



November 17, 2016

VIA EMAIL

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Re: Comments of Public Power Council on the 2017 Draft Policy Issues Roadmap and Issues Ranking

Public Power Council (PPC) thanks the California ISO (CAISO) for the opportunity to comment on the CAISO's *2017 Draft Policy Initiatives Roadmap*, as revised Nov. 4, 2016 (Draft Roadmap). PPC is a non-profit trade association that represents the common interests of approximately 100 consumer-owned electric utilities in the Pacific Northwest that are preference power customers of the Bonneville Power Administration (BPA). All PPC members have a direct interest in BPA's access to and participation in western markets. Many of PPC's members own and market the output of generating resources and have an interest in equitable participation in CAISO markets.

PPC appreciates the CAISO's efforts to better delineate, and acknowledge the interest in, participation in the Energy Imbalance Market (EIM) by external resources. That said, PPC has significant concerns about aspects of the Draft Roadmap's prioritization of external resource participation and other EIM issues. PPC provides initial general observations on external resource participation in the EIM and perspectives on issues that would improve EIM operations and reduce oversupply of renewable generation.

**The CAISO Should Prioritize External Resource Participation in the EIM
to Improve Competition in that Market**

The CAISO and the EIM Entities currently have tariffs that provide for each EIM Entity to independently determine whether to provide intertie bidding, a feature that both the CAISO and EIM Entities claim is inconsistent with the market design. The CAISO has distinguished, however, between bidding at EIM intertie points by "generic" resources and bidding at those points by specified resources. The participation by specified generators external to the EIM market appears to be a more tractable issue and we address only that facet of intertie bidding in these comments.

The EIM is a FERC-jurisdictional market. As such, the rules for and operation of the market must be not unduly discriminatory as well as just and reasonable. This is the case, regardless of the timeframe or nature of the market. It is important that the interests of incumbents with an economic interest in reducing competition not drive the decision on whether to ensure

competitors' access to markets. Nor should decisions be driven by desires to expand the footprint of the EIM at the expense of improving competition and market prices for consumers. Neither rationale provides credible support for restricting competition.

This is particularly the case in the EIM where the market is not deemed to be competitive. In the current tariff, EIM Entities each have the ability to define the rules for external resource participation. This enhances the ability of some to unduly discriminate against external generators and artificially and could result in unjust and unreasonable prices for energy sold to their customers that are higher than they should be. Participation by lower priced external resources would provide a more economic dispatch of generation and lower its cost.

We do not agree with the assertions of some EIM Entities at the FERC Technical Conference in ER16-1518 that external resources should be denied access to the EIM unless they also bring associated external load and intra-EIM transmission rights to that participation. There is no rationale for this. EIM Entities do bring their load, resources and transmission to the market but they also benefit from the optimized dispatch for imbalance needs, diversity of loads and resources and other efficiencies. External resources would not expect to share in those benefits, only contribute the benefits provided to consumers through their sales of energy into the EIM. Imposition on external resources of all of the obligations of balancing authority participation is patently unnecessary and unreasonable.

PPC believes strongly that opening the EIM to participation by external resources, subject to reasonable and necessary technical requirements, would improve liquidity, mitigate market power and lower energy prices. Those reasonable and necessary requirements should be the subject of a stakeholder initiative so that stakeholders and CAISO staff can fully and thoughtfully discuss what the actual set of those requirements should be and discuss and address the concerns of incumbents. We understand that some current and potential EIM Entities have additional concerns about the impact of external resource participation on their financial benefits and EIM operations. We believe that all such issues should be discussed and evaluated as well.

**Specific Recommendations and Comments on
 Rankings of Issues Using CAISO Criteria**

In the table below, **red denotes a recommended change to ISO rankings.**

Initiative Name	Grid Reliability	Improving Overall Market Efficiency	Desired by Stakeholders	Market Participant Implementation (\$ and resources)	CAISO Implementation (\$ and resources)	Adjusted Total Score
EIM External Resource Participation	7 (3)	10 (7)	7 (3)	7	7 (3)	38
Export Charges	3	7 (3)	7	7	7	31
Real-Time Market Enhancements	7	7	7*	7	3	27

EIM External Resource Participation

A. Grid Reliability - Increase ranking from 3 to 7

Rationale: In the Northwest external resource participation represents thousands of potential mega-Watts of energy from carbon-free, flexible resources, many of which are directly interconnected to EIM Entity systems at intertie points. These external resources add liquidity that could reduce the frequency of power balance and flexible ramping violations and the use of the available balancing capacity mechanism.

External resource participation may also provide information about external resources that the CAISO and EIM do not have today. We assume that external resource bids into the EIM would provide sufficient information to know the location of a generator to facilitate proper flow and congestion management. This information and the additional energy will be available within-hour to address any real-time congestion issues; this could improve reliability depending on the constraint that could be relieved by those resources.

B. Improving Overall Market Efficiency – increase ranking from 7 to 10

Rationale: Because external resources are excluded from EIM participation, the market lacks the additional liquidity that these resources would provide and that lack of liquidity impacts costs to customers. Development of market rules for external resources will remove many of the current barriers to participation.

C. Desired by Stakeholders – *increase ranking from 3 to 7*

Rationale: Although not all parties “desire” *the outcome* of external resource participation, there is significant interest in this issue. The level of interest can be gauged by the number of West Coast parties that traveled to Washington, D.C., for the FERC Technical Conference on this issue. Also, external resource participation, as noted above, raises significant policy, legal and technical issues on which parties have varying views. PPC respectfully suggests that these facts, combined with the potential benefits, should make the issue of interest to the CAISO to explore fully and resolve. The issue should be prioritized based on the requirement that the CAISO ensure fair access to markets and just and reasonable rates for energy purchasers.

PPC supports a prioritization of this issue among the other EIM issues. If the stakeholder evaluation were conducted among EIM-only stakeholders, the issue would certainly warrant a 7.

D. CAISO Implementation – *increase ranking from 3 to 7*

Rationale: PPC fully appreciates the level of effort required by the CAISO staff to conduct a process to explore fully and resolve the questions surrounding external resource participation. PPC believes, however, that the process could be simplified. The CAISO presented guiding principles¹ for development of an external resource participation framework at the August 4th Regional Issues Forum that included the need to address transmission required to facilitate EIM participation for external resources, resource specific information from external resources, market power mitigation, and resource sufficiency.

For many of these principles, the solution should be no more complex or costly to the CAISO than for new entities to join the EIM. For example, it should be no more work for the CAISO to model external resources than to model an EIM Entity resource. Also, the calculation of default energy bids should be no more work for external resources than for an EIM Entity resource. For some of the principles, there are options that avoid undue operational risks, administrative burden and implementation costs on a source, non-EIM BAA and the sink, EIM BAAs to which it interconnects. For example, if there is a concern about the increased number of schedules an EIM Entity would receive if each external resource that participated came in on a separate schedule, source BAs could explore creation of a hub that receives all EIM schedules and send only one EIM transfer schedule to each EIM Entity BA.

¹ http://www.caiso.com/Documents/Presentation-ExternalResourceParticipationinEIM-EIMRegionalIssuesForum-Aug4_2016.pdf

Export Charges:

Improving Overall Market Efficiency – *increase ranking from 3 to 7*

Rationale: Reduction of renewable energy curtailment is a priority operational and policy matter for the CAISO market. Application of the export fee to renewable energy exported to avoid curtailment makes export less economic and conflicts with that objective. Modified export charges would better align market signals with the CAISO's operational interests and should be a priority for the CAISO and its stakeholders as the CAISO continues to see incremental additions of solar generation in its system. In addition, it is appropriate for CAISO loads to bear the transmission service cost of exporting the solar oversupply. CAISO loads would otherwise bear the cost of compensating renewable generation to curtail output in those circumstances. Thus, the CAISO loads benefit from the efficient export of renewable oversupply that relieves those curtailments.

Real-Time Market Enhancements:

Desired by Stakeholders – ranking of 7

Rationale: The current definition of this Initiative includes several different real-time issues: reducing 15-minute market lead-time, extending the horizon of short-term unit commitment, and enabling other 5-minute dispatch functions. The broad definition of this initiative could consume significant CAISO staff and Stakeholder Initiative time. Without further definition of the expected focus, a rating that this dedication of time is desired by a majority of the stakeholders cannot be certain. PPC recommends separating the issues and assessing the criteria separately. Of the potential clutch of issues, PPC would be most interested in prioritizing actions to provide for a shorter lead-time and modifying the scheduling deadline.