Comments to Intertie Deviation Settlement Straw Proposal, October 8, 2018
and Stakeholder Meeting on October 15, 2018

Shell Energy North America (US), L.P.

October 29, 2018

Shell Energy North America (US), L.P. (Shell Energy) appreciates the opportunity to comment on the Intertie Deviation Settlement Issue Paper and stakeholder meeting. While Shell Energy supports the CAISO's efforts to address schedule deviations at the interties, it also believes this is a complex issue which must balance the CAISO's needs but also fit within existing timelines and requirements of neighboring BAAs which reside in the existing bilateral marketplace. The CAISO should ensure that the new elements which the CAISO is proposing will continue to solicit the same quantities of real time as-available, or "economy" energy.

As indicated, the current intertie deviation penalty provisions have not impacted grid reliability, and the new provisions appear to have extremely wide-ranging impacts, particularly associated with timeline changes. The CAISO implies that real time energy is a firm energy product, yet it fails to recognize or pay a capacity value for what one might now consider a real time call option. In fact, real time, or "economy energy" has historically been energy not used by incumbent load and is typically "excess", or unused in the real time. The CAISO should evaluate the impact of possible additional penalties for failure to deliver as-available energy, which may reduce the willingness of market participants to offer economy energy to the CAISO and result in higher costs to consumers.

- <u>The Penalty should be the RT Price, and not a surcharge</u> – A penalty is typically used in a situation where a market participant *had an obligation and failed to deliver*. For example, a penalty would be appropriate when a RA resource that was required to deliver imported energy on an intertie failed to provide the necessary energy to support CAISO reliability. Economy energy, bid as incremental energy on the interties in real time, would logically have an economic impact for failure to deliver by being exposed to the real time price. However, the CAISO would (or should) not be relying on RT economic bids for reliability and would not have justification for assessing a penalty. The current position paper does not provide evidence of grid reliability impacts due to unavailability of RT incs, as would be expected. Thus, an additional penalty other than real time settlement is not appropriate for as-available energy dispatch.

- <u>Seams Issues need further vetting before implementation</u> - We believe that the CAISO has not adequately addressed seams issues regarding the proposed change in timing of e-tags. It will be difficult to get other BAs not on a CAISO timeline to act in the T-40 timeframe, thus inadvertently creating a new cause for failure to deliver. To effect this significant change, the CAISO should work with WECC to revise scheduling timelines for all market participants. Until a more thorough impact analysis is completed, SENA strongly discourages the CAISO from any changes to the current hourly e-tag timeline of T-20. The e-tag timeline of T-20 is a WECC and NERC industry standard. Furthermore, changing the timeline may lead to unintended contractual challenges and could preclude fulfilling contractual requirements in the neighboring BAAs. Market participants need the T-20 timeline to balance intermittent generation with flexible resources while adhering to the guidelines and business practices of neighboring BAAs. Being 'locked out' from e-tag changes beginning at T-40 does not allow for participants to make potential changes needed to honor block schedules sinking in the CAISO, if an SC experiences a contingency such as a loss of generation. In this example, SCs would make a tag change in a source BA between T-40 and T-20, however the CAISO would not accept that tagging change from the source BA due to the CAISO's own unique timeline. As a result, the CAISO could find itself short the product which the SC fully intended to deliver but was precluded from tag changes because of an arbitrarily imposed deadline. In our view, the CAISO has failed to identify a reasonable justification requiring this scheduling change which falls outside of industry-accepted standards, which needs to undertake further vetting and likely require a change in the WECC standard to move forward with this aspect of its proposal.

- Revised Volumes in ADS should not be assessed penalties - From the CAISO white paper, SENA believes the CAISO's current application of the decline rule is inaccurate in that it is not applied evenly to situations where market participants do not provide an e-tag for an accepted award (e-tag "no shows") vs. situations where market participants decline an award according to the provisions in the tariff. The decline charge should be modified to include only "no shows/partial shows" and penalize when the participant fails to deliver or underdelivers a schedule. No penalty should apply for entities who revise volumes in ADS, because the market has time to recommit units in the FMM and RT markets.

- SC's should be able to update Schedules up to T-40 - If the CAISO continues to implement the proposed timeline acceleration despite market participant concerns, the CAISO should at least allow SCs to directly update their schedules via the ADS application up to T-40. Increasing the time market participants can update ADS from T-55 to T-40 will allow for more accurate and efficient communication with the CAISO. Further, the CAISO's system sometimes automatically adjusts tags which is not always aligned with transmission rights or pending changes, and the ISO needs to make some provisions for SC's to correct these uncontrolled changes.

- 15-Minute Scheduling has inadvertent consequences - As it relates to the ISO's curtailment practice moving to 15-minute granularity, we would point out that this will need to be coordinated with neighboring BAAs because some non-ISO operated transmission currently does not support scheduling 15-minute energy, intra-hour profile changes or curtailments. Some BAAs simply deny a 15-minute schedule or a change it to an hourly schedule. It is unclear to us how often this additional granularity would result in a different outcome than hourly curtailments. In addition, we often see occurrences when e-tag adjustments/curtailments are initiated by ISO software while e-tags are in a pending state, waiting approval by one or more approval entities. This creates confusion and can cause unintentional failure to deliver if ISO curtails an e-tag while another e-tag is still in a pending state.

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