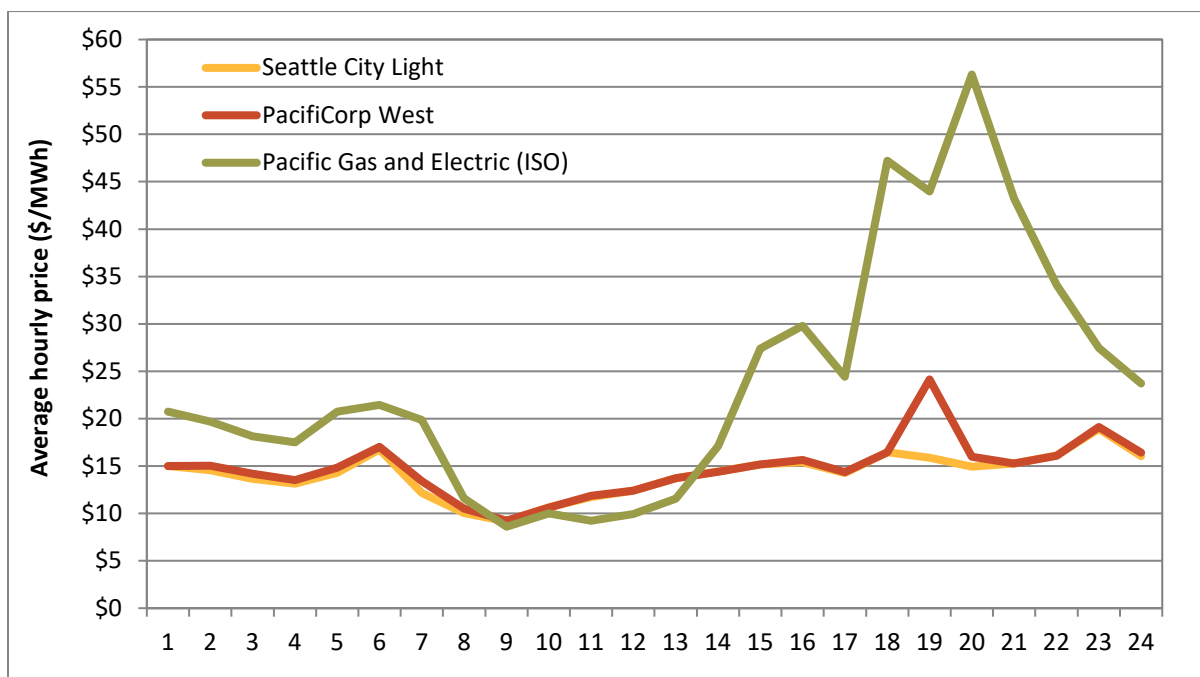
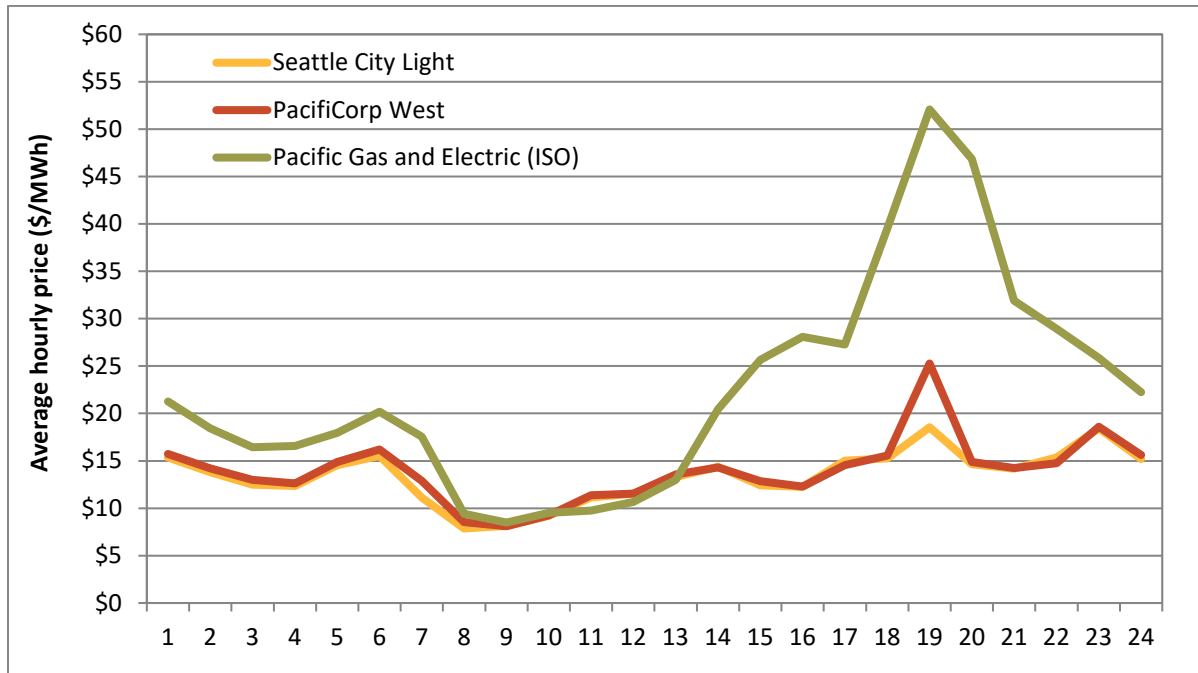


Figure 1.2 Average hourly 5-minute price (May 2020)

All power balance constraint relaxations that occurred in May were subject to the six-month transition period pricing that expires on October 1, 2020. The transition period pricing mechanism sets prices at the highest cost supply bid dispatched to meet demand rather than at the \$1,000/MWh penalty parameter while relaxing the constraint for shortages, or the -\$155/MWh penalty parameter while relaxing the constraint for excess energy.² Power balance constraint relaxations can be grouped in the following categories:

- **Valid under-supply infeasibility** (power balance constraint shortage). These occurred when the power balance constraint was relaxed because load exceeded available generation. The ISO validated that ISO software was working appropriately during these instances.
- **Valid over-supply infeasibility** (power balance constraint excess). These occurred when the power balance constraint was relaxed because generation exceeded load. The ISO validated that ISO software was working appropriately during these instances.
- **Load conformance limiter would have resolved infeasibility.** The load conformance limiter automatically reduces the size of an operator load adjustment and sets prices at the last economic signal when the conditions for the limiter are met.³ During the transition period, the limiter does not

² When transition period pricing provisions are triggered by relaxation of the power balance constraint, any shadow price associated with the flexible ramping product is set to \$0/MWh to allow the market software to use the last economic bid dispatched.

³ The ISO implemented an enhancement to the load conformance limiter, effective February 27, 2019. With the enhancement, the load conformance limiter triggers by a measure based on the change in load adjustment from one interval to the next, rather than the total level of load adjustment.

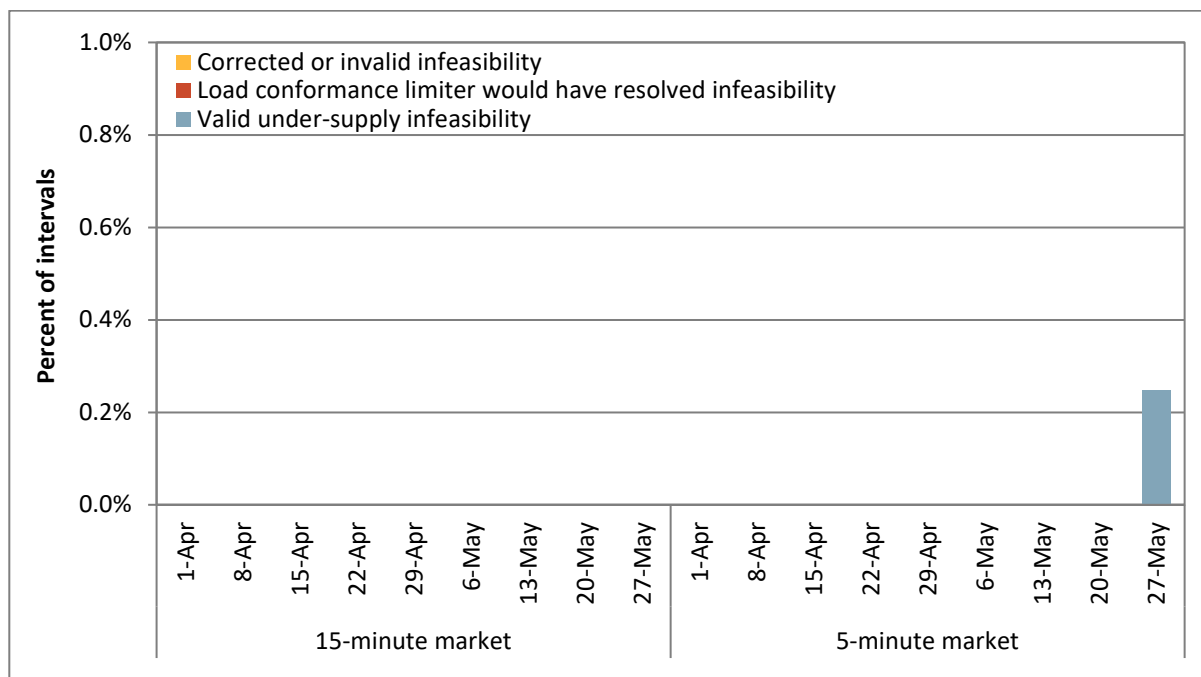
change price outcomes because transition period pricing is applied during these intervals instead. However, in these cases, the load conformance limiter *would have resolved the infeasibility* had transition period pricing not been in effect.

- **Correctable infeasibility.** These occurred when the ISO software relaxed the power balance constraint concurrent with a software error or data error that resulted in a price correction or would have triggered a price correction if transition period pricing were not active.⁴

Figure 1.3 and Figure 1.4 show the monthly frequency of under-supply and over-supply infeasibilities in the 5-minute market and 15-minute market. As shown in Figure 1.3, the frequency of valid under-supply infeasibilities was low in May, occurring during only five 5-minute market intervals, and never in the 15-minute market.

There were no valid over-supply infeasibilities for the SCL area during May. In addition, there were no intervals when the load conformance limiter would have triggered for the SCL balancing authority area had transition period pricing not been in effect.

Figure 1.3 Frequency of under-supply power balance infeasibilities by week
Seattle City Light



⁴ Section 35 of the ISO tariff provides the ISO authority to correct prices if it detects an invalid market solution or issues due to a data input failure, occurrence of hardware or software failure, or a result that is inconsistent with the ISO tariff. During erroneous intervals, the ISO determined that prices resulting under transition period pricing were equivalent to prices that would result from a price correction, so no further price adjustment was appropriate.
http://www.caiso.com/Documents/Section35_MarketValidationAndPriceCorrection_May1_2014.pdf.

**Figure 1.4 Frequency of over-supply power balance infeasibilities by week
Seattle City Light**

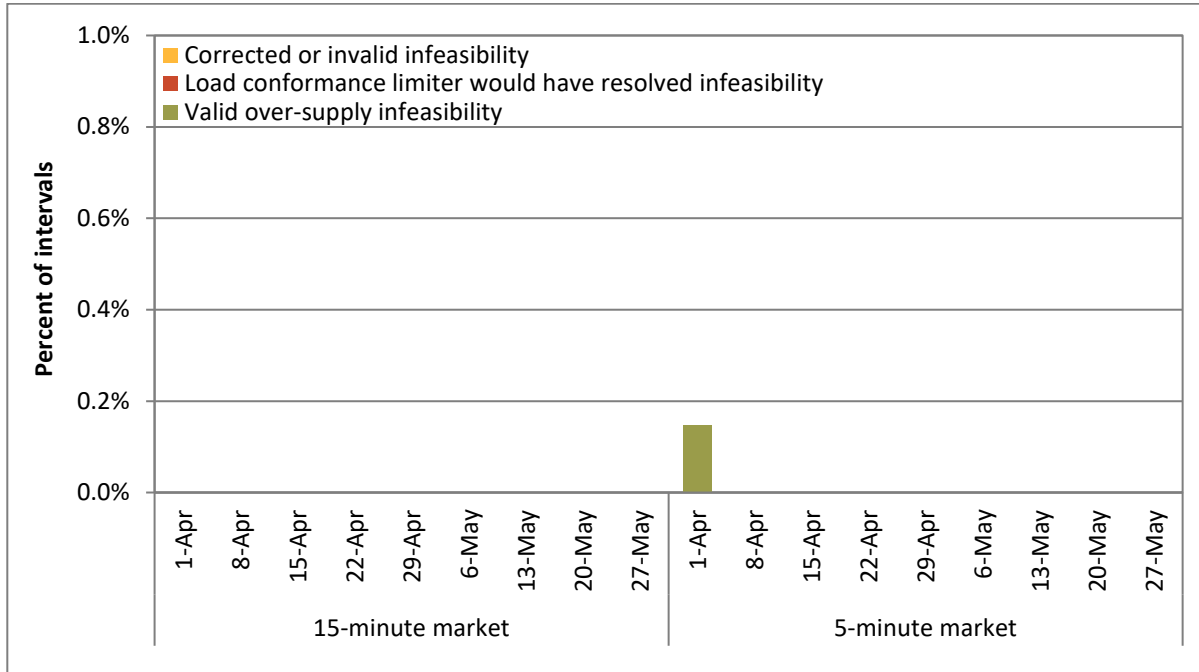


Figure 1.5 and Figure 1.6 show the average weekly prices in the 15-minute market and 5-minute market *with* and *without* the special transition period pricing provisions applied to mitigate prices in the SCL area during May.⁵ On average for the month, transition period pricing did not impact 15-minute market prices, while having a minor influence on 5-minute market prices for the SCL area during May.

⁵ A detailed description of the methodology used to calculate these counterfactual prices that would result without transition period pricing was provided on p. 7 of the January 2017 report for Arizona Public Service from DMM: http://www.caiso.com/Documents/May1_2017_Department_MarketMonitoring_EIMTransitionPeriodReport_ArizonaPublicService_Jan2017_ER15-2565.pdf

Figure 1.5 Average prices by week – Seattle City Light (15-minute market)

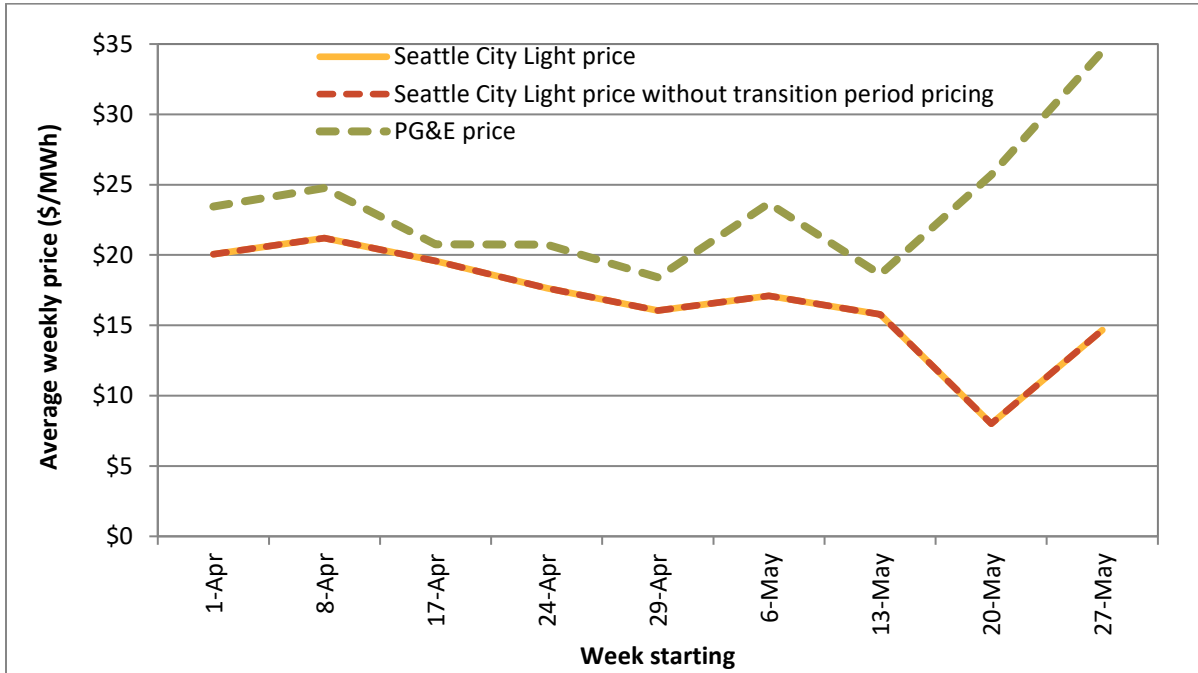
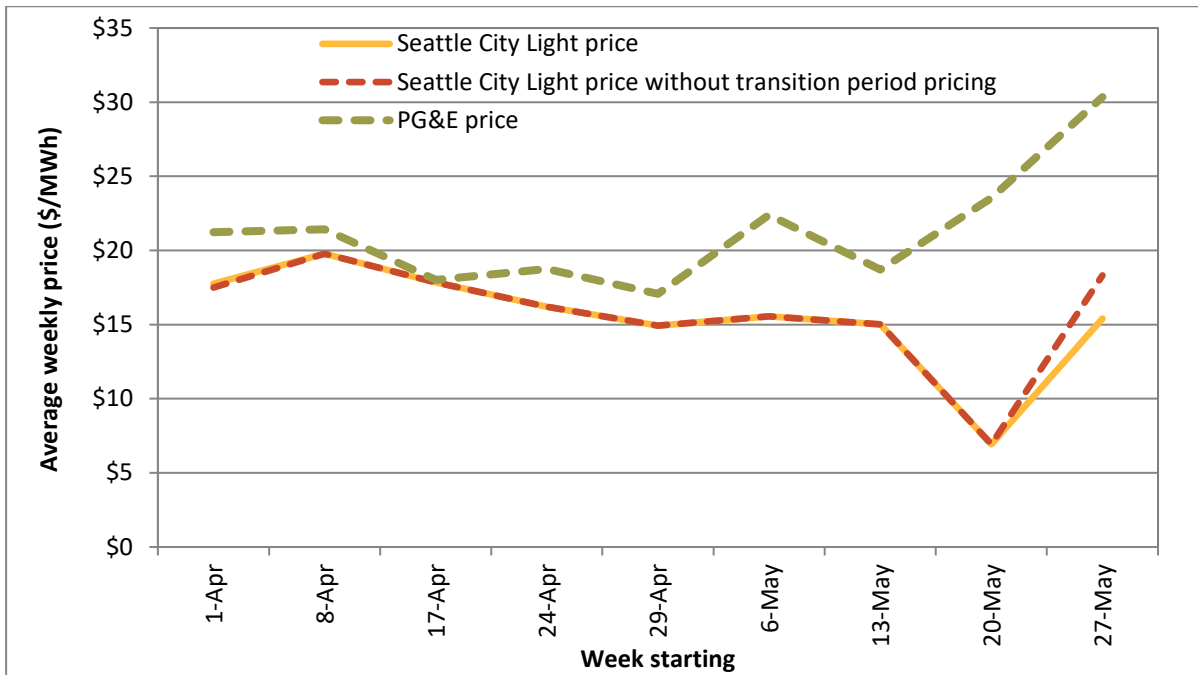


Figure 1.6 Average prices by week – Seattle City Light (5-minute market)



2 Flexible ramping sufficiency test

The flexible ramping sufficiency test ensures that each balancing area has enough ramping resources over each hour to meet expected upward and downward ramping needs. The test is designed to ensure that each energy imbalance market area has sufficient ramping capacity to meet real-time market requirements without relying on transfers from other balancing areas.

When the energy imbalance market was initially implemented there was an upward ramping sufficiency test. In November 2016, the ISO implemented an additional downward ramping sufficiency test in the market with the introduction of the flexible ramping product, which replaced the flexible ramping constraint. If an area fails the upward sufficiency test, energy imbalance market imports cannot be increased.⁶ Similarly, if an area fails the downward sufficiency test, exports cannot be increased. In addition to the sufficiency test, each area is also subject to a capacity test. If an area fails the capacity test, then the flexible ramping sufficiency test automatically fails as a result.⁷

Limiting transfers can impact the frequency of power balance constraint relaxations and, thus, price separation across balancing areas. Constraining transfer capability may also impact the efficiency of the energy imbalance market by limiting transfers into and out of a balancing area that could potentially provide benefits to other balancing areas.

The ISO implemented multiple enhancements to the flexible ramping sufficiency test during 2019. First, a tolerance threshold was implemented effective February 15, 2019, that allows an energy imbalance market entity to pass the test if the insufficiency is less than either of 1 MW or 1 percent of the requirement⁸. A second enhancement, implemented on May 6, 2019, evaluates sufficiency test results and limits transfers on a 15-minute interval basis rather than for the entire hour.

The SCL balancing authority area failed the upward sufficiency test during four intervals and the downward sufficiency test during four intervals over the month.

⁶ *Business Practice Manual for the Energy Imbalance Market*, August 30, 2016, p. 45-52: https://bpmcm.caiso.com/BPM%20Document%20Library/Energy%20Imbalance%20Market/BPM_for_Energy%20Imbalance%20Market_V6_clean.docx.

⁷ *Business Practice Manual for the Energy Imbalance Market*, August 30, 2016, p. 45.

⁸ Market Notice - EIM Resource Sufficiency Enhancements 1% Threshold Implementation, February 8, 2019: <http://www.caiso.com/Documents/EIMResourceSufficiencyEnhancements-1-ThresholdImplementation-021519-Active-MAPStage.html>