October 30, 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-___
September 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 September 2020. This is the last and final transition period report for the Salt River Project EIM Entity. 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: *<u>/s/ Anna A. McKenna</u>*

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Energy Imbalance Market
September 1 – September 30, 2020

Transition Period Report
Salt River Project (SRP) EIM Entity

October 30, 2020

California ISO Department of Market Analysis and Forecasting

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.[1] 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,[2] 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 30 days after the end of each month in order to provide the prior full month's data.

[1] *California Indep. Sys. Operator Corp*., 153 FERC ¶ 61,104 (2015) (October 29 Order).

[2] 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 first six months of participating in EIM were without significant issues. September's market performance highlights are as follows:

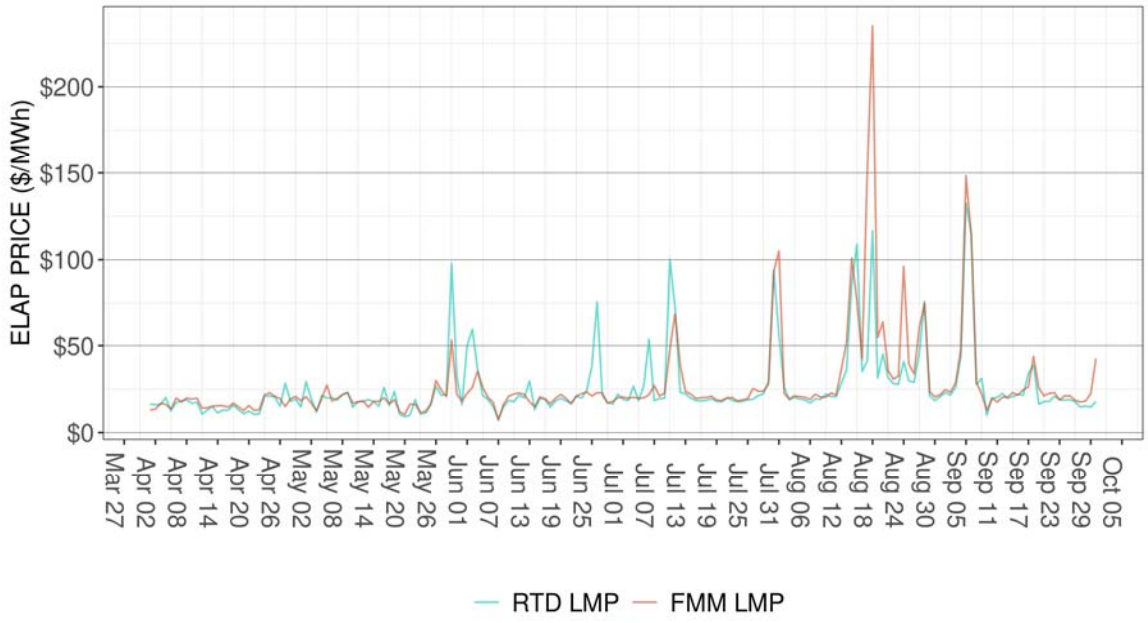
- The monthly average SRP BAA price was $31.38/MWh in the fifteen-minute market (FMM) and $28.68/MWh in the real-time dispatch (RTD).
- Power balance constraint infeasibilities for the under-supply conditions were minimal for the SRP BAA with 0.31 percent of the total intervals in the FMM and 0.59 percent of the total intervals in the RTD.
- SRP passed 97.78 percent of its balancing tests, 98.89 percent in the under supply direction and 98.89 in the oversupply direction
- SRP passed 100 percent of its bid-range capacity tests, 100 percent in both the upward direction and downward direction.
- SRP passed 98.72 percent of it flexible ramping sufficiency tests, 98.82 percent in the upward direction and 99.90 percent in the downward direction.
- The price for upward flexible ramping capacity in the FMM for the SRP BAA averaged at $0.44/MWh, while prices for the downward flexible ramping product were $0.00/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 April 1, 2020 through September 30, 2020. The monthly average price was $31.38/MWh in the FMM and $28.68/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. 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 September 2020, the SRP BAA had under-supply power balance infeasibilities in 0.31 percent of total intervals in FMM and 0.59 percent of total intervals in RTD.

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

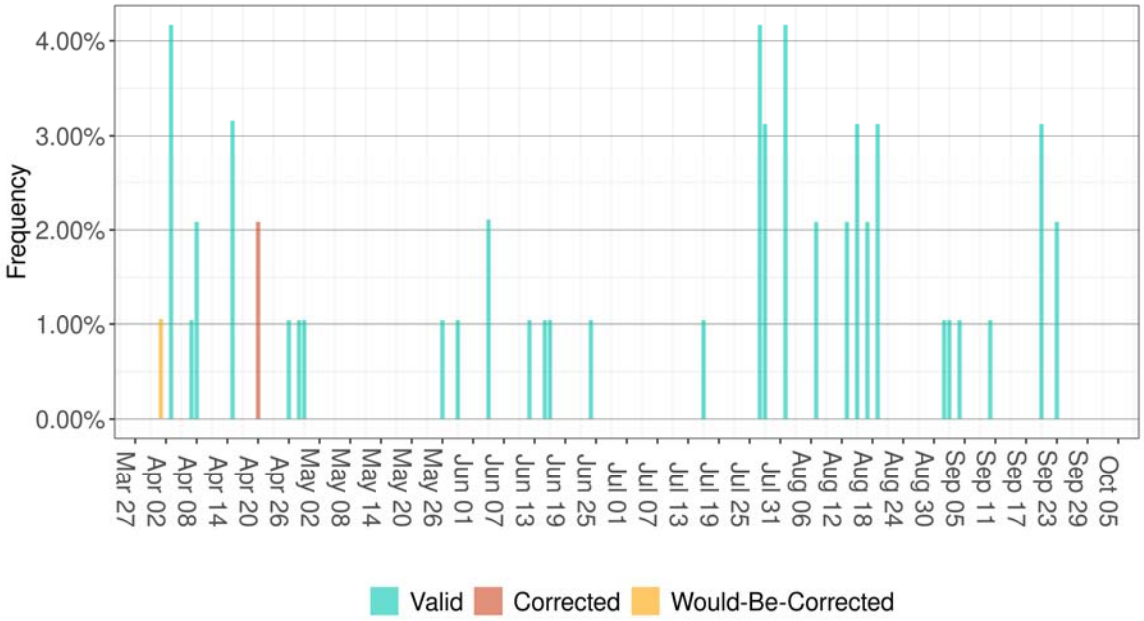
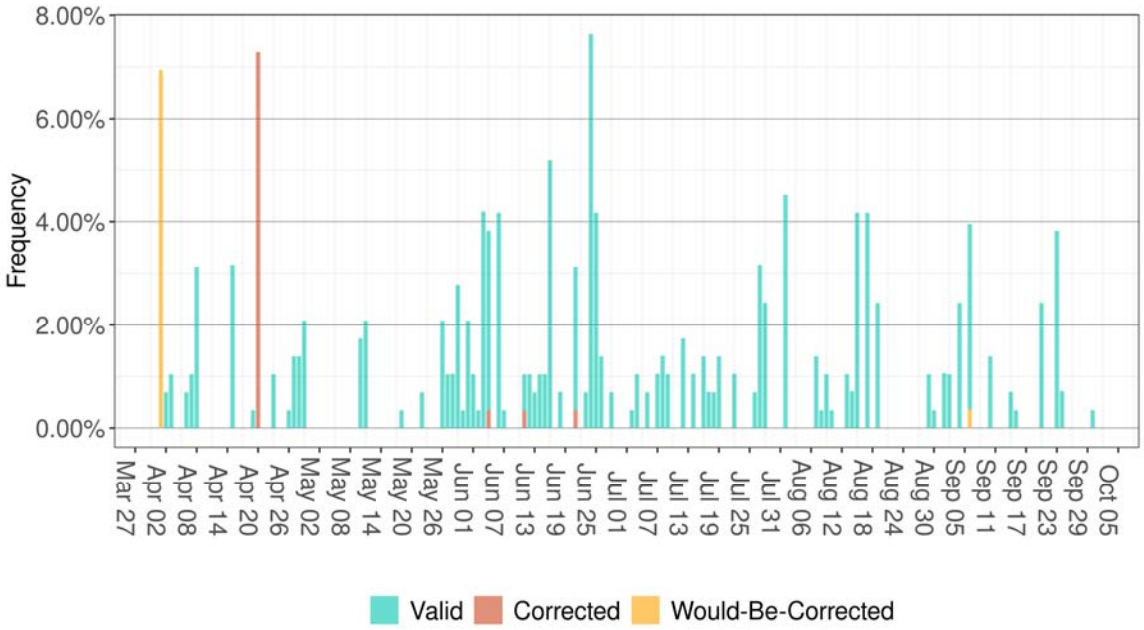


Figure 3: Frequency of RTD under-supply infeasibilities in the SRP BAA



Tables 1 and 2 list the FMM and RTD intervals with under-supply infeasibilities observed in September. There were nine valid FMM intervals with under-supply power balance infeasibilities and there were 51 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
1-Sep-20	20	1	131.9
2-Sep-20	20	1	119.82
4-Sep-20	19	2	108.25
10-Sep-20	21	1	12.55
20-Sep-20	16	2	150.45
20-Sep-20	16	3	112.7
20-Sep-20	16	4	36.26
23-Sep-20	18	1	25.94
23-Sep-20	18	2	10.43

Table 2: Valid RTD under-supply infeasibilities

Trade Date	Trade Hour	Trade Interval	MW Infeasibility
1-Sep-20	20	1	59.46
1-Sep-20	20	2	63.25

Trade Date	Trade Hour	Trade Interval	MW Infeasibility
1-Sep-20	20	3	80.91
2-Sep-20	20	1	29.99
2-Sep-20	20	2	56.31
2-Sep-20	20	3	41.69
4-Sep-20	13	10	49.92
4-Sep-20	19	1	53.15
4-Sep-20	19	2	219.57
4-Sep-20	19	3	255.29
4-Sep-20	19	4	196.75
4-Sep-20	19	5	259.76
4-Sep-20	19	6	217.7
6-Sep-20	11	3	8.98
6-Sep-20	11	4	0.51
6-Sep-20	11	7	55.62
6-Sep-20	11	8	1.28
6-Sep-20	11	9	36.34
6-Sep-20	11	11	31.19
6-Sep-20	11	12	108.69
6-Sep-20	12	8	2.82
6-Sep-20	12	10	4.64
6-Sep-20	12	12	1.28
10-Sep-20	19	2	2.73
10-Sep-20	21	1	47.61
10-Sep-20	21	2	101.84
10-Sep-20	21	3	79.37
14-Sep-20	19	2	10.95
14-Sep-20	19	3	0.2
15-Sep-20	19	2	4.3
20-Sep-20	16	2	20.08
20-Sep-20	16	3	38.43
20-Sep-20	16	4	66.81
20-Sep-20	16	5	63.55
20-Sep-20	16	6	23.9
20-Sep-20	16	7	12.03
20-Sep-20	16	8	33.9
23-Sep-20	17	11	9.14
23-Sep-20	17	12	81.24
23-Sep-20	18	1	135.31
23-Sep-20	18	2	200.45

Trade Date	Trade Hour	Trade Interval	MW Infeasibility
23-Sep-20	18	3	210.6
23-Sep-20	18	4	177.88
23-Sep-20	18	5	155.99
23-Sep-20	18	6	130.38
23-Sep-20	18	7	80.73
23-Sep-20	18	8	81.15
23-Sep-20	18	9	53.83
24-Sep-20	14	10	19.42
24-Sep-20	14	11	4.52
30-Sep-20	19	1	28.43

In general, under-supply infeasibilities for a BAA could be driven by various changes to either supply or demand conditions for a market interval. A root cause analysis was performed for all FMM and RTD under-supply infeasibilities listed in Tables 1 and 2. The main reason for each RTD under-supply infeasibility is identified and shown in Figure 4. The top three reasons are Load Change, Resource Set-up and NSI Change.

The infeasibilities classified as Load Change depict those intervals in which the five-minute market requirement increased above the fifteen-minute market 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. In September there were also load forecast increases and bias for high system conditions changes that led to flexible ramping sufficiency failures.

In September, the reason related to Resource Set-up for RTD and FMM intervals changed from previous months. In September, the system loads were much higher than the previous four months, and resulted in higher frequency of infeasibilities due to this reason.

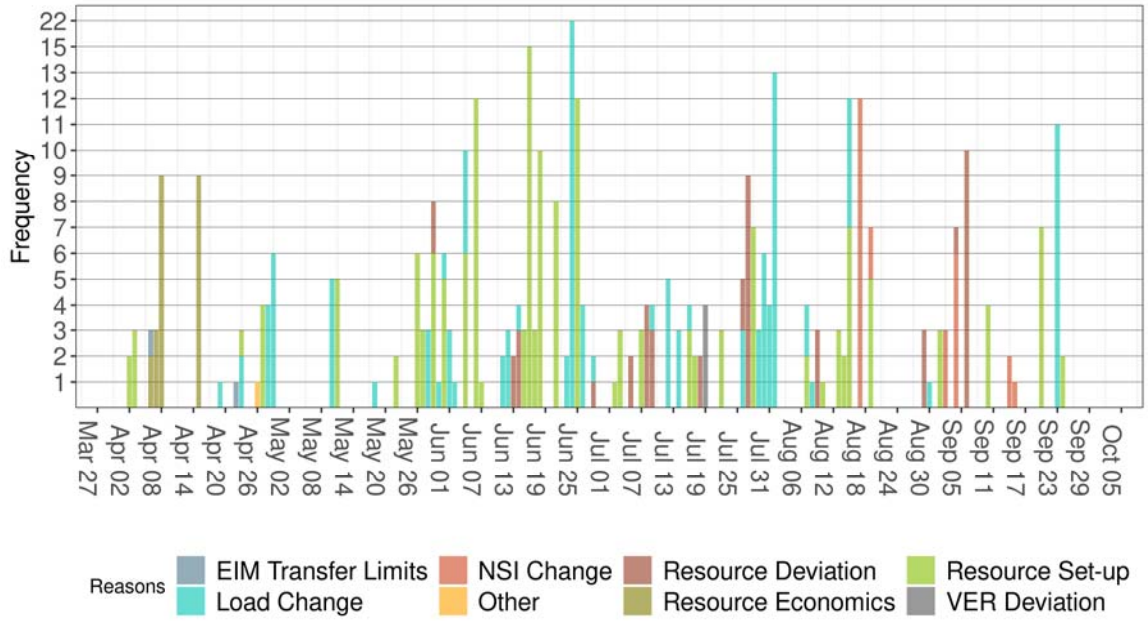
The first example of Resource Set-up issues was where a resource either tripped offline or had an operating limit outage so that it had to pass the flexible ramping sufficiency test after that loss of ramping capacity. With the decreased ramping capability during high loads and uncertainty showing up within the hour this contributed to some under supply conditions. The second example related to Resource Set-up is in relation to NSI changes in the system in the later hours of the day. NSI schedules would be decreasing along with non-participating resource being shut down. As a result, this led to flexible ramping sufficiency test

failures. With the decreased ramping capability from the resource coming offline, this resulted in uncertainty showing up as increased load forecast.

Also in September a new condition occurred related to the intertie changes referred to as NSI change or Net Scheduled Interchange changes. This refers to the bilateral contracts between BAAs and not to ETSRs. This occurred during some of the highest load conditions for SRP and the west. In those hours, there were reliability conditions where NSI value would be adjusted in SRP that decreased the amount of net imports into the BAA and led to undersupply conditions when system loads were high.

The RTD under-supply infeasibilities driven by Resource Deviations refers to those intervals in which SRP resources were operating below the RTD dispatch target at the same time there were either limited EIM transfers or a cap on EIM transfers due to a flexible ramp-up test failure. There were typically two conditions that caused below dispatch operations: (1) slow start-up on the resource or slow transition on a Multi-Stage Generation (MSG) resource, and (2) a full trip offline or a partial trip to a lower point in the operating range.

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.

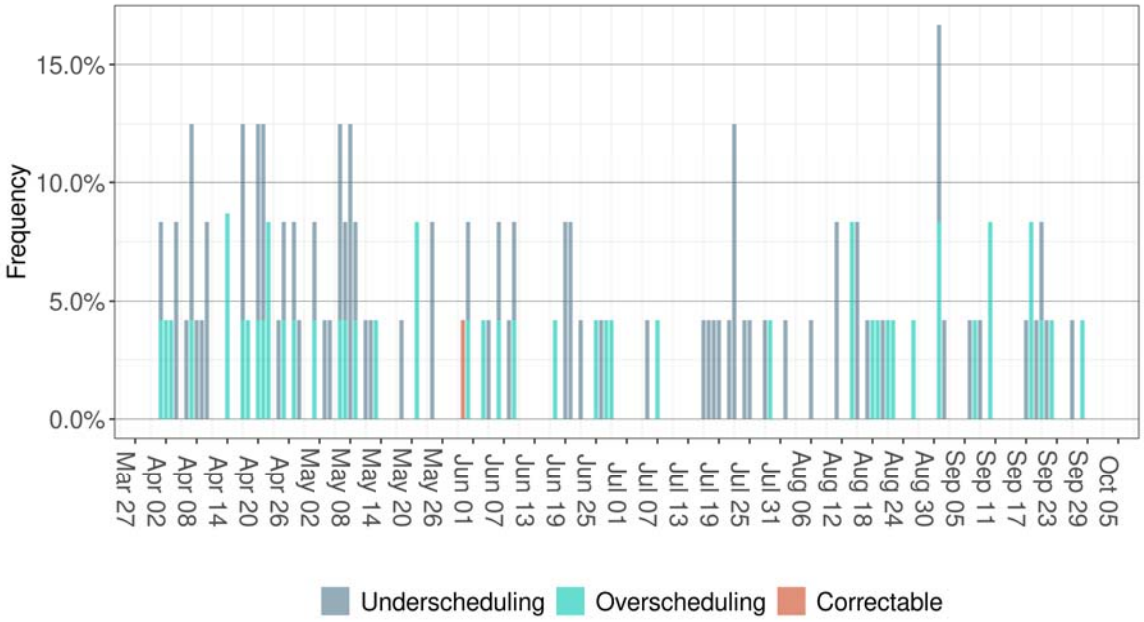
Performance of a balancing test before each trading hour ensures that each participating BAA submits a balanced base schedule of generation and a net schedule interchange to meet its demand. In addition, the participating BAA is required to submit bids with enough ramping capability to meet its net load forecast uncertainty and net load movement requirements. Figure 5 shows the trend of balancing test outcomes for the period of April 1, 2020, through September 30, 2020, and Figure 6 shows the pattern of bid-range capacity test outcomes for the period of April 1, 2020, through September 30, 2020.[3] If a balancing test or the bid-range capacity test is affected by a data input failure or a software failure, the test result is shown as a correctable event.

The SRP BAA passed the balancing test in 97.78 percent of the intervals in September, which is within the acceptable range of balancing test failures. There were two 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 and software issues for scheduling and managing outages of SRP resources resulted in some balancing test failures.

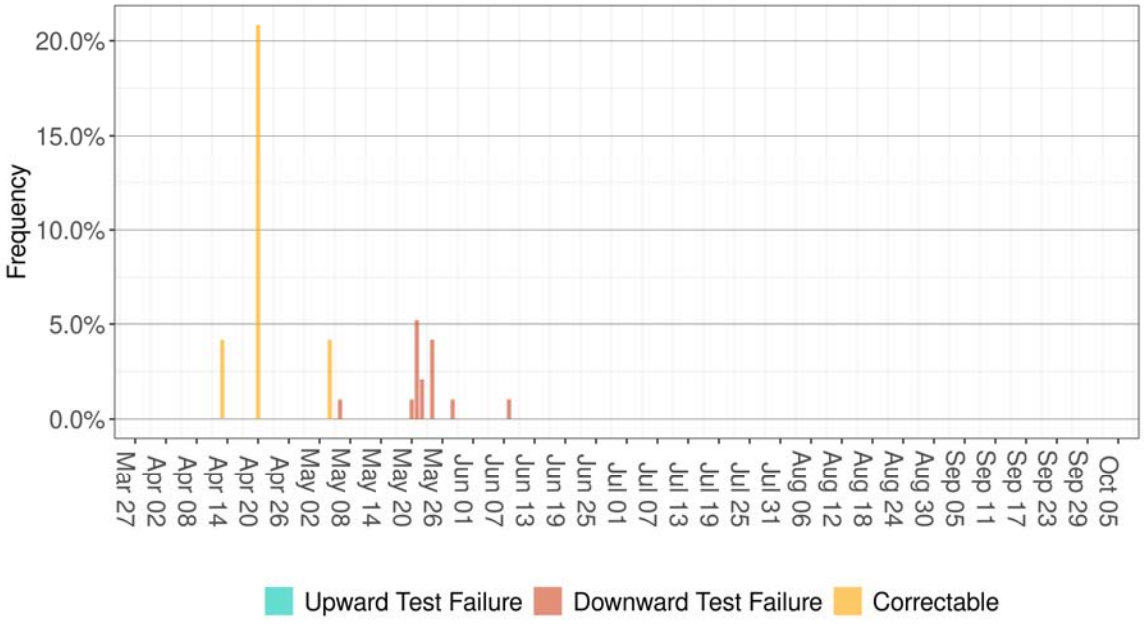
[3] The CAISO performs resource sufficiency tests pursuant to Section 29.34(k) of the CAISO tariff.

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



The SRP BAA passed 100 percent of the bid range capacity test; this is the same as the 100 percent pass rate observed in April and an improvement from May.

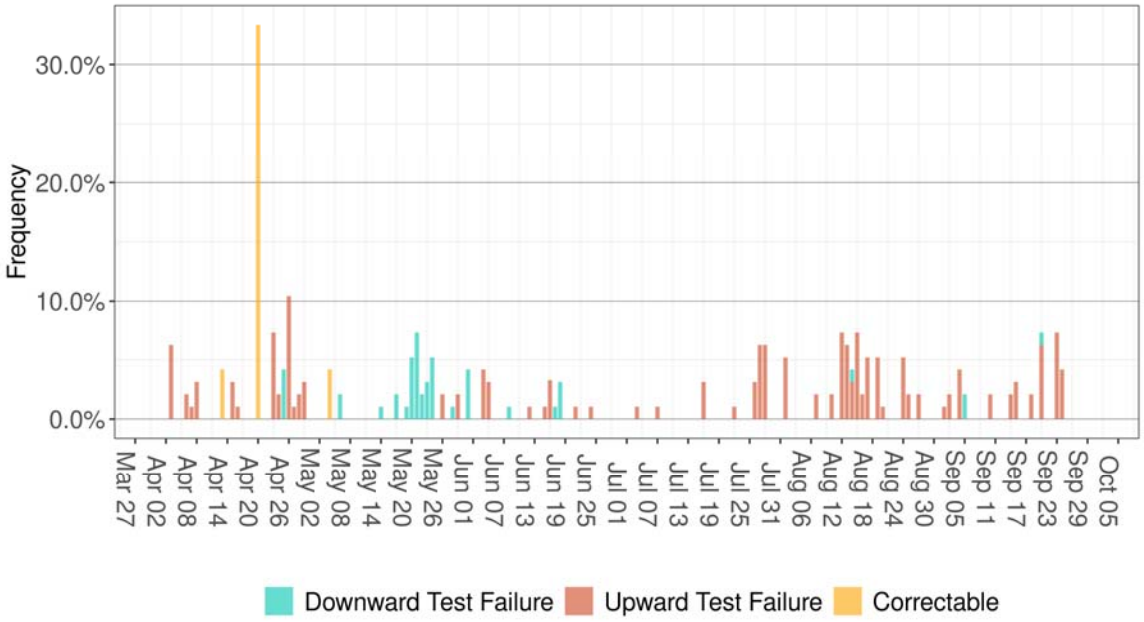
Figure 6: Frequency of Bid Range Capacity test failures in the SRP BAA



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 September 30. The SRP BAA passed the flexible ramp up test in 98.82 percent of the intervals in September and passed the flexible ramp down test in 99.90 percent of the intervals in September.

Most of the failures were due to large changes on intertie resources and non-participating resource in later hours of the day where there was not enough participating generation to cover those change as well as load forecast changes.

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



d. Flexible Ramping Product

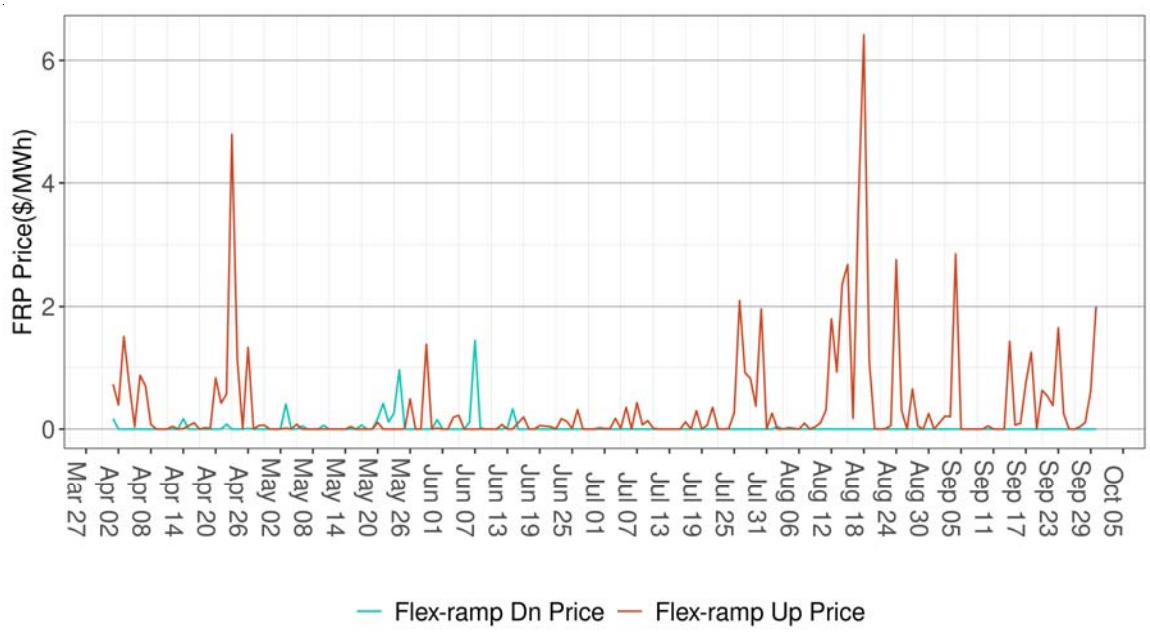
Figure 8 shows the daily average of the upward and downward flexible ramping constraint requirement and procurement in the FMM. Figure 9 shows the daily average of the upward and downward flexible ramping constraint prices in the FMM. With the implementation of the flexible ramping product on November 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 flexible ramping 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 September, the average upward flexible ramping capacity price was $0.44/MWh and the average downward flexible ramping capacity price was $0.00/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 12th day of October 2020.

/s/ Anna Pascuzzo

Anna Pascuzzo