

Comments on the Real-Time Market Neutrality Settlement

Submitted by	Organization	Date Submitted
Beverly Ann Brereton 626-302-7576	Southern California Edison	May 13, 2019

SCE appreciates the opportunity to comment on the real-time market neutrality settlement (RTMNS) proposal¹. SCE offers the following comments:

The Decisional Classification is Incorrectly Determined

SCE opposes the decisional classification for this initiative. The initiative is neither EIM-specific, nor does it originate from the EIM's interactions with the CAISO in the RT markets. This matter has arisen on account of the CAISO's failure to implement an appropriate settlement mechanism consistent with the regulatory principle of cost causation. As a result, the CAISO Board of Governors should be designated the primary decision-making authority for resolving issues within the initiative.

GHG Compliance and Cost Causation

SCE acknowledges that consistent with the regulatory principle of cost causation, the cost of greenhouse gas (GHG) emissions should be excluded from the cost of energy transfers to balancing authority areas (BAAs) that have no GHG compliance obligations. That is, GHG costs should be included in the cost of energy transfers from BAAs without GHG obligations to BAAs with GHG compliance obligations. Therefore, calculation of the neutrality value for any BAA depends on the accuracy with which the net transfers are determined and, the prices applied to value the net transfers within the imbalance account.

Incorrect Determination of the Adjustment and Neutrality Values

There are two current problems with the real-time imbalance offset settlement. First, the determination of the adjustment to the financial value of the energy transfers from BAAs undervalues the transfers between the BAAs when both BAAs experience load and/or generation deviations. Second, the neutrality values are derived from the inclusion of incorrect adjustment values used in balancing the imbalance account for the individual BAAs.

Neither BAA associated with an energy transfer transaction pays the correct cost that is consistent with the philosophy of cost causation as applied within the regulatory context. The only good outcome from the current allocation process is, the CAISO is held harmless given the cost allocation applied.

Elimination of the Adjustment is the Appropriate Resolution

SCE agrees with the proposed elimination of the calculated adjustment for transfers among BAAs. In addition, SCE supports the proposed approach for deriving the neutrality payment or charge to a BAA. The neutrality value should be based strictly on the net value of the internal and external transactions for the corresponding BAA. While SCE agrees with the proposed elimination of the adjustment for

¹ <http://www.caiso.com/Documents/IssuePaper-StrawProposal-Real-TimeMarketNeutralitySettlement.pdf>

transfers, SCE seeks clarification that this will not impact how the real time congestion imbalance offset (RTCIO) is calculated and allocated. This is not entirely clear, given that GHG costs are included in the marginal congestion cost (MCC) from the price formation perspective while the cost associated with GHG compliance for deemed imports is collected through the real-time imbalance offset (RTIEO), the topic of this initiative.

Offset Costs should be allocated appropriately

SCE notes that while the CAISO stated that this initiative was requested by stakeholders, it is not listed on the stakeholder catalog. In contrast, several long-standing requests supported by many more stakeholders, including Real Time Market Enhancements, have been in the catalog but remain inactive for many years. The CAISO should provide an explanation for such disproportionate treatment.

Further, given that the CAISO is addressing real-time offsets in this initiative, proper cost allocation should be enjoined with this initiative. In real-time (RT), both supply and demand deviations govern the CAISO's incremental procurement decisions. This case can clearly be seen with the RT Flexible Ramping Product (FRP) procurement. RT FRP needs are transparently allocated based on deviations of both supply as well as demand. Thus, any RT offset cost allocation should be allocated based on resources' RT uncertainty contribution, just as it is the case today for RT FRP.

The CAISO has many hybrid initiative proposals. This can be one of them. The CAISO can propose to properly allocate RT Offsets and have that section moved to the CAISO Board of Governors, while having EIM relevant items approved by the EIM Governing Body.