

## SCE Comments on Imbalance Conformance Enhancement

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Southern California Edison (SCE) offers its comments on the Imbalance Conformance Enhancement Draft Final Proposal<sup>1</sup> of the California Independent System Operator (CAISO).

**SCE does not support the proposal to remove the limiter in approximately two years. The limiter should be removed only after actual data demonstrate that it is no longer needed.**

The CAISO proposes to remove the limiter from the market in two years<sup>2</sup>. It appears that the CAISO is basing the time frame on the plan of completing the following activities in two years:

- Real-time dispatch persistent market model enhancement
- Day-Ahead market enhancements
- Flexible Ramping Product improvements
- Improvements on Imbalance Conformance tool
- Improvements on Ramping Capacity tool

The timeline of removing the limiter should be based on the actual implementation, and the actual performance thereafter, of these planned activities. The limiter should be removed from the market only after it has been demonstrated, via market data, that it is no longer needed. The proposal to retire the limiter in two years is not justified and inconsistent with how the limiter is used today<sup>3</sup>.

### Impact of FERC Order 831 under the proposed change to the logic of the limiter

As stated in its prior comments<sup>4</sup>, SCE is concerned about increased price volatility due to the proposed change to the logic of the limiter. In particular, transient price spikes can occur

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<sup>1</sup> Draft Final Proposal, at <http://www.caiso.com/Documents/DraftFinalProposal-ImbalanceConformanceEnhancements.pdf>

<sup>2</sup> CAISO Presentation, p. 11, at <http://www.caiso.com/Documents/Agenda-Presentation-ImbalanceConformanceEnhancements-Feb6-2018.pdf>

<sup>3</sup> As stated by the CAISO: “[t]he primary reasons the limiter is necessary is that conformance requirements are typically coarse and over-estimated. A coarse and/or over-estimated adjustment often results in an artificial market infeasibility and a corresponding penalty price. The limiter ensures this does not occur”.

<sup>4</sup> Technical Bulletin Comments, available at <https://www.caiso.com/Documents/SCEComments-LoadConformanceLimiterEnhancements-TechnicalBulletin.pdf>. Issue Paper and Straw Proposal Comments, available at <http://www.caiso.com/Documents/SCEComments-ImbalanceConformanceEnhancements-IssuePaper-StrawProposal.pdf>.

frequently in the real time market and those transient price spikes often do not reflect actual system conditions. The proposed change can potentially lead to more occurrences of those transient real-time price spikes. Under the FERC Order 831, the level of those transient price spikes can increase significantly, from roughly \$1,000/MWh to \$2,000/MWh. This can result in increased price volatility if the limiter is not used. For these reasons, SCE continues to believe that the CAISO should consider the two-step approach<sup>5</sup> and that the current logic of the limiter should not be abandoned in order to guard against those artificial, transient price spikes.

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<sup>5</sup> I.e., the current logic is applied in the first step and the proposed logic is applied in the second step as needed.