

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System  
Operator Corporation**

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**Docket Nos. ER15-861-000  
and EL15-53-000**

**LIMITED ANSWER OF THE  
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION  
TO REPLY COMMENTS**

The California Independent System Operator Corporation (CAISO) submits this answer to certain reply comments filed by parties regarding the technical conference held on April 9, 2015 in this proceeding. This answer is limited to clarifying two matters: (1) contrary to Powerex’s assertion, the CAISO and PacifiCorp have demonstrated that a lack of available capacity bids in the EIM is not the cause of the EIM pricing anomalies at issue in this proceeding; (2) it would be inappropriate for the CAISO to dictate in its tariff the resources that PacifiCorp or another EIM Entity may utilize to address a wide range of imbalance conditions in their own balancing authority areas, including those that might lead to potential market infeasibilities.<sup>1</sup>

**I. ANSWER**

Although framed as “reply comments,” Powerex essentially just repeats the same arguments and criticisms of the CAISO’s proposal that it raised in its initial comments. The CAISO addressed these arguments in its reply comments,

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<sup>1</sup> Comments regarding this issue were raised by Western Power Trading Forum (“WPTF”) and the Washington Utilities and Transportation Commission (“Washington UTC”).

and will not repeat them here. However, the CAISO believes it important to correct one misstatement made by Powerex in its most recent set of comments – that “there is no dispute that the lack of resources bid into the EIM is the factor triggering the need to relax power balance and flexible ramping constraints in the PacifiCorp BAAs.”<sup>2</sup> This statement ignores the ample information provided by the CAISO and PacifiCorp through regular reports, at the technical conference, and in the follow-up comments, regarding the causes of the pricing anomalies.

As the CAISO has explained, although the EIM observed an insufficient amount of effective bids to clear the fifteen and five minute markets during some intervals, the CAISO’s investigation of these occurrences revealed that they were not the product of actual capacity insufficiencies in the PacifiCorp balancing areas, but rather were caused by either: (1) EIM operating based on information regarding imbalance conditions that did not reflect actual system conditions, due to a lack of timely information provided to EIM; or (2) limitations in the visibility to EIM of capacity that is available to PacifiCorp to meet load in its balancing area.<sup>3</sup> In fulfilling its balancing function, PacifiCorp maintains a certain amount of capacity within its balancing authority area that it deems necessary to reliably operate its system. Although PacifiCorp has successfully been able to manually dispatch this capacity outside of the EIM to address a range of imbalance conditions occurring in its balancing authority area, including those that the EIM

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<sup>2</sup> Powerex at 2.

<sup>3</sup> At the technical conference, PacifiCorp explained that it has, at all times, been resource sufficient and maintained reliability in its balancing authority areas. Transcript of Technical Conference at 25, Docket Nos. ER15-861-000, et al. (Apr. 9, 2015).

was not intended to cover, the EIM has not always been able to timely recognize the dispatch of this capacity. Moreover, it would be counterproductive for PacifiCorp to bid this capacity directly into EIM because EIM presently has no way to distinguish this capacity as necessary to meet PacifiCorp's balancing area functions. Such capacity, if bid into EIM currently, could be used to support an EIM transfer to another EIM balancing authority area, and as a result would be unavailable to PacifiCorp to ensure balancing area reliability.

The CAISO and PacifiCorp continue to make significant progress reducing the occurrence of imbalance information-related infeasibilities through closer coordination and the deployment of numerous systems and process improvements, including enhancements to market systems visibility for PacifiCorp and extensive training and numerous operational and process improvements adopted by PacifiCorp. In addition, the EIM enhancement mechanism detailed in the CAISO's initial comments, by automatically accounting for the deployment of resources available to an EIM entity solely to balance its system, will further reduce the occurrence of price excursions caused by the lack of visibility in EIM of such resources. Powerex provides no evidence demonstrating that the CAISO and PacifiCorp's findings on the causes of the EIM price anomalies are in any way flawed, or that the CAISO's proposed EIM enhancement, in conjunction with improved overall coordination between CAISO and PacifiCorp, will not significantly reduce potential EIM infeasibilities and result in just and reasonable prices reflecting actual conditions. As such, the

Commission should disregard Powerex's baseless assertion regarding the causes of constraint relaxation in EIM.

Two parties included in their reply comments statements requesting further specification as to what resources EIM will treat as capacity available to PacifiCorp to address potential power balance constraints. First, WPTF contends that the CAISO tariff rather than the PacifiCorp OATT should contain most of the details regarding "which resources can be used in the expanded pool and how such resources will be counted"<sup>4</sup> The Washington UTC argues that the Commission should direct the CAISO and PacifiCorp to "describe precisely what resource types they will use to resolve infeasibilities."<sup>5</sup>

As the CAISO has explained previously, EIM is not a power pool. Under EIM, PacifiCorp and other EIM entities continue to maintain their balancing authority responsibilities. The CAISO's proposal is simply a means by which to automate the flow of information from EIM Entities to the market regarding the capacity available to EIM Entities solely to balance their systems.<sup>6</sup> In its initial comments, the CAISO explained that this automated process would operate by providing an opportunity for an EIM entity to include information regarding available capacity in their EIM bids. Specifically, the portion of the bid range that reflects additional capacity from EIM participating resources and non-participating resources that are available to the EIM entity to relieve potential

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<sup>4</sup> WPTF at 3, 6-7.

<sup>5</sup> Washington UTC at 4.

<sup>6</sup> With respect to concerns regarding the potential use of contingency reserves by PacifiCorp, the CAISO notes that it already has an existing mechanism by which an EIM Entity can inform the CAISO as to the amount of contingency reserves that it is carrying.

power balance or transmission constraints that would have otherwise resulted in market infeasibilities in the EIM balancing areas. It is important to understand, however, that the CAISO is not proposing to co-opt this additional capacity into EIM.<sup>7</sup> The CAISO's enhancement would simply account for such capacity available to the EIM entity in determining the amount of imbalance energy to be served through EIM and the appropriate price thereof. However, because the CAISO does not assume any balancing area functions for EIM entities, it would be inappropriate for the CAISO to attempt to dictate, through its tariff, what resources an EIM entity can or cannot designate as available to balance their systems.<sup>8</sup> Therefore, the Commission should decline to require that the CAISO include such provisions in its tariff.

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<sup>7</sup> Any such additional capacity available to an EIM Entity would not be dispatched or settled through EIM.

<sup>8</sup> WPTF also maintains that the CAISO should include in its tariff a requirement that an EIM entity include in its OATT "the processes by which resource owners can specify bids or resource characteristics to be used in a bid determination." (WPTF at 7.) To the extent that this argument relates to the CAISO's proposal to generate a form of default energy bids for non-participating resources, it should be understood that these "bids" are only for purposes of reflecting the capacity available to an EIM entity from non-participating resources so as to ensure that EIM does not assume artificial scarcity conditions. As stated above, the CAISO is not proposing to dispatch or settle such resources through EIM. The specific rules regarding the generation of such "bids" will be included in the CAISO's implementing tariff filing.

## II. CONCLUSION

For the foregoing reasons, the CAISO requests that the Commission accept this limited answer and issue an order directing the CAISO to file tariff revisions to implement the Energy Imbalance Market enhancements described in the CAISO's initial comments, in order to resolve the Commission's investigation in Docket No. EL15-53.

Respectfully submitted,

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Dated: June 5, 2015

## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service lists for the above-referenced proceedings, under the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, D.C. this 5<sup>th</sup> day of June, 2015.

/s/ Michael Kunselman

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