



Decision on EIM year 1 enhancements phase 1

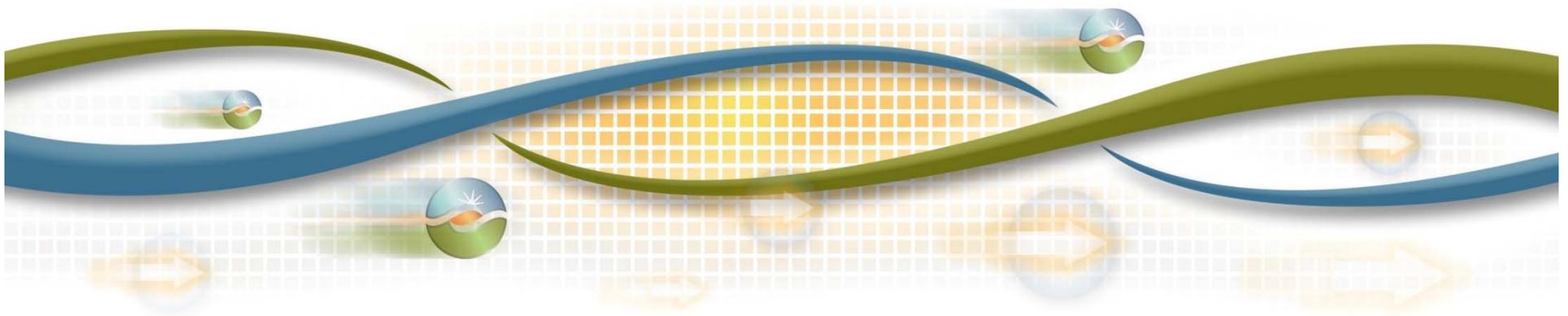
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Board of Governors Meeting

General Session

March 26-27, 2015





EIM year 1 enhancements initiative phase 1 addresses design changes needed for NV Energy implementation in October.

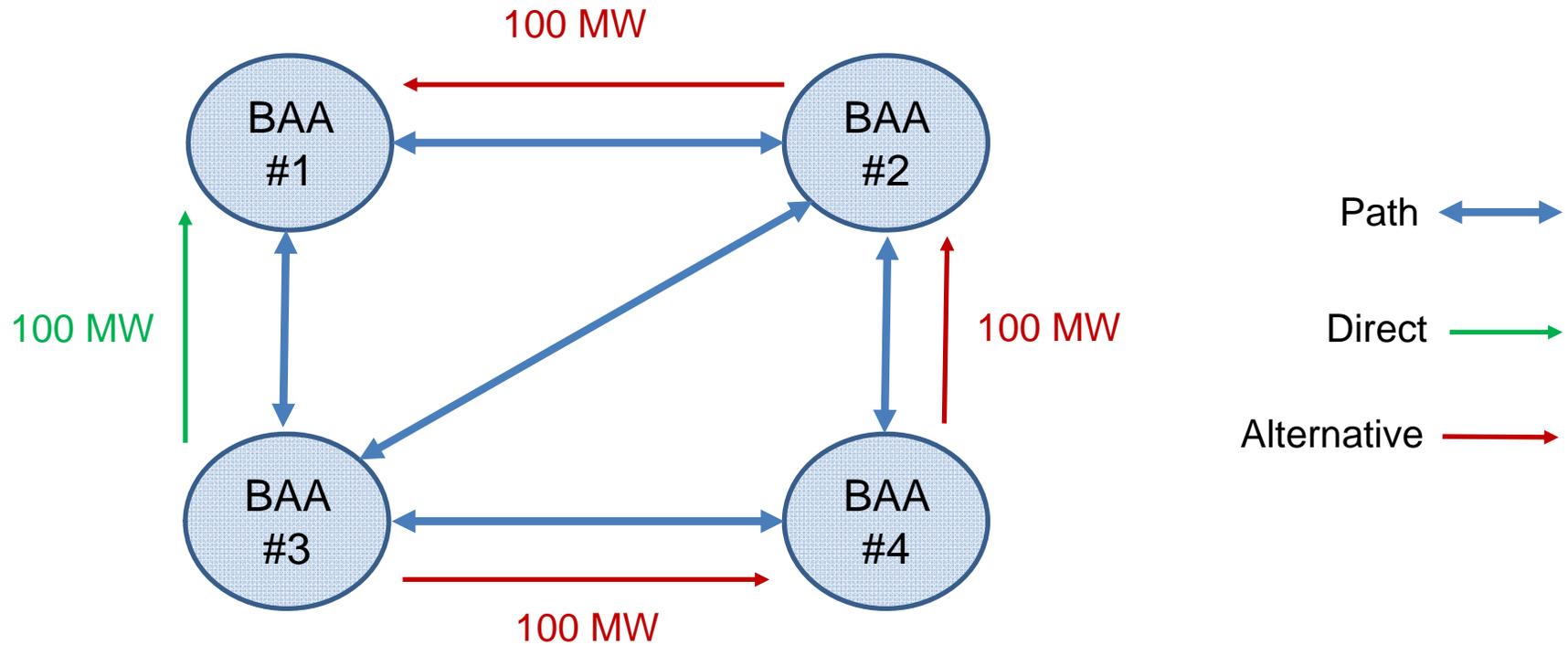
- Modifications to further the scalability of EIM design
- Modifications to comply with FERC June 19 order
- Modifications to resolve implementation matters



As the number of EIM entities grows, modifications are needed to further scalability.

- EIM transfer limits must recognize multiple inertia scheduling paths
 - Multiple inertia schedules can support EIM transfers
 - Include small transfer cost to select optimal path
 - Financial value of EIM transfers uses aggregate generation price
- BAA combinations for flexible ramping requirements need to be limited as additional EIM entities grow
 - Combinations will be limited to all EIM balancing authorities together and each balancing authority individually
 - Otherwise, adding NV Energy and Puget Sound Energy would increase combinations to 31

Propose a small transfer cost to select optimal path to schedule EIM transfers.



- Based upon market simulation, Management will include the maximum transfer cost allowed in tariff



Greenhouse gas bidding proposal complies with FERC order and provides additional flexibility in response to stakeholders.

- The ISO will calculate a daily maximum greenhouse gas bid cost using the resource's maximum heat rate
- Each resource submits an hourly greenhouse gas bid quantity and price for energy it selects to be eligible for transfer to the ISO
- A resource will not be the source of an energy transfer to the ISO if it does not submit a greenhouse gas bid

Design changes to resolve matters identified since PacifiCorp implementation.

- EIM administrative charge modified to be consistent with ISO grid management charge
- Align settlement of non-participating resources across ISO and EIM entities
- Apply the resource sufficiency evaluation to the ISO and include import and exports not delivered
- Specify administrative price to be used when ISO uses the day-ahead price during a market disruption



Stakeholders generally support the proposed design changes, but have expressed concerns.

- Including a transfer cost will impact locational marginal prices
- Greenhouse gas bidding flexibility may reduce benefits of EIM transfers to the ISO
- Extension of ISO real-time market under an open access transmission tariff framework



Management recommends the Board approve phase 1 of the proposed EIM design changes.

- Enhances the scalability of EIM
- Complies with FERC Order on greenhouse gas bidding
- Resolves implementation matters