

Comments of Pacific Gas and Electric Company

EIM Year 1 Enhancements Phase 2 – Issue Paper and Straw Proposal

Submitted by	Company	Date Submitted
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Pacific Gas and Electric Company (PG&E) offers the following comments on the California Independent System Operator's (CAISO) Energy Imbalance Market (EIM) Year 1 Enhancements Phase 2 September 8, 2015 Draft Final Proposal.

PG&E continues to support the development of the CAISO's EIM, and the CAISO's efforts to refine and enhance the market as EIM participants gain experience and new EIM entrants join.

PG&E's primary comments are:

- PG&E agrees that additional analysis is necessary regarding the impact of EIM entity base schedules on the CAISO's real-time congestion offset (RTCO). PG&E recommends that the CAISO should commit to a formal study process with opportunity for stakeholder comments to address the issue rather than its proposal to provide updates through the Market Performance and Planning Forum (MPPF).
- PG&E believes that more detail and a clear set of after-the-fact data is necessary to evaluate and provide an assessment of the settlement options of real-time congestion rents for intertie scheduling limits and EIM transfer limits.
- PG&E supports the CAISO's proposal to always include EIM transfer limits into an EIM balancing authority area (BAA) in the market power mitigation process similar to any other constraint.

1. The CAISO should commit to a formal study process with opportunity for stakeholder comments to address the issue it has removed from the scope of this initiative related to the impact of EIM entity base schedules on the CAISO's RTCO.

The CAISO proposes to remove from the scope of EIM Year 1 Enhancements Phase 2 the issue regarding the impact of EIM entity base schedules on the CAISO's RTCO. The CAISO proposes to continue to analyze this issue and provide updates on the analysis on a regular basis through the MPPF. PG&E agrees that additional analysis is necessary before making a decision related to this issue and provides suggestions below on the analysis. PG&E is concerned that the MPPF venue does not provide a sufficient opportunity for stakeholder engagement and feedback. PG&E recommends that the

CAISO commit to a formal study process for this issue. This should include reports from the CAISO on its review and analysis of EIM data and opportunities for stakeholders to submit comments and for the CAISO to provide responses.

a. The CAISO should continue to evaluate the impact of base schedules on the CAISO's real-time congestion offset.

PG&E supports the CAISO's evaluation of the impact of base schedules on the CAISO's RTCO in order to understand the extent of the issue. Through this evaluation, the CAISO should determine what triggers would lead to the CAISO evaluating additional tools to address flow entitlements (such as a mechanism to allocate a portion of an EIM BAA's RTCO to other BAAs if the other EIM BAAs' base schedule flows on the transmission constraints exceed agreed upon flow entitlements). The CAISO should also consider performing a similar evaluation for all new EIM entities prior to and soon after implementation to understand how the new EIM entity could impact RTCO in other EIM BAAs. If the impact of the new EIM entity is significant, this would lead to further review and the evaluation of additional tools to address the financial impact of loop flows created from base schedules.

2. PG&E believes that more detail and a clear set of after-the-fact data is necessary to evaluate and provide an assessment of the settlement options of real-time congestion rents for intertie scheduling limits and EIM transfer limits.

The CAISO has proposed to look at how to allocate congestion rents arising in EIM when EIM transfer limits and scheduling limits between BAAs bind and create congestion rents. PG&E believes that more detail is necessary to provide an assessment. The CAISO should provide a clear set of after-the-fact data to evaluate the issue. PG&E would also appreciate examples that demonstrate how the formulation would work, how costs are allocated, and how the RTCO would be distributed. For instance, the CAISO should answer the following questions:

- How will congestion rents be allocated if there are multiple EIM entities that share an EIM intertie?
- How will congestion rents that are allocated to an EIM entity be sub-allocated to the entity that pays for the transmission?
- How will the CAISO model congestion shadow pricing on interties in the real-time market?

3. PG&E supports the CAISO's proposal to include EIM transfer limits into an EIM balancing authority area in the market power mitigation process similar to any other constraint.

PG&E supports having effective market power mitigation procedures in place acknowledging the EIM transfer constraints that would limit competitive alternatives and create conditions for the potential exercise of market power by an EIM entity. Therefore,

PG&E supports the CAISO's proposal to include EIM transfer limits into an EIM BAA in the market power mitigation process similar to any other constraint.