

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

**California Independent System) Docket No. ER18-2341-000
Operator Corporation)**

**MOTION TO INTERVENE AND COMMENTS
OF THE DEPARTMENT OF MARKET MONITORING
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring (DMM), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits this motion to intervene and comments in the above captioned proceeding.

In this proceeding, the CAISO proposes changes to the components of its Energy Imbalance Market (EIM) rules that are designed to account for costs to comply with California’s greenhouse gas (GHG) regulations resulting from EIM transfers into California. The proposed changes address concerns by the California Air Resources Board (CARB) that current rules do not accurately account for greenhouse gas emissions from EIM resources that may be dispatched up when EIM resources with lower emissions are deemed to be transferred into the CAISO. DMM supports the proposed changes as a reasonable way of addressing concerns about the potential greenhouse gas emissions from the “secondary dispatch” of EIM resources that may occur when energy is transferred into the CAISO in the EIM.

I. COMMENTS

The CAISO's proposal "seeks to balance the need for a more accurate attribution of EIM transfers to EIM participating resources serving California demand with the need to reach an efficient and reliable market solution."¹ CAISO's filing notes that compared to current rules, the proposed changes could in some cases result in dispatch of resources within the CAISO instead of an EIM participating resource if that internal resource's energy bid is more economic than the combined energy and GHG bid adder of an EIM participating resource.² The CAISO notes that DMM "also identified that the CAISO's proposal could reduce EIM benefits by reducing the efficiency of total EIM area dispatch."³ The CAISO's filing concludes that "stakeholders have acknowledged these possible outcomes but still generally support the rule change because it increases the accuracy of dispatch based on the costs of energy produced to meet demand."⁴

DMM's comments in the stakeholder process cited in CAISO's filing identify some scenarios in which the additional limits on EIM transfers into California from individual resources that would be established under the proposal could reduce overall market efficiency.⁵ DMM's comments noted that it may be possible to improve the efficiency of the ISO's proposal by identifying such scenarios and designing appropriate exceptions to the proposed administrative capacity limit, but

¹ CAISO Filing (August 23, 2018), p. 9.

² Ibid.

³ Ibid.

⁴ CAISO Filing, p. 9.

⁵ *Comments on EIM Greenhouse Gas Enhancements Third Revised Draft Final Proposal*, Department of Market Monitoring, June 14, 2018, pp.3-4. [http://www.caiso.com/Documents/DMM Comments-EIMGreenhouseGasEnhancements-ThirdRevisedDraftFinalProposal.pdf](http://www.caiso.com/Documents/DMM%20Comments-EIMGreenhouseGasEnhancements-ThirdRevisedDraftFinalProposal.pdf).

that “it could take substantial effort to work out the implementation details of any such enhancement.”⁶ Given the complexity of such potential enhancements, DMM supports the CAISO’s decision to move forward with the approach described in its *Third Revised Draft Proposal* at this time. Any future enhancements such as those suggested by DMM could be made based on observed market outcomes.

As noted in the CAISO’s filing, some stakeholders raised a concern that the proposed changes could create an incentive for market participants to configure EIM participating resources’ base schedules to maximize GHG revenue as opposed to the most optimal operation of their resources.⁷ The CAISO has committed to “monitor any changes to the formation of base schedules it observes after the new EIM bid adder rules take effect and provide a report to stakeholders after obtaining six months of market data.”⁸ DMM believes this potential gaming issue can be effectively mitigated by the CAISO’s commitment to monitor and report on this issue.

During the stakeholder process, the CAISO examined numerous other options for addressing the potential issue of secondary dispatch in the EIM. As noted in DMM’s comments during the stakeholder process, DMM believes that the CAISO’s final proposal should have less of a detrimental impact on pricing and dispatch efficiency than other alternatives explored with stakeholders and is an improvement over the CAISO’s previous proposals for addressing secondary dispatch.⁹

⁶ Ibid, p.4-5.

⁷ CAISO Filing, p. 11.

⁸ CAISO Filing, p. 12.

⁹ DMM Comments (June 14, 2018), pp. 2-3.

II. MOTION TO INTERVENE

DMM respectfully requests that the Commission afford due consideration to this motion to intervene and comments, and afford DMM full rights as a party to this proceeding. The mission of DMM – like that of all Independent Market Monitors – is as follows:

To provide independent oversight and analysis of the CAISO Markets for the protection of consumers and Market Participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses.¹⁰

The CAISO tariff states that “DMM shall review existing and proposed market rules, tariff provisions, and market design elements and recommend proposed rule and tariff changes to the CAISO, the CAISO Governing Board, FERC staff, the California Public Utilities Commission, Market Participants, and other interested entities.”¹¹ As this proceeding involves tariff provisions which impact the efficiency of the CAISO’s markets, it implicates matters within DMM’s purview.

III. CONCLUSION

DMM supports the proposed changes as a reasonable way of addressing concerns about the potential greenhouse gas emissions from the “secondary dispatch” of EIM resources that may occur when energy is transferred into the

¹⁰ CAISO Tariff Appendix P, Section 1.2.

http://www.caiso.com/Documents/AppendixP_CAISODepartmentOfMarketMonitoring_asof_Apr1_2017.pdf.

See also FERC Order 719, at p. 188, where the functions of a Market Monitor include: “evaluating existing and proposed market rules, tariff provisions and market design elements, and recommending proposed rule and tariff changes not only to the RTO or ISO, but also to the Commission’s Office of Energy Market Regulation staff and to other interested entities [...]” <https://www.ferc.gov/whats-new/comm-meet/2008/101608/E-1.pdf>

¹¹ CAISO Tariff Appendix P, Section 5.1.

CAISO in the EIM. DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it in this proceeding.

Respectfully submitted,

/s/ Eric Hildebrandt

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CERTIFICATE OF SERVICE

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

Dated at Folsom, California this 19th day of September, 2018.

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