

## **Bonneville Power Administration Comments on EIM Year 1 Enhancements Phase 2**

### **Straw Proposal**

Bonneville Power Administration (Bonneville) welcomes the opportunity to comment on the Energy Imbalance Market (EIM) Year 1 Phase 2 Enhancements Issue Paper and Straw Proposal (Straw Proposal). Bonneville submits these comments in the spirit of furthering the development of the Straw Proposal to meet the needs of regional parties. As a regional balancing authority, Bonneville's transmission system interconnects with all of the current EIM Entities and most of the proposed EIM Entities. Coordination with Bonneville's transmission operations is thus critical to the EIM's operations. Bonneville is also responsible for delivering federal power to a number of publicly-owned utilities located in the PacifiCorp, NV Energy, and Puget Sound Energy balancing authority areas. Bonneville is a transmission customer of the EIM Entities and will be subject to the EIM's rules, requirements, and charges. Bonneville's comments are designed to aid the CAISO in developing the recommendation such that these regional and system characteristics are recognized and considered. Bonneville is interested in gaining a more complete understanding of transmission access charges, inertia bidding, and the third party transmission acquisition processes described in the Straw Proposal.

#### **Transmission Access Charge**

The CAISO proposes to analyze transaction data from the initial year of EIM operations to inform the development of alternatives for a transmission access charge. Analyzing EIM-transfers from inception in 2014 thru 2015 may not be an accurate representation of the transfer patterns between the CAISO and EIM Entities and EIM Entities, because hydropower output in both the Pacific Northwest and California are performing at well below historic averages. As such, the 2015 Pacific Northwest dry-year hydrological conditions may show lower EIM Entity to CAISO north to south transfers than would likely occur in an average Pacific Northwest hydrological year and understate the forward transactions that occurred prior to formation of the EIM. Bonneville recommends the CAISO use EIM transfers covering multiple operating years when the normal expected range of hydrological conditions exists in both the Pacific Northwest and California to develop a reasonable analysis of the amount of fifteen and five minute transactions between EIM entities and the CAISO. In addition, Bonneville also recommends the CAISO use a comparison of forward transaction data between PacifiCorp and the CAISO prior to the EIM start date and during EIM operation to identify whether a shift has occurred from the forward transaction market to the EIM. Distributing the forward schedule information new EIM Entities provide to the ISO would allow transmission owners with CAISO inertia rights to perform meaningful analysis of the possible EIM-ISO transfers expected to occur in the future.

The CAISO proposes several alternatives for EIM transmission access charges (TAC) in Section 3 of the Straw Proposal. In Alternative 2, the CAISO proposes an EIM TAC that recovers a portion of the transmission provider's transmission revenue requirement in an EIM charge based on the ratio of transmission revenue requirement that is associated with incremental real-time instructed imbalance energy and uninstructed imbalance energy demand settled in the EIM market compared to total demand in the CAISO and EIM BAAs. Although the Straw Proposal described this as applying the current transmission rate design, this would result in one set of rules for IFM/FMM market and another set of rules for the EIM. Bonneville's reading of Alternative 2 is that it effectively includes elements of Alternative 4 applying the TAC to loads and wheeling and Straw Proposal section 8.1 access to 3rd party transmission. An

alternate approach for the CAISO to consider is separating Alternative 2 to offer a unified single TAC for both the EIM and the real time markets, and a separate TAC for the day-ahead market.

In Alternative 3, the CAISO proposes a TAC included in the locational marginal price. Alternative 3 may create an economic hurdle that is not based on a transmission revenue requirement. Alternative 3 will likely reduce the dispatch efficiency EIM entities achieved in the market optimization run. It is unclear from the Straw Proposal whether the shadow price is limited to 3rd party transmission charges only or whether the shadow price includes a portion of the EIM entity's and the CAISO's revenue requirements.

The majority of WECC balancing authorities with pro forma transmission tariffs charge the purchaser for transmission on a reservation basis. The CAISO compensates transmission ownership rights holders for actual transmission use, rather than the cost of transmission reservations. Under Alternative 3, will the CAISO compensate transmission owners and rights holders for transmission that is offered to the EIM but not used in the market? Does the CAISO intend to ask WECC balancing authorities to modify their transmission tariffs to charge for actual transmission usage only and abandon the common practice of charging for transmission on a reservation basis?

### **Intertie Bidding**

In section 7 of the Straw Proposal the CAISO proposes that a new EIM entity will not be required to offer intertie bidding during the first year of operations in the EIM. The CAISO indicates that after one year of operational experience the EIM entity should enable intertie bidding. Is the intent of the Straw Proposal to modify Tariff Section 29 and the EIM Implementation Agreement to require new EIM entities to enable intertie bidding after the first year of the new EIM entities? Or will the EIM entity have discretion to continue participating without enabling intertie bidding?

### **Use of Third Party Transmission**

In section 8.1 of the Straw Proposal the CAISO has proposed expanding its existing EIM transfer limit approach by allowing third party transmission owners' to offer incremental transmission capacity to support transfers between EIM entities. The CAISO has suggested a method for compensation of such a product, using the third party's non-firm transmission rate as an example. Bonneville requests clarification of this proposal.

The proposal states the transmission owners will "make available incremental transmission" to support EIM transfers, but it is unclear to Bonneville how such an offer of transmission service can be made exclusively to EIM transfers under the current pro forma OATT. In addition, the proposal is unclear regarding *who* will be procuring this transmission on third party transmission systems. Will this transmission service be procured by the CAISO, the Scheduling Coordinators, the EIM Entities, or the participating resource? Also, what are the parameters of use associated with this type of transmission?

Bonneville also request clarification on how billing will work under this proposal. How would the CAISO collect funds to pay for third-party transmission? Who would purchase the transmission reservation? Would the purchase be a resale of transmission rights held by a transmission customer of the non-EIM Entity transmission provider, or would the purchase be directly from the non-EIM Entity transmission provider? In the issue paper, the third party's non-firm transmission rate is used as an example. Bonneville questions whether this approach

would be workable because it appears unlikely that a third party would purchase transmission at that rate and resell to the CAISO without a guarantee that the transmission would be used.

Finally, in light of requirements from transmission providers' pro forma OATT rules, and specifically that transmission reservations are required and paid for at time the transmission is reserved, how would the transmission capacity procurements be implemented? Does the CAISO believe only compensating third parties for actual transmission usage will be sufficient economic incentive to induce participation in the market?

### **Coordinating Outage Information**

In Section 8.2 of the Straw Proposal, the CAISO proposes to allow the EIM entity to permit the CAISO to submit outage information the EIM entity has entered into OMS to Peak RC. Northwest Power Pool Reserve Sharing Program Participating Balancing Authorities include Bonneville, Idaho Power Company, Nevada Energy, PacifiCorp, and Puget Sound Energy. Participating balancing authorities coordinate and communicate outages to the NWPP Reserve Sharing Group. Has the CAISO contemplated whether the CAISO Outage Management System may be used to provide outage notifications to the NWPP Reserve Sharing Group?

Bonneville hopes that these comments will help to provide detail to the Straw Proposal and appreciates the opportunity to provide input into the Phase 2 modifications to the EIM Year 1 Enhancements.