



July 14, 2020

The Honorable Kimberly D. Bose  
Secretary  
Federal Energy Regulatory Commission  
888 First Street, NE  
Washington, DC 20426

**Re: California Independent System Operator Corporation  
Docket No. ER15-2565-\_\_\_\_  
May 2020 Informational Report  
Energy Imbalance Market – Transition Period Report –  
Salt River Project EIM Entity**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) hereby submits its report on the transition period of Salt River Project EIM Entity during its first six months of participation in the Energy Imbalance Market (EIM) for May 2020. The Commission also directed the Department of Market Monitoring (DMM) to submit an independent assessment of the CAISO's report, which the CAISO's DMM will seek to file within approximately 15 business days.

Please contact the undersigned with any questions.

Respectfully submitted

**By: /s/ Anna A. McKenna**

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# California ISO

**Energy Imbalance Market**

**May 1 – May 31, 2020**

**Transition Period Report**

**Salt River Project (SRP) EIM Entity**

July 14, 2020

## I. Introduction and Background

On October 29, 2015, the Federal Energy Regulatory Commission (Commission) approved the California Independent System Operator Corporation's (CAISO) proposed tariff amendments to allow a transition period for new Energy Imbalance Market (EIM) entities during the first six months of EIM participation, effective November 1, 2015.<sup>1</sup> Salt River Project (SRP), the EIM Entity entered the EIM on April 1, 2020, and the transition period will apply to the SRP balancing authority area (BAA) until October 1, 2020.

During the six-month transition period, the price of energy in the new EIM entity's BAA is not subject to the pricing parameters that normally apply when the market optimization relaxes a transmission constraint or the power balance constraint. Instead, during the six-month transition period, the CAISO will clear the market based on the marginal economic energy bid (referred to herein as "transition period pricing"). In addition, during the six-month transition period, the CAISO sets the flexible ramping constraint relaxation parameter for the new EIM entity's BAA between \$0 and \$0.01, but only when the power balance or transmission constraints are relaxed in the relevant EIM BAA. This is necessary to allow the market software to determine the marginal energy bid price.

Consistent with the Commission's October 29 Order, the CAISO and the Department of Market Monitoring (DMM) will file informational reports at 30-day intervals during the six-month transition period for any new EIM entity. The CAISO provides this report for SRP to comply with the Commission's requirements in the October 29 Order. The CAISO anticipates filing these reports on a monthly basis. However, because the complete set of data is not available immediately at the end of the applicable month,<sup>2</sup> and depending on the market performance each month, along with the need to coordinate with the EIM Entity, the CAISO expects to continue to file the monthly reports approximately 25 days after the end of each month in order to provide the prior full month's data.

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<sup>1</sup> *California Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,104 (2015) (October 29 Order).

<sup>2</sup> The earliest the CAISO can start gathering the data is 10 business days after the last day for the reporting month since this is when the price correction window expires.

## II. Highlights

Overall, SRP's second month in EIM was smooth and without significant issues. May's market performance highlights are as follows:

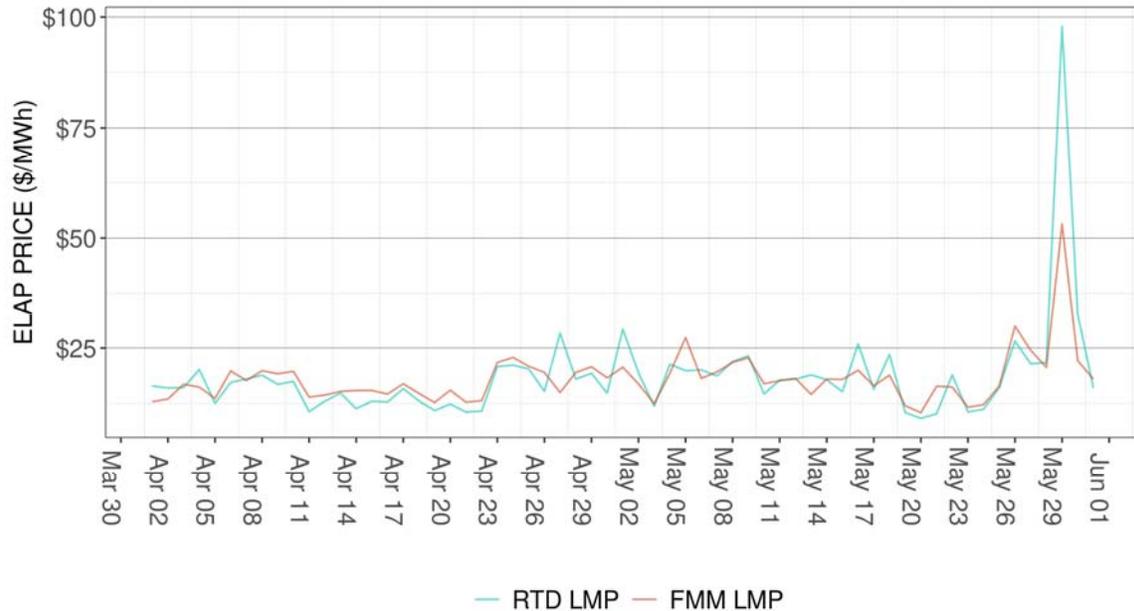
- The monthly average SRP BAA price was \$19.41/MWh in the fifteen-minute market (FMM) and \$21.17/MWh in the real-time dispatch (RTD).
- Power balance constraint infeasibilities for the under-supply conditions were minimal for the SRP BAA with 0.068 percent of the total intervals in the FMM and 0.46 percent of the total intervals in the RTD; these represent reductions from April's frequency of infeasibilities.
- SRP passed 96.77 percent of its balancing tests, 97.85 percent in the under supply direction and 98.92 in the oversupply direction.
- SRP passed 99.53 percent of its bid-range capacity tests, 100 percent in the upward direction and 99.53 passed in the downward direction.
- SRP passed 98.87 percent of its upward flexible ramping sufficiency tests, 98.89 percent in the downward direction and 99.87 percent in the upward direction.
- The price for upward flexible ramping capacity in the Fifteen Minute Market (FMM) for the SRP BAA averaged at \$0.07/MWh, while prices for the downward flexible ramping product were \$0.09/MWh.

**III. Market Performance Related to the Transitional Period**

**a. Prices**

Figure 1 shows the daily average FMM and RTD prices in the SRP EIM Load Aggregation Point (ELAP) for May 1, 2020 through May 31, 2020. The monthly average price was \$19.41/MWh in the FMM and \$21.17/MWh in the RTD.

**Figure 1: Daily average prices for the SRP BAA**

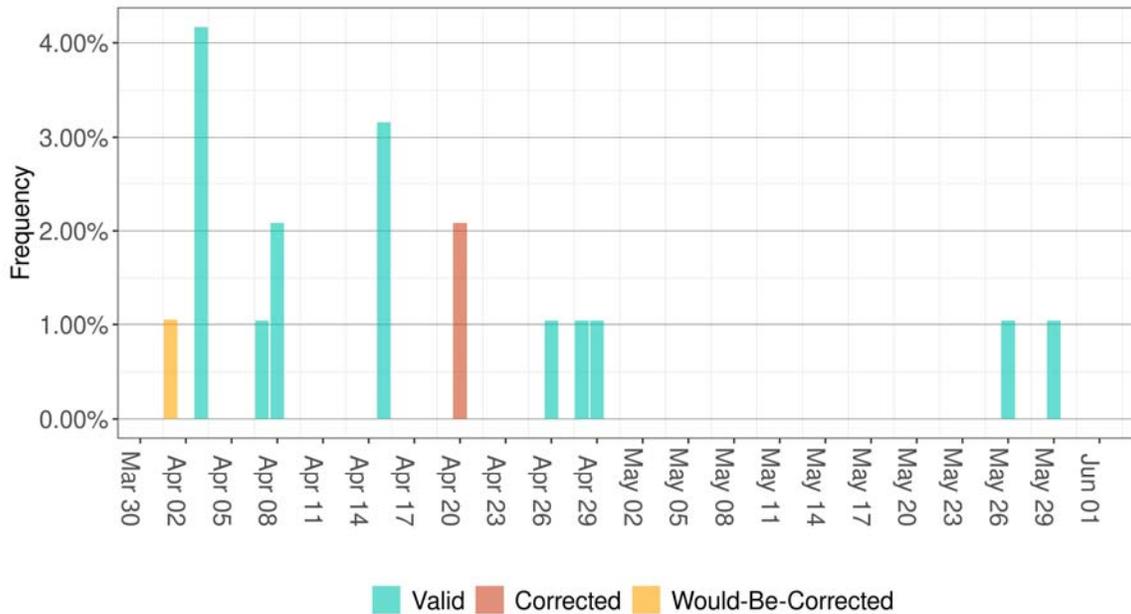


Under the CAISO’s price correction authority in Section 35 of the CAISO tariff, the CAISO may correct prices posted on its Open Access Same-Time Information System (OASIS) if it finds that: (1) the prices were the product of an invalid market solution; (2) the market solution produced an invalid price due to data input failures, hardware or software failures; or (3) the market solution produced a result that is inconsistent with the CAISO tariff. The prices presented in Figure 1 include all prices produced by the CAISO consistent with its tariff requirements. That is, the trends represent: (1) prices as produced in the market that the CAISO deemed valid; (2) prices that the CAISO could, and did, correct pursuant to Section 35 of the CAISO tariff; and (3) any prices the CAISO adjusted pursuant to the transition period pricing reflected in Section 29.27 of the CAISO tariff.

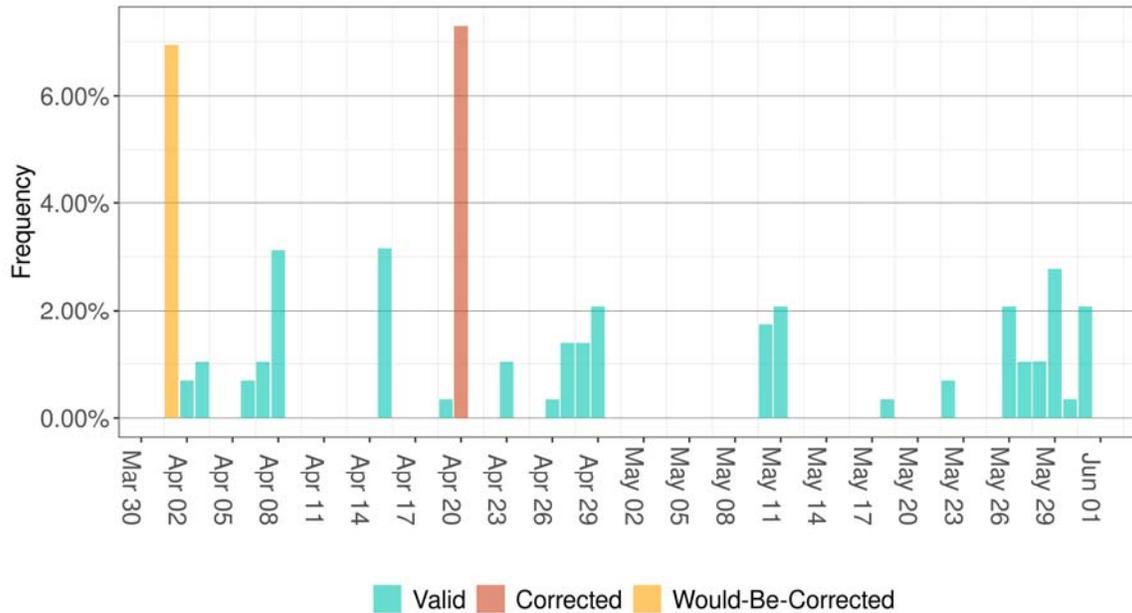
**b. Frequency of Power Balance Constraint Infeasibilities**

Figures 2 and 3 show the frequency of intervals in which the power balance constraint was relaxed for under-supply conditions in the SRP BAA for the FMM and RTD, respectively. The under-supply infeasibilities are classified into three categories: Valid, Corrected and Would-Be-Corrected. Those under-supply infeasibilities impacted by either data input failures or software failures (thus corrected pursuant to Section 35 of the CAISO tariff) are classified as Corrected. There are other under-supply infeasibilities that were impacted by data input failures or software failures, and which would be subject to price correction, but were not corrected because the price after correction would be the same price as that obtained by the transition period pricing. These instances are classified as Would-Be-Corrected. All remaining under-supply infeasibilities, which were driven by system conditions, are classified as Valid. In May 2020, the SRP BAA had under-supply power balance infeasibilities in 0.068 percent of total intervals in FMM and 0.46 percent of total intervals in RTD, respectively.

**Figure 2: Frequency of FMM under-supply infeasibilities in the SRP BAA**



**Figure 3: Frequency of RTD under-supply infeasibilities in the SRP BAA**



Tables 1 and 2 list the FMM and RTD intervals with under-supply infeasibilities observed in May. There were 2 valid FMM intervals with under-supply power balance infeasibilities and there were 41 valid RTD intervals with under-supply power balance infeasibilities for the month.

**Table 1: Valid FMM under-supply infeasibilities**

Trade Date	Trade Hour	Trade Interval	MW Infeasibility
26-May-20	20	1	150.26
29-May-20	19	1	45.28

**Table 2: Valid RTD under-supply infeasibilities**

Trade Date	Trade Hour	Trade Interval	MW Infeasibility
10-May-20	15	3	116.57
10-May-20	15	4	134.64
10-May-20	15	5	154.77
10-May-20	15	6	35.21
10-May-20	15	7	4.14

Trade Date	Trade Hour	Trade Interval	MW Infeasibility
11-May-20	16	1	51.25
11-May-20	16	2	98.41
11-May-20	16	3	114.42
11-May-20	16	4	95.09
11-May-20	16	5	83.24
11-May-20	16	6	23.77
18-May-20	16	1	10.25
22-May-20	18	2	14.49
22-May-20	18	3	7.77
26-May-20	19	1	53.02
26-May-20	19	2	18.55
26-May-20	19	3	11.73
26-May-20	20	1	174.05
26-May-20	20	2	313.68
26-May-20	20	3	347.18
27-May-20	12	10	19.44
27-May-20	12	11	35.74
27-May-20	12	12	34.56
28-May-20	13	10	6.04
28-May-20	15	1	69.05
28-May-20	15	2	14.35
29-May-20	12	10	31.17
29-May-20	12	11	36.93
29-May-20	19	1	173.64
29-May-20	19	2	129.01
29-May-20	19	3	102.22
29-May-20	19	4	39.85
29-May-20	19	5	41.86
29-May-20	19	6	8.46
30-May-20	12	10	17.24
31-May-20	12	10	25.95
31-May-20	14	7	0.36
31-May-20	15	2	9.37
31-May-20	15	7	17.63
31-May-20	15	9	11.55
31-May-20	15	10	65.78

In general, under-supply infeasibilities for a BAA could be driven by various changes to either supply or demand for a market interval. A root cause analysis was performed for all FMM and RTD under-supply infeasibilities listed in Table 1 and 2, for each of the instances a main reason was identified for these infeasibilities. Figure 4 shows the daily count of RTD under-supply infeasibilities categorized into various reasons. The top three reasons identified for under-supply infeasibilities are Resource Set-up, Resource Economics, and Load Changes.

The RTD under-supply infeasibilities driven by Resource Economics refers to those intervals in which SRP resources were operating below base schedules at the same time there was either limited EIM transfers or a cap on EIM transfers due to flexible ramp up test failure. As a result, the loss of generation capacity due to the resource operating below the base schedule could not be counter-balanced by import EIM transfers.

For RTD and FMM market intervals under-supply infeasibilities related to Resource Set-up, an MSG resource was committed by the FMM into a 1X1 duct fired (DF) and would be committed in that configuration until the end of the day. The commitment to the 1X1DF configuration occurred in mid-day hours when prices were lower and a small amount of incremental energy was needed in the FMM. This commitment went unnoticed in this configuration in the afternoon when prices would not support a downward transition to a 1x1 configuration. The economics did not support the downward transition because the market would have to satisfy the minimum up time of that configuration before making an upward transition up to a 2X1. Because there was no direct upward path from a 1X1DF configuration to a 2x1 configuration, and economics did not support the transition down to go back up to a higher configuration, this led to shortages of ramp capacity as well as contributed to the under supply.

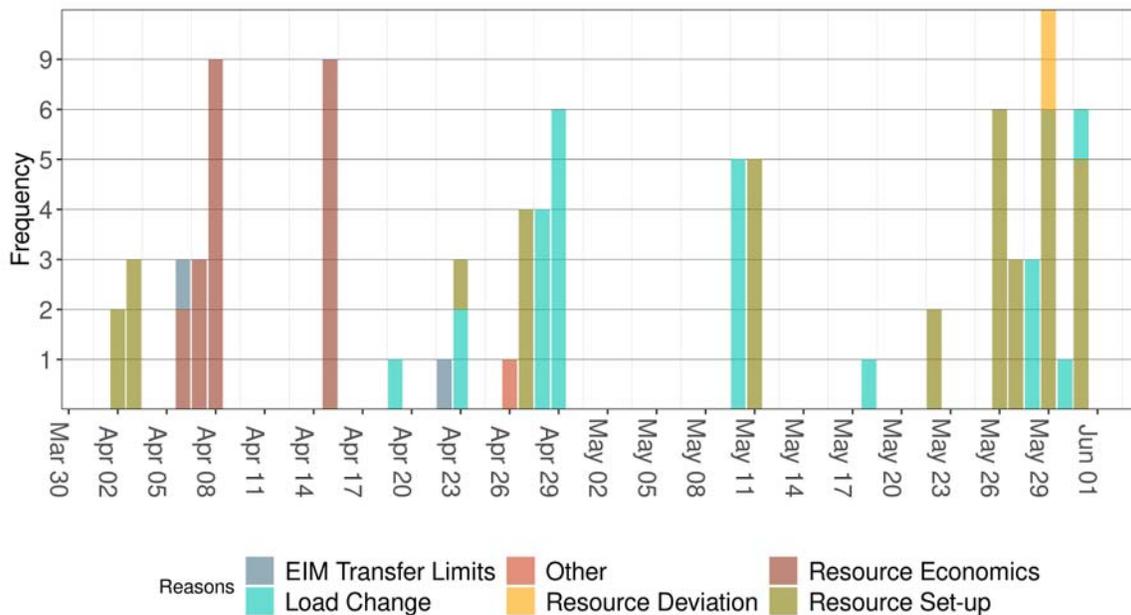
A scenario for Resource Set-up that also led to under-supply in FMM and RTD was when a large amount of non-spin capacity was base scheduled on participating resources in peak hours. As a result, there was a loss of participating energy along with a decrease in energy schedules that contributed to upward sufficiency failures.

The SRP BAA uses a third party optimization tool to submit its hourly base schedules. For some market intervals, an MSG resource had zero base schedule to reserve non-spin capacity. With this set-up, the market application had to turn off the resource in order to preserve non-spin capacity; at the same time, SRP had failed the flex ramp sufficiency test and there was no additional capacity in

the BAA available to the market application. This resulted in an under-supply infeasibility. However, the resource did not shut down and was online for the entire hour. These intervals are shown as Resource Set-up in Figure 4 and they are part of SRP’s fine-tuning processes during the first days of operations in the market. This occurrence was less frequent in May than the occurrences in April.

The infeasibilities classified as Load Change depict those intervals in which the five-minute market requirement increased above the FMM load forecast such that the SRP BAA was short of the ramping capacity to meet the increase in requirement. These infeasibilities usually last two or three five-minute intervals until the resources are able to ramp-up to meet the imbalance requirement.

**Figure 4: Count of RTD under-supply infeasibilities in the SRP BAA categorized by reasons**



**c. Balancing and Sufficiency Test Failures**

The EIM provides an opportunity to various BAAs to serve load while realizing the benefits of increased resource diversity. Because the EIM does not include resource adequacy requirements or obligations for resources to submit bids, the CAISO performs a series of resource sufficiency tests comprised of: (i) a balancing test; (ii) a capacity test; and (iii) a flexible ramping sufficiency test. These tests occur prior to the real-time market.

Performance of a balancing test before each trading hour ensures that each participating BAA submits a balanced base schedule of generation and a net schedule interchange to meet its demand. In addition, the participating BAA

is required to submit bids with enough ramping capability to meet its net load forecast uncertainty and net load movement requirements. Figure 5 shows the trend of balancing test outcomes for the period of April 1, 2020, through May 31, 2020, and Figure 6 shows the pattern of bid-range capacity test outcomes for the period of April 1, 2020, through May 31, 2020.<sup>3</sup> If a balancing test or the bid-range capacity test is affected by data input failures or software failures, that test result is shown as a correctable event.

The SRP BAA passed the balancing test in 96.77 percent of the intervals in May, which is within the acceptable range of balancing test failures. There were three main reasons identified for SRP BAA balancing test failures. First, the CAISO market applications performs balancing tests three times before the trading hour at the following intervals: 75 minutes before the trading hour, 55 minutes before the trading hour, and 40 minutes before the trading hour. The balancing tests performed at 75 minutes and 55 minutes before the trading hour are advisory results and provide EIM operators an opportunity to adjust the resource base schedules to pass the final balancing tests performed 40 minutes before the trading hour. Several instances of balancing test failures were identified as learning opportunities for the EIM operators to improve the process of analyzing the advisory balancing test results before adjusting base schedules for the final test performed 40 minutes before the trading hour.

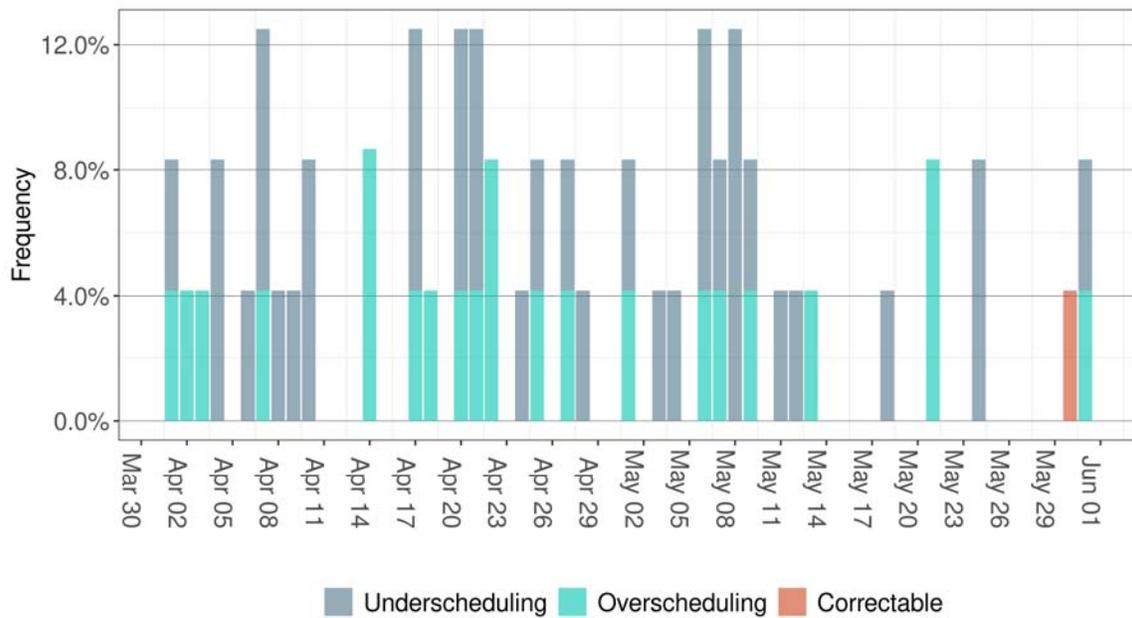
Second, the SRP BAA uses a software application to submit base schedules; software issues for scheduling and managing outages of SRP resources resulted in some balancing test failures.

Lastly, the CAISO identified a software issue related to incorrect accounting for intertie schedules between the CAISO and SRP that led to a failure. This software issue has been addressed and this instance is flagged as correctable.

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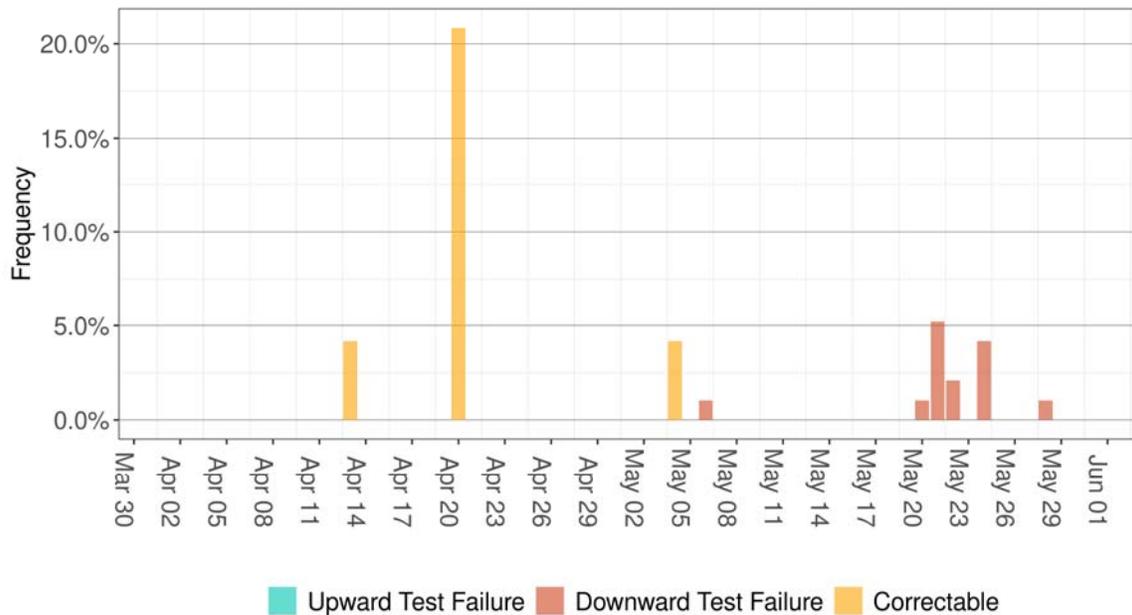
<sup>3</sup> The CAISO performs resource sufficiency tests pursuant to Section 29.34(k) of the CAISO tariff.

**Figure 5: Frequency of Balancing test failures in the SRP BAA.**



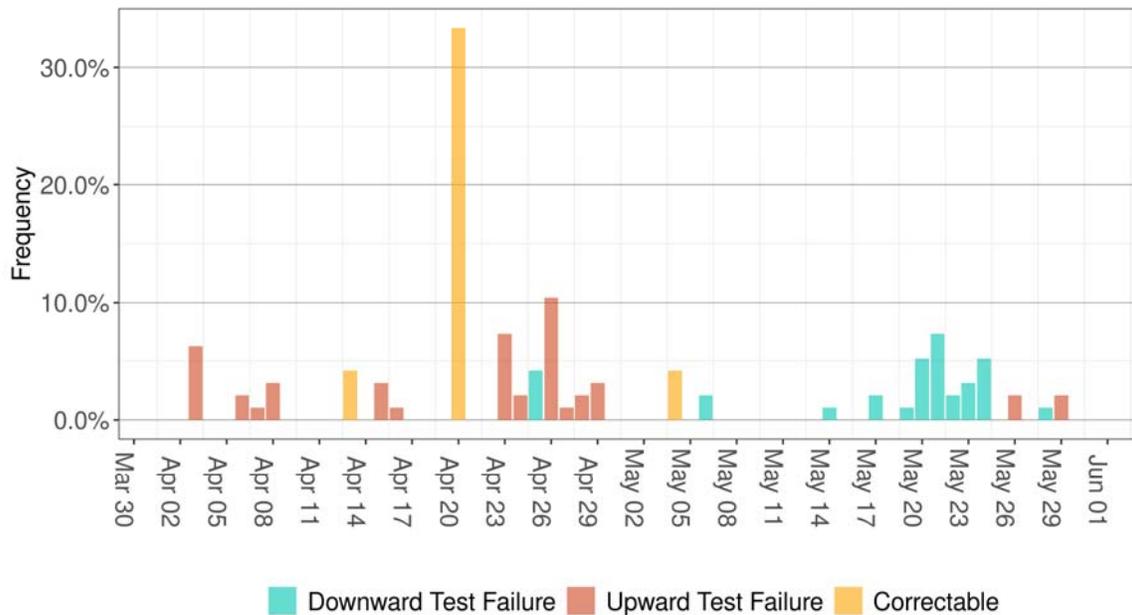
The SRP BAA passed 99.53 percent of the bid range capacity test; this is a minor reduction with respect to the 100 percent pass rate observed in April. All the capacity failures were in the downward direction, and were attributed to a bid submission issue from SRP. The submission issues along with an imbalance of downward capacity was typically in the morning time frame right before the load was beginning to increase, a time when generation is typically at its minimum. On May 4, SRP appeared to fail the bid-range capacity test due to a missing load forecast in the CAISO’s Real-time Balancing Test (RTBS) application; the lack of load forecast resulted in an unusually high requirement for the downward bid capacity. Because a data input failure affected the capacity test, it is shown as a correctable event in Figure 6.

**Figure 6: Frequency of Bid Range Capacity test failures in the SRP BAA**



The CAISO also performs the flexible ramping sufficiency test as specified in Section 29.34(m) of the CAISO tariff. Figure 7 shows the trend of the test failures for flexible ramping for the period of April 1 through May 31. The SRP BAA passed the flexible ramp up test in 99.87 percent of the intervals in May and passed the flexible ramp down test in 98.89 percent of the intervals in May. When a BAA fails the bid-range capacity test in either up or down direction, it automatically fails the flexible ramp sufficiency test for that interval in the same direction. Because on May 4, 2020, the SRP BAA failed the bid-range capacity test due to data input failures, these were classified as correctable on Figure 6. Similarly, the flex ramp test failures impacted by these data input failures are shown as correctable events on Figure 7.

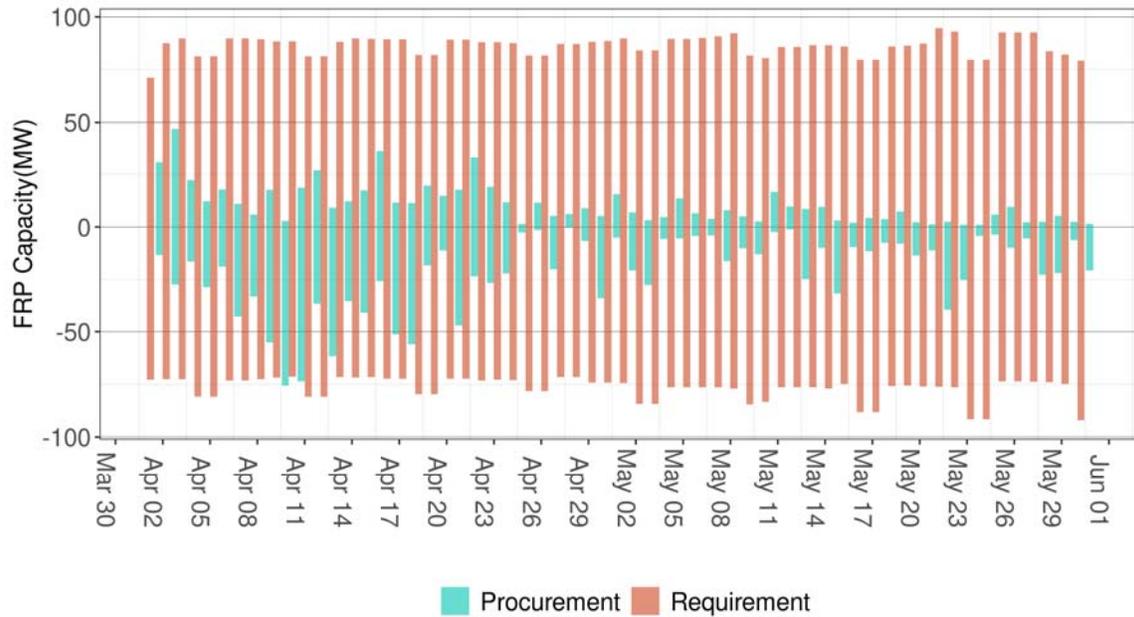
**Figure 7: Frequency of flexible ramping sufficiency test failures in the SRP BAA.**



**d. Flexible Ramping Product**

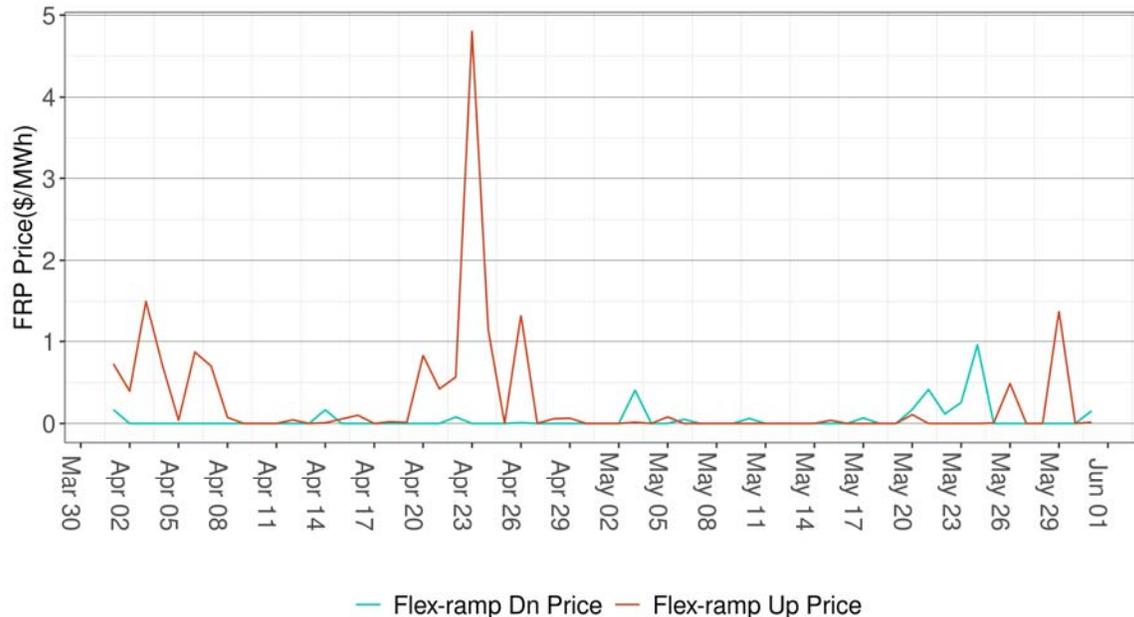
Figure 8 shows the daily average of the upward and downward flexible ramping constraint requirement and procurement in the FMM. Figure 9 shows the daily average of the upward and downward flexible ramping constraint prices in the FMM. With the implementation of the flexible ramping product on November 1, 2016, calculation of the requirement consists of historical data for uncertainty with any applicable net import/export capability or credit. This effectively reduces the amount of flexible ramping the SRP BAA has to procure and, generally, the EIM system-wide area (which includes all the BAAs in the EIM, including the CAISO BAA) will drive the requirements. The market clearing process may result in procuring the SRP BAA capacity towards meeting the overall EIM-system-wide area requirement. This is the main reason why the individual SRP procurement may generally fall below or be above the individual SRP flex ramp requirement. For most of the days, the SRP BAA FRP procurement was below the FRP requirement.

**Figure 8: Daily Average requirement, procurement, and price of upward flexible ramping in the FMM in the SRP BAA**



In addition, the price trend provided in Figure 9 is the nested price determined by the summation of the shadow price of the individual SRP BAA plus the shadow price of the EIM system-wide area. In May, the average upward flexible ramping capacity price was \$0.07/MWh and the average downward flexible ramping capacity price was \$0.09/MWh.

**Figure 9: Daily Average requirement, procurement, and price of downward flexible ramping in the FMM in the SRP BAA**



## CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, this 14<sup>th</sup> day of July 2020.

*/s/ Anna Pascuzzo*  
Anna Pascuzzo