

Stakeholder Comments Template

Consolidated Energy Imbalance Market initiative September 5, 2017 Draft Final Proposal

Submitted by	Company	Date Submitted
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SCE herein provides comments on the Consolidated EIM Draft Final Proposal (Proposal) issued on September 5, 2017.¹ In the prior issue paper,² the CAISO sought input on allowing third parties to offer transmission to support EIM Transfers in exchange for compensation. SCE had concerns about the provision of third party transmission as the cost recovery implementation could outweigh the benefits. Based upon feedback, CAISO has removed this from the consolidated EIM Initiatives; SCE supports this outcome. On the equitable sharing of wheeling benefits in the Straw Proposal, the CAISO performed a study on the use of EIM transmission which shows that currently there does not appear to be an inequity that requires resolution. As a result, the CAISO has dropped reallocation of EIM Benefits due to wheeling and CAISO will monitor EIM wheel-throughs; SCE supports this outcome. The Consolidated EIM now includes five changes to EIM called enhancements which are necessary for the implementation for Powerex to participate in the EIM. SCE has some concerns with one of the proposals as explained the more detail below.

1. The automated matching of Import/Export schedule changes to EIM non-participating resources needs better definition and refinement regarding the settlement.

When there is a change to the intertie schedule after T-40 min, when base schedules are due, to remain balanced then unit(s) must adjust their output, and as mentioned the Proposal document, the EIM can resolve a change in unit output to support

¹ <http://www.caiso.com/Documents/DraftFinalProposal-ConsolidatedEnergyImbalanceMarketInitiatives.pdf>

² http://www.caiso.com/Documents/IssuePaper-ConsolidatedEnergyImbalanceMarketInitiatives_Updated.pdf

the change in the import/export intertie schedule change.³ The Proposal mentions the other option is to perform a Manual Dispatch to a unit to balance the intertie schedule.⁴ The Proposal describes the automated feature to adjust the output of a non-participating unit as another option to manage the intertie schedule change. The Proposal describes it as automating the Manual Dispatch process.⁵ However, since EIM can resolve this operational issue through normal economic dispatch, classifying it as a Manual Dispatch appears to be in conflict with the definition of an EIM Manual Dispatch in the CAISO Tariff in Section 27.7 (g):

The EIM Entity may issue an EIM Manual Dispatch to an EIM Participating Resource or a non-participating resource in its Balancing Authority Area, outside of the Market Clearing of the Real-Time Market, when necessary to address reliability or operational issues in the EIM Entity Balancing Authority Area that the CAISO **is not able to address through normal economic Dispatch and Congestion Management.** [Emphasis added.]

It is SCE's understanding that Powerex plans on engaging in bilateral transactions after the base schedule deadline and will use the proposed automated feature to facilitate those transactions. Therefore, the use of the automated feature for economic purposes should be classified as something besides a Manual Dispatch because it is not related to reliability or operational issues. A separate classification should be defined for the automated feature and keep Manual Dispatch classification as intended to resolve reliability issues.⁶ This is important because of special treatment related to Manual Dispatches. It may also be useful in tracking the volume or purpose of out of market dispatches that occur after T-40 minutes.

The current tariff provides special treatment in price formation and settlement for an EIM Manual Dispatch related to reliability which should not necessarily apply to the automated feature as it appears the primary purpose is to facilitate economic transactions that occur after the base schedule. Per Section 29.7 (i), the special treatment is:

³ Proposal, page 9.

⁴ At the stakeholder meeting, it was mentioned that currently EIM Entities can perform Manual Dispatches to manage the changes to the intertie schedules.

⁵ Proposal page 10.

⁶ If the automated feature is also used to manage reliability related schedule changes, then a flag can be developed to identify it as reliability related, and therefore meets the classification of a manual dispatch.

CAISO Actions in Response to Notification of EIM Manual Dispatch. Upon receipt of notice of an EIM Manual Dispatch, the CAISO shall—

- (1) reflect the EIM Manual Dispatch in the Real-Time Market;
- (2) disregard an EIM Manual Dispatch in the determination of the Locational Marginal Price; and
- (3) treat an EIM Manual Dispatch to an EIM Participating Resource or non-participating resource as FMM or RTD Instructed Imbalance Energy for Settlement.

As this is an economic transaction it is unclear why the dispatch should not impact the determination of the locational marginal price, but as a non-participating resource (NPR) it has no energy bid. However, the dispatch of the NPR and resulting power flow does impact future price determination. Therefore, consideration of the impact and timing of these dispatches should determine the appropriate application the classification of dispatch as instructed or uninstructed energy and the application of 15-minute or 5-minute prices.

As these automated dispatches to a NPR will impact power flows and to the extent they create market infeasibilities, then EIM will resolve the infeasibility in the next market optimization. Because these imbalances are due to out of market economic transactions, they should be classified as uninstructed deviations. This is important due to the financial impact on the determination and allocation of bid cost recovery accounts and the neutrality accounts such as real-time imbalance energy offset and the real-time congestion off-set.

The timing of when the automated dispatch is incorporated into the 15-minute or 5-minute model run should determine the appropriate settlement price for the uninstructed deviation. If the change is made prior to the 15 minute run, then the 15 minute price is used, otherwise the 5 minute price. The 15 minute price should never be applied after T-22.5 minutes when the 15-minute prices are posted as this would provide an advantage that is not available to other market participants to select the price that is applied to the imbalance.

Finally, SCE notes that EIM Manual Dispatches are exempt from certain EIM system market operation charges.⁷ Again, the economic transactions using the automated

⁷ CAISO Tariff section 29.11 (i).

feature which impact the market solution should not be considered a Manual Dispatch to avoid system charges.

Since EIM can resolve at least cost the imbalance due to the intertie schedule change using security constrained economic optimization model as opposed to directing the change to specific unit, it is unclear that an improvement of economic efficiency is gained by the automated feature. The Proposal mentioned that this feature will help maintain resources available for the EIM market to solve EIM imbalance as participating resources will not be used to support intertie schedule changes.⁸ As the non-participating unit must be dispatchable to respond to the automated feature, a solution maintain available EIM resources is to make it a participating unit. It is unclear to SCE how the automated feature would be an advantage over EIM to solve the imbalance. However, since EIM is a voluntary market, SCE does not object to creating the feature provided there are no unintended adverse consequences. Finally, the CAISO should address the above concerns should they decide to implement the automated feature for EIM.

⁸ Proposal page 9.