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# **Issue Paper E-tag Timing Requirements Initiative**

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## Issue Paper

### E-tag Timing Requirements Initiative

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## 1 Introduction

ISO market participants have identified e-tag timing requirements as an area potentially in need of revision, particularly with respect to the e-tagging of energy interchange schedules awarded in the ISO's day-ahead integrated forward market (IFM). The ISO currently subscribes to WECC Business Practice Standards, WECC (ISAS) Pre-scheduling conventions and NERC Reliability Standards related to e-tag processing and timing. However, the only applicable compliance requirement is the NERC reliability requirement, contained within NERC INT-008, which stipulates that e-tags are late if not submitted by the Purchasing Selling Entity at least 10 minutes prior to the hourly ramp, or 20 minutes prior to the start of the operating hour ("T-20" minutes) for the WECC.

The purpose of the e-tag timing requirements initiative is to evaluate the ISO's current e-tag timeline and associated monitoring and compliance procedures to assess whether any modifications are warranted and if so, to propose modifications in a manner that supports both the ISO market functions as well as the requirements of prudent and reliable grid operations.

## 2 Plan for Stakeholder Engagement

Item	Date
Post Issue Paper	October 21, 2009
Stakeholder Conference Call	October 28, 2009
Stakeholder Comments Due	November 4, 2009
Post Draft Proposal	November 11, 2009
Stakeholder Conference Call	November 18, 2009
Stakeholder Comments Due	November 25, 2009
Additional Conference Calls as Needed	TBD
Board Meeting	December 16, 2009

## 3 Background

Certain market participants have expressed concern that the ISO's current e-tag timeline may result in reduced reliability and unintended market impacts. For example, their assertion is that day-ahead import schedules for which energy and transmission are not procured in the day-ahead timeframe and are not substantiated by submission of day-ahead e-tags may not provide the ISO the same certainty regarding the real-time delivery of the imports as those for which day-ahead e-tags are submitted. In other words, when a market participant waits until after the HASP to procure the energy and transmission and submit an e-tag to physically schedule the interchange, the ISO market essentially receives an hour-ahead product for an award that was cleared in the day-ahead market and paid the day-ahead price.

Some market participants have also argued that only requiring submission of Requests for Interchange (RFI's or e-tags) after HASP allows parties to engage in "implicit virtual bidding" at the interties, i.e., day-ahead interchange transactions which the market participant intends to liquidate in the HASP rather than deliver in real time and that are not backed by actual physical resources. This type of activity could result in reliability to the extent a schedule clears the HASP clears but is not delivered in real time.

Market participants have also argued that under convergence bidding, which the ISO intends to implement by February 1, 2011, without additional tagging requirements market participants may have incentives to provide “implicit virtual bids” to avoid market costs and rules such as the Congestion Revenue Rights (CRR) claw back rules, certain Grid Management Charges (GMC), and the convergence bidding IFM and RUC Tier 1 uplift cost allocation. When convergence bidding is implemented it will be important to guard against “implicit virtual bidding” so that the ISO can accurately differentiate between physical schedules and virtual schedules over the interties.

The NERC e-tag timing requirement, which is the only requirement that has associated compliance provisions, is currently 20 minutes before the start of the operating hours or T-20. However, it is common business practice within WECC for the vast majority of market participants to e-tag their day-ahead awards the day before actual delivery, in the WECC Pre-Scheduling timeframe. A survey of ISO schedulers estimates that 95 percent of day-ahead schedules are e-tagged within this WECC Pre-scheduling timeline. If changes are made to a scheduling coordinator’s day-ahead schedule in the HASP, the scheduling coordinator then adjusts its e-tag to reflect the HASP quantity prior to the T-20 NERC deadline.

ISO Operating Procedure S-313 outlines the e-tag submission timeline. Purchasing Selling Entities, on behalf of their respective ISO market participants, must follow the e-tag submission timelines shown below, in accordance with WECC business practice standard:

Step	PSE Actions
1	<b>Submit</b> Tag on time to comply with NERC timetables and policies.
2	<b>Submit</b> Pre-Schedule Tags by 1500 Pacific Prevailing Time on the Day Prior to the start of the transaction.
3	<b>Submit</b> Real-Time Tags by 20 minutes prior to the start of the transaction.
4	<b>Submit</b> Tags or adjustments to tags as soon as possible after the transaction is awarded in the Day-Ahead, HASP or Real-Time Markets.

E-tag timing requirements are addressed by North American Electric Reliability Corporation (NERC) Reliability Standards, North American Energy Standards Board, Inc. (NAESB) Business Practice Standards and Western Electricity Coordinating Council (WECC) Business Practice Standards.

NERC Standard INT-008-3<sup>1</sup> outlines the e-tag submission timeline for the Interchange Authority while INT-006-3<sup>2</sup> outlines the e-tag response timeline for the Balancing Authority and Transmission Service Provider. The two standards ensure that each e-tag is checked for reliability before it is implemented. An e-tag submitted to an Interchange Authority after T-20 (10 minutes + 10 minute ramp) is deemed late by NERC for market participants within WECC.

Current WECC business practice standard INT-BPS-003-0<sup>3</sup> requires e-tags to be submitted for preschedules at 1500 PPT on or before the day the interchange preschedule is submitted. Each Balancing Authority, Transmission Service Provider and Purchasing-Selling Entities shall

<sup>1</sup> <http://www.nerc.com/files/INT-008-3.pdf>

<sup>2</sup> <http://www.nerc.com/files/INT-006-3.pdf>

<sup>3</sup> <http://www.wecc.biz/Standards/WECC%20Criteria/Business%20Practices/INT-BPS-003%20Interchange%20Prescheduling%20Calendar.pdf>

produce evidence that the timing requirement was met. Compliance monitoring is the responsibility of the WECC entity as designated by the WECC Board of Directors. Currently there are no levels of non-compliance outlining sanctions which may occur for repeatedly late e-tags.

There also may be potential unintended consequences that result from strict enforcement of earlier e-tag requirements. An earlier requirement may reduce day-ahead market liquidity by reducing the time market participants have to secure energy and transmission to meet their day-ahead awards. Additionally, an earlier e-tag timing requirement may conflict with the timing of when transmission routinely becomes available in other balancing authority areas. In considering whether it is appropriate to implement earlier e-tagging requirements in the ISO's markets, it will be important to assess the potential adverse impacts as well as the benefits.

## **4 Potential Options for Establishing ISO e-Tag Timing Requirements**

### **4.1 Option 1: Status Quo**

Maintain current requirement for e-tags to be submitted no later than T-20.

### **4.2 Option 2: New Timeline with Reporting**

Require e-tags for day-ahead schedules to be submitted at some time prior to HASP, exact deadline to be determined through the stakeholder process. If adjustments to a scheduling coordinator's day-ahead schedule are made in HASP, the SC would adjust the e-tag to reflect the HASP schedule amount. If a market participant repeatedly fails to submit e-tags for day-ahead schedules by the new deadline, the ISO will report the failure to Federal Energy Regulatory Commission on an annual or more frequent basis.

The new timing deadline and measures to determine non-compliance and reporting will be developed through the current stakeholder process. Stakeholders are requested to include their preferred implementation details in their written comments.

### **4.3 Option 3: New Timeline with Enforcement**

As under option 2, require e-tags for day-ahead schedules to be submitted at some time prior to HASP, exact deadline to be determined through the stakeholder process. If adjustments to a scheduling coordinator's day-ahead schedule are made in HASP, the scheduling coordinator would adjust the e-tag to reflect the HASP schedule amount. Under this option, if a market participant fails to submit a day-ahead e-tag by the new deadline, the ISO would reverse the market participant's position in HASP in accordance with a specified pricing rule to be determined. For example, the ISO could treat an un-tagged day-ahead schedule as if it were a virtual schedule and reverse the transaction at the HASP price. In addition, it may be appropriate to apply a penalty for a violation of the new tagging timeline.

The new timing deadline and the enforcement measures would be developed through the current stakeholder process. Stakeholders are requested to include their preferred implementation details in their written comments.

#### **4.4 Additional Options**

The ISO encourages stakeholders to provide additional options for enhancing today's e-tagging requirements. Stakeholders should not limit options to e-tag timing as the ISO is interested in all potential solutions to address the concerns discussed above.

#### **5 Next Steps**

The ISO will hold a stakeholder teleconference on October 28, 2009 to discuss the issues presented in this Issue Paper. Stakeholders should submit written comments by November 4, 2009 to [etagt看ing@caiso.com](mailto:etagt看ing@caiso.com)