



September 9, 2019

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-\_\_\_\_  
July 2019 Informational Report  
Energy Imbalance Market – Transition Period Report – Balancing  
Authority of Northern California-Sacramento Municipal Utility District**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) hereby submits its report on the transition period for the Balancing Authority of Northern California-Sacramento Municipal Utility District EIM Entity during its first six months of participation in the western Energy Imbalance Market (EIM) for July 2019. 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**

Roger E. Collanton  
General Counsel  
Anna A. McKenna  
Assistant General Counsel  
John Anders  
Assistant General Counsel  
California Independent System  
Operator Corporation  
250 Outcropping Way  
Folsom, CA 95630  
Tel: (916) 608-7182  
Fax: (916) 608-7222  
[amckenna@caiso.com](mailto:amckenna@caiso.com)



# California ISO

**Energy Imbalance Market  
July 1 – July 31, 2019**

**Transition Period Report  
BANCSMUD EIM Entity**

September 9, 2019

## 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> Sacramento Municipal Utility District (SMUD), which is part of the Balancing Authority of Northern California (BANC), began participating in the EIM on April 3, 2019, and the transition period will apply to the Balancing Authority of Northern California-Sacramento Municipal Utility District (BANC-SMUD) balancing authority area (BAA) until October 3, 2019.

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 BANC-SMUD 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.

---

<sup>1</sup> *Cal. 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, BANC-SMUD's fourth month of EIM operation was uneventful, and the market performance highlights are as follows:

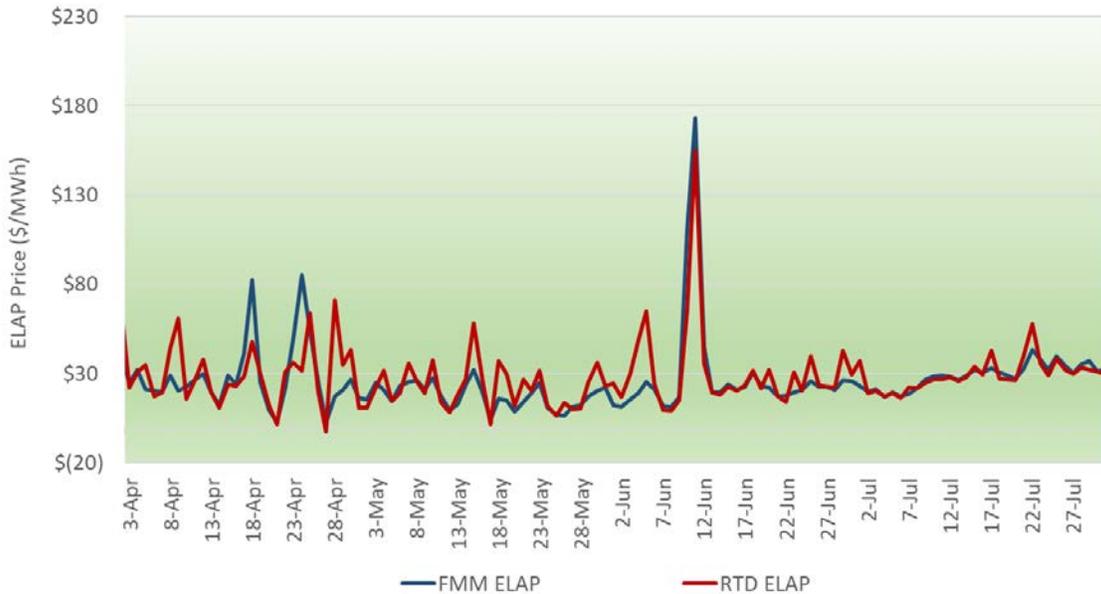
- In July, prices were stable and within reasonable ranges, with the monthly average BANC-SMUD BAA prices being \$28.85/MWh in the fifteen-minute market (FMM) and \$29.25/MWh in the real-time dispatch (RTD).
- The power balance constraint infeasibilities for under-supply conditions were minimal for the BANC-SMUD BAA with 0.034 percent of the total intervals in the FMM, and with 0.0672 percent of the total intervals in the RTD.
- As part of the resource sufficiency test performed for each EIM entity prior to the real-time markets, BANC-SMUD successfully passed over 99.06 percent of its balancing tests in July.
- Also as part of the resource sufficiency test, BANC-SMUD successfully passed over 99.5 percent of its upward flexible ramping sufficiency tests in July.
- The price for upward flexible ramping capacity in the FMM for the BANC-SMUD BAA averaged \$0.13/MWh in July, while prices for the downward flexible ramping product were \$0.01/MWh.

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

**a. Prices**

Figure 1 shows that average prices in the BANC-SMUD BAA EIM Load Aggregation Point (ELAP) for the period of April 3 through July 31, 2019. For July, the monthly average daily price was \$28.85/MWh in the FMM and \$29.25/MWh in the RTD. The monthly maximum average daily price for July was \$43.12/MWh in the FMM and \$57.64/MWh in the RTD, which occurred for both FMM and RTD on July 22, 2019.

**Figure 1: Daily average prices for the BANC-SMUD BAA.**



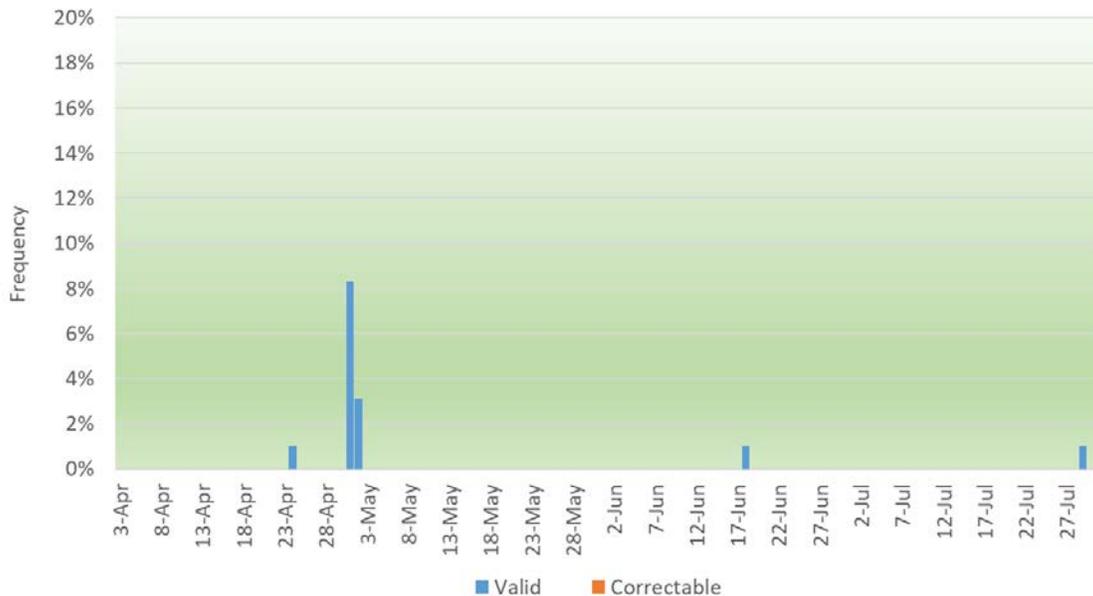
Under the CAISO’s price correction authority in section 35 of the CAISO tariff, the CAISO may correct prices posted on its Open Access Same-Time Information System (OASIS) if it finds: (1) that the prices were the product of an invalid market solution; (2) the market solution produced an invalid price due to data input failures, hardware or software failures; or (3) 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**

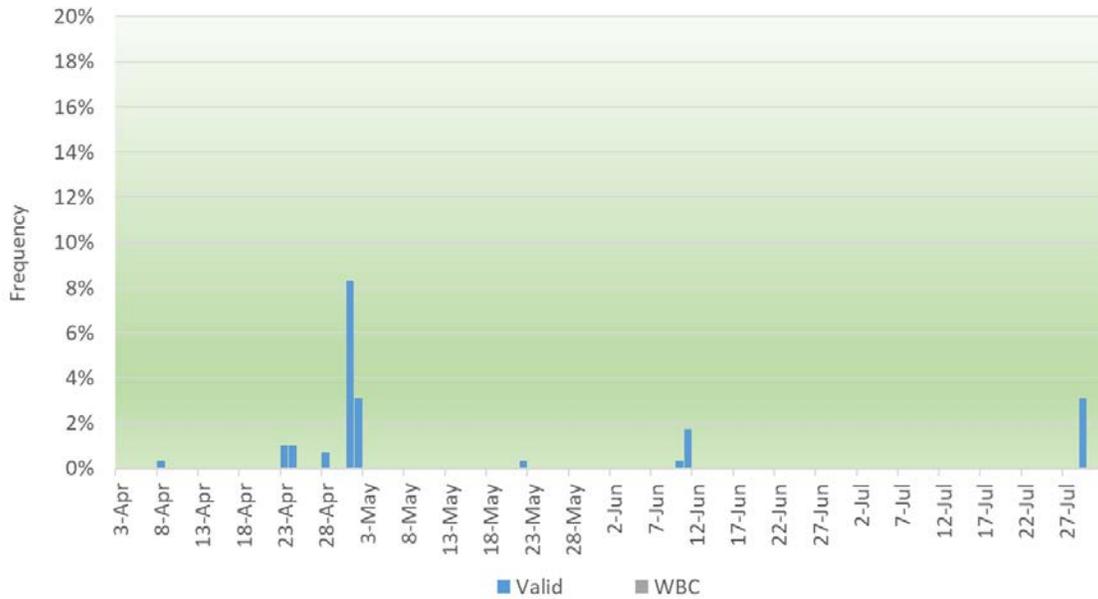
Figures 2 and 3 show the frequency of intervals in which the power balance constraint was relaxed for under-supply conditions in the BANC-SMUD BAA for the FMM and RTD, respectively.

The under-supply infeasibilities are categorized into “valid” and “correctable” instances. Prices for the intervals that fell in the “valid” category are instances with under-supply infeasibilities that were not in error and subject to the transitional period pricing. The infeasibilities that fell in the “correctable” category had a correction based on the provisions of section 35 of the CAISO tariff due to either a software or a data error.

**Figure 2: Frequency of FMM under-supply power balance infeasibilities in the BANC-SMUD BAA.**



**Figure 3: Frequency of RTD under-supply power balance in feasibilities in the BANC-SMUD BAA.**



In the BANC-SMUD BAA, there was one valid under-supply infeasibility in the FMM and there were six valid under-supply infeasibilities in the RTD. Tables 1 and 2 list the FMM and RTD intervals with infeasibilities observed in July.

**Table 1: List of valid FMM under-supply infeasibilities in the BANC-SMUD BAA.**

Trade Date	Trade Hour	Trade Interval	MW Infeasibility
29-Jul-19	16	3	120.15

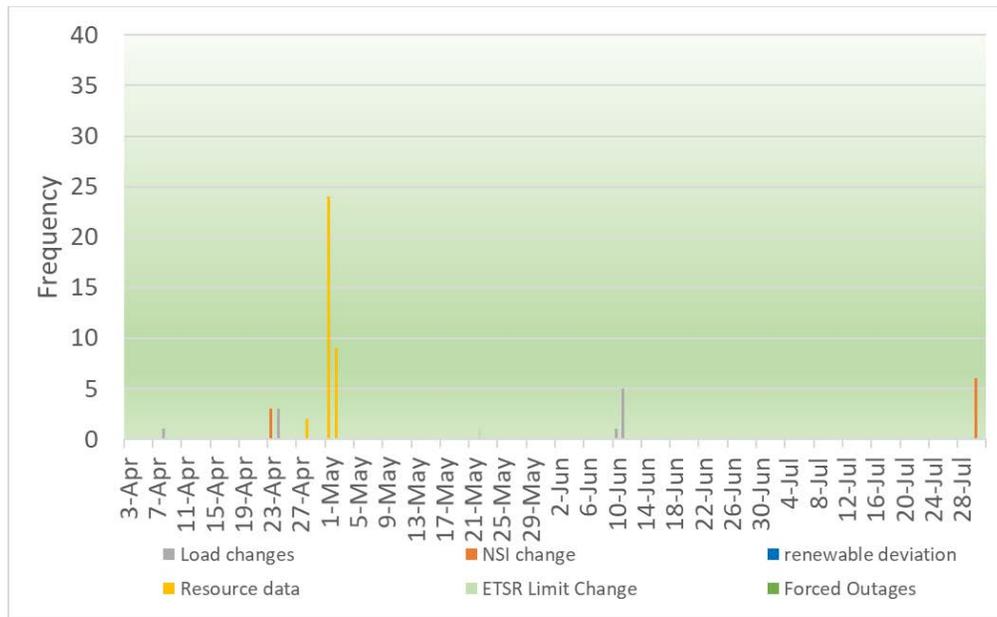
**Table 2: List of valid RTD under-supply infeasibilities in the BANC-SMUD BAA.**

Trade Date	Trade Hour	Trade Interval	MW Infeasibility
29-Jul-19	15	2	0.69
29-Jul-19	15	4	80.04
29-Jul-19	15	5	9.85
29-Jul-19	15	7	2.8
29-Jul-19	15	8	15.8
29-Jul-19	15	9	19.54

Figure 4 displays frequency of RTD under-supply power balance infeasibilities by reason for the BANC-SMUC BAA for the period of April 3 through July 31, 2019. There were six under-supply power balance infeasibilities in the RTD, all of which were driven by net scheduled interchange (NSI) changes.

The infeasibilities classified as “NSI change” represents those intervals in which the net hourly imports reduced below the fifteen-minute net hourly imports due to a forced derate on an inter-tie. At the same time, BANC-SMUD BAA net import EIM transfers were capped to its Net Import EIM transfer intertie constraint (ITC) limit was set to zero. The BANC-SMUD BAA Net Import EIM Transfer ITC is used to limit the total import EIM transfers into its BAA. Due to reduction in net hourly import and lack of import EIM transfer capability, the BANC-SMUD BAA was short of ramp from its internal generating units, which resulted in a power balance infeasibility.

**Figure 4: Count of RTD under-supply power balance infeasibilities by reason.**



**c. Balancing and Sufficiency Test Failures**

The EIM provides an opportunity to various BAAs to serve its load while realizing the benefits of increased resource diversity. Since 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 prior to each trading hour ensures that each BAA participating in the EIM submits a balanced base schedule of generation and a net schedule interchange to meet its demand. In addition, the BAA participating in the EIM is required to submit bids with enough ramping capability to meet its net load forecast uncertainty and its net load movement requirements.

**Figure 5: Frequency of Balancing test failures in the BANC-SMUD BAA.**

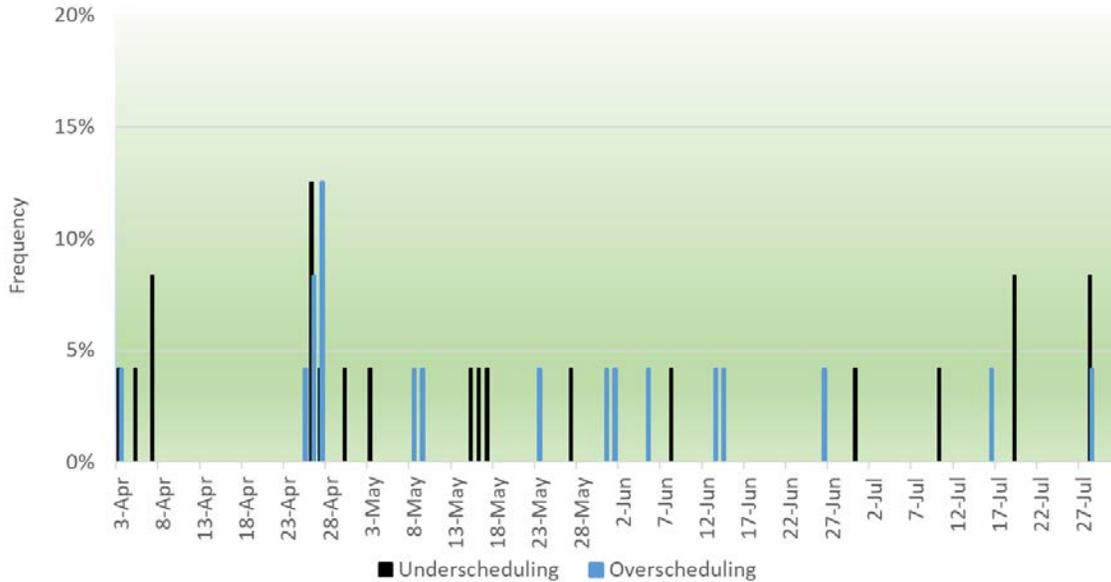
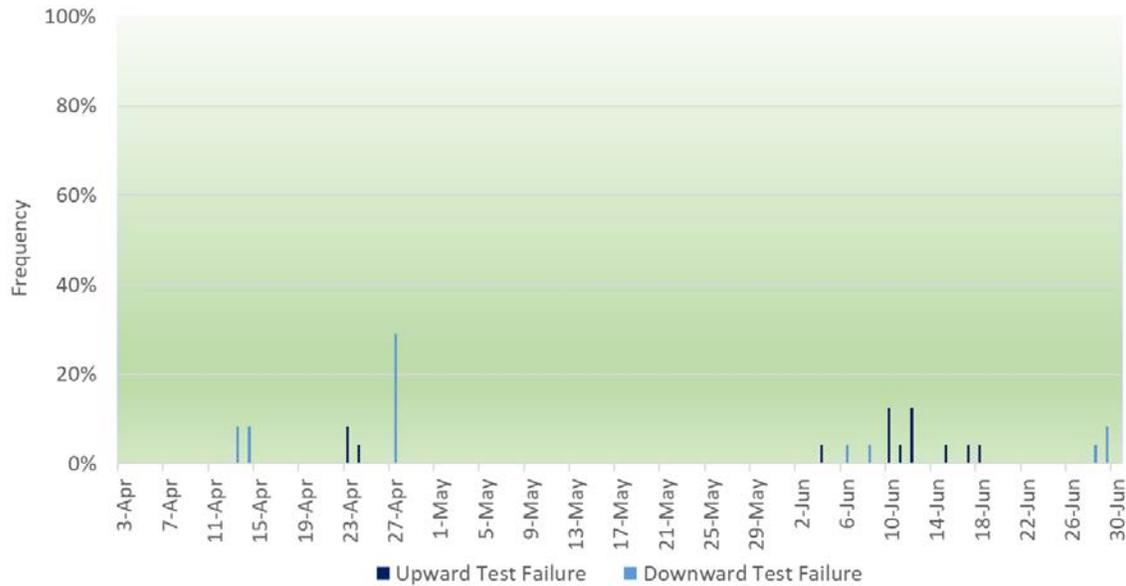


Figure 5 shows the trend of balancing test outcomes for the period of April 3 through July 31, 2019.<sup>3</sup> During this period, the BANC-SMUD BAA passed the balancing test in 99.06 percent of the intervals. The frequency of these failures is within expected performance tolerances for balancing tests.

The CAISO also performs the flexible ramping sufficiency test as specified in section 29.34(m) of the CAISO tariff. Figure 6 shows the trend of the test failures for flexible ramping for the period of April 3 through July 31, 2019. During this period, the BANC-SMUD BAA passed the upward flexible ramping test in 99.5 percent of the intervals, and it passed the downward flexible ramping test in 99.6 percent of the intervals.

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

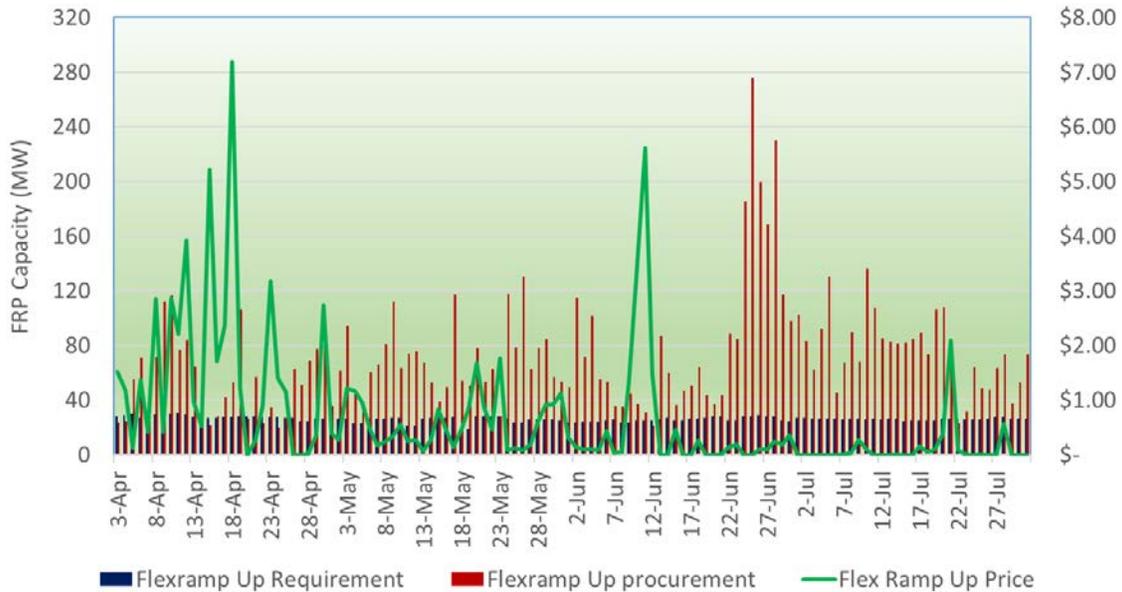
**Figure 6: Frequency of flexible ramping sufficiency test failures in the BANC-SMUD BAA.**



**d. Flexible Ramping Product**

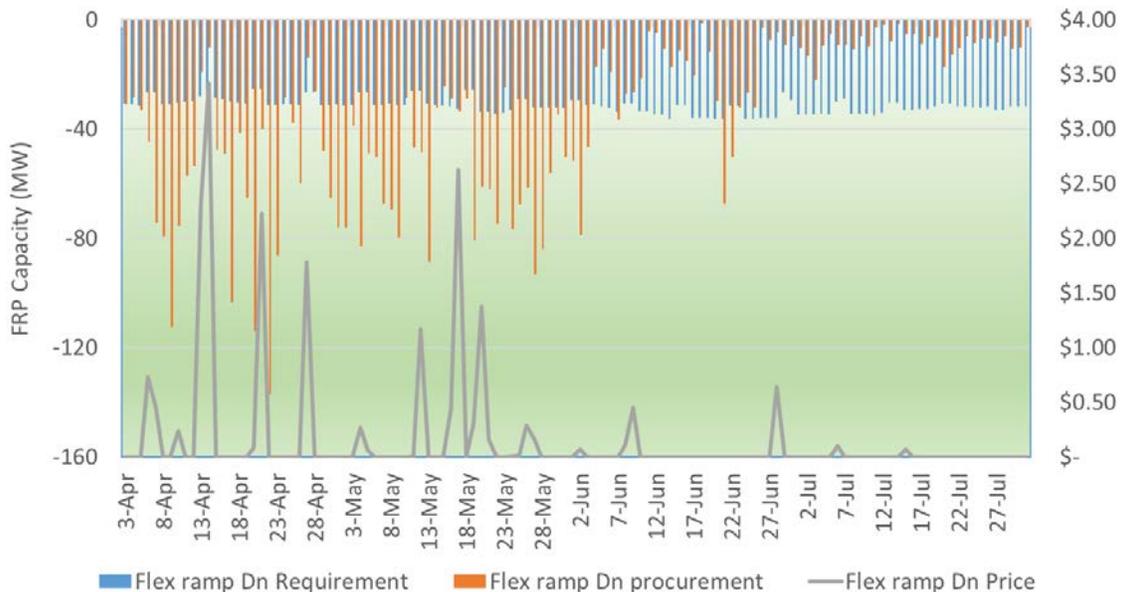
Figure 7 shows the daily average of the upward flexible ramping constraint requirement, procurement, and prices in the FMM for the period of April 3 through July 31, 2019. Figure 8 shows the daily average of the downward flexible ramping constraint requirement, procurement, and prices in the FMM during this same period. If an EIM BAA passes the flexible ramping sufficiency test, then it may rely on its net import/export capability to meet its flexible ramping requirement, at the same time, the entire EIM area footprint must procure enough flexible ramping capacity to meet the footprint requirement which takes into account the diversity benefit of all the BAA’s participating in the EIM combined together as one area. The market clearing process may result in procuring the BANC-SMUD BAA capacity towards meeting the overall EIM footprint requirement. This is the main reason why the individual BANC-SMUD BAA procurement may generally fall below or be above the individual BANC-SMUD BAA flexible ramping requirement.

**Figure 7: Daily Average requirement, procurement, and price of upward flexible ramping in the FMM in the BANC-SMUD BAA.**



In addition, the price trend provided in Figures 7 and 8 is the nested price determined by the summation of the shadow price individually of the BANC-SMUD BAA, plus the shadow price of the entire EIM footprint.

**Figure 8: Daily Average requirement, procurement, and price of downward flexible ramping in the FMM in the BANC-SMUD BAA.**



For the FMM for the month of July, the average upward flexible ramping capacity price was \$0.13/MWh, and the average downward flexible ramping capacity price was \$0.01/MWh. Most of the time, the upward flexible ramping procurement was above the BANC-SMUD BAA's requirements.

## 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 9<sup>th</sup> day of September, 2019.

*1st Grace Clark*

Grace Clark