

June 14, 2019

**COMMENTS OF THE CITIES OF ANAHEIM, AZUSA, BANNING, COLTON,  
PASADENA, AND RIVERSIDE, CALIFORNIA ON THE REAL-TIME MARKET  
NEUTRALITY SETTLEMENT DRAFT FINAL PROPOSAL  
AND DRAFT TARIFF LANGUAGE**

In response to the ISO's request, the Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California (collectively, the "Six Cities") provide their comments on the May 30, 2019 Real-Time Market Neutrality Settlement Draft Final Proposal (the "Final Proposal") and the related draft tariff language:

**COMMENTS ON THE FINAL PROPOSAL**

The Final Proposal would eliminate transfers of real-time imbalance energy offset ("RTIEO") amounts between Energy Imbalance Market ("EIM") Balancing Authority Areas ("BAAs") based on transfers of energy between BAAs through the EIM and implement a new process to calculate the financial value of EIM Transfers. For the reasons described below, the Six Cities remain unconvinced that elimination of RTIEO transfers is appropriate. Moreover, the ISO's stakeholder process relating to these proposed tariff modifications has been inadequate.

The RTIEO transfers that the Final Proposal would eliminate have been in place since the inception of the EIM. The ISO's filing of tariff language in Docket No. ER14-1386-000 to implement the EIM included Section 11.5.4.1 setting forth the process for the calculation and allocation of RTIEO amounts based on EIM transfers. The ISO's filing in that docket included as Attachment C a Declaration of Donald G. Tretheway on Behalf of the California Independent System Operator Corporation (the "Tretheway Declaration") explaining and supporting various aspects of the EIM tariff provisions, including, at pages 16-18 of the Declaration, the transfers of RTIEO amounts pursuant to Section 11.5.4.1. According to the Tretheway Declaration at page 16:

The purpose of the allocation of uplift costs is to apportion such costs by balancing authority area, taking into account transfers from one balancing authority area to another where appropriate, in order to allocate these costs consistent with cost causation, as well as other guiding principles of ISO cost allocation.

The Tretheway Declaration goes on to state, at page 17:

Because the real-time imbalance energy offset is primarily the result of re-dispatch to efficiently serve real-time uninstructed deviations of load, the ISO will assign the costs to the deviating load to the extent reasonably possible. To the extent the ISO has dispatched generation in one balancing authority area to serve load in another balancing authority area, the calculations I have just described

[i.e., the first two steps in the process set out in Tariff Section 11.5.4.1] will attribute the costs to the balancing authority area where the generation is located. Therefore, the next step in the process is to adjust the apportionment of the real-time imbalance energy offset to reflect EIM Transfers between balancing authority areas in the EIM Area. The ISO will shift costs from a balancing authority area that has provided energy through an EIM Transfer into another balancing authority area to the balancing authority area receiving the energy from the EIM Transfer. Using the ratio of the amount of energy transferred out of a balancing authority area to the gross uninstructed imbalance energy in that balancing authority area, the ISO will shift an appropriate portion of this neutrality account to the receiving balancing authority area.

In Docket No. ER14-1386-000, several parties, including Powerex, argued that the proposed EIM structure inappropriately exempted EIM transfers from uplift charges applied to exports from the ISO BAA. In its “Motion and Answer to Comments and Protests of the California Independent System Operator Corporation” submitted on April 15, 2014 (the “Answer to Protests”), the ISO stated at page 43:

Powerex’s assertion that EIM Transfers will not pay a fair share of uplift charges is simply wrong. Proposed sections 11.5.4.1 and 11.8.6.3.2 apportion the real-time imbalance energy offset and bid cost recovery costs between balancing authority areas according to the amount attributable to each. Proposed section 11.5.4.1.1 does not apportion charges, but isolates the real-time congestion offset charges attributable to each balancing authority area. Energy Imbalance Market uplift costs attributable to EIM Transfers into the ISO are allocated to the ISO. Energy Imbalance Market uplifts attributable to EIM Transfers into other balancing authority areas, which would include the “EIM exports” to which Powerex refers, are allocated to EIM Entity balancing authority areas. Including EIM Transfers out of the ISO balancing authority area – the “EIM exports” – as a component of “CAISO Measured Demand,” to which the ISO allocates uplift costs attributable to EIM Transfers into the ISO, would result in an inappropriate double charge of such transfers, i.e., both balancing authority areas would pay the uplifts associated with the charge. (Footnotes omitted).

The Commission’s “Order Conditionally Accepting Proposed Tariff Revisions to Implement Energy Imbalance Market,” *Cal. Indep. Sys. Operator Corp.*, 147 FERC ¶ 61,231 (2014) (“the June 19, 2014 Order”) at P 165 expressly accepted “CAISO’s proposal regarding the allocation of uplift charges to EIM Transfers,” including Tariff Section 11.5.4.1. The ISO subsequently proposed, and the Commission accepted, a modification to the initial calculation of RTIEO under Section 11.5.4.1(b) in Docket No. ER14-2834-000<sup>1</sup> and a modification to the input for calculating the financial value of EIM Transfers under Section 11.5.4.1(a) in Docket No.

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<sup>1</sup> See, *Cal. Indep. Sys. Operator Corp.*, 149 FERC ¶ 61,064 (2014).

ER15-1919-000.<sup>2</sup> However, the policy and overall process for transferring RTIEO amounts based on EIM Transfers have remained in place since the inception of the EIM.

Now, contrary to the analysis provided in the ISO's filing in Docket No. ER14-1386-000, the Answer to Protests in that docket, and the Commission's June 19, 2014 Order, the Final Proposal asserts that the provisions of Tariff Section 11.5.4.1 are inappropriate, because EIM Transfers do not cause real-time market neutrality (Draft Final Proposal at page 4), and "[t]he financial value of the EIM transfers already accounted for the imbalance settlement from transfers between balancing authority areas." (*Id.* at page 5). The ISO has simply declared that the financial value of the EIM transfers accounts for neutrality charges but has not coherently explained how or why the ISO, other parties, and the Commission previously failed to recognize the "duplicative" nature of Tariff Section 11.5.4.1.<sup>3</sup>

Despite requests from the Six Cities and other stakeholders, the ISO also has failed to provide sufficient information regarding the practical impacts of eliminating the offset transfers provided for in Tariff Section 11.5.4.1. The Final Proposal provides aggregate information to the effect that the modifications recommended in the Final Proposal would have redistributed \$9.2 million among balancing authority areas in the EIM during the first quarter of 2019. The ISO also recently provided aggregated information on estimated impacts for the ISO BAA, enabling the Six Cities to conclude that if the estimated impacts for the first quarter of 2019 are representative, charges to the Six Cities will increase by significant amounts under the new methodology. However, simply providing aggregated information for redistributions that would have occurred during the first quarter of 2019 provides no insight into whether such impacts would be representative of impacts during other seasonal periods or system conditions.

In light of the long-standing nature of the RTIEO transfers under Tariff Section 11.5.4.1, the ISO's analytical support for those transfers in Docket No. ER14-1386-000, and the Commission's explicit acceptance of the transfer process in its June 19, 2014 Order, the ISO has not provided a sufficient basis for eliminating the RTIEO transfers. The Six Cities do not object to re-evaluation of the provisions of Section 11.5.4.1, but more detailed analysis and explanation, including a detailed explanation for why the analysis presented by the ISO in Docket No. ER14-1386-000 and accepted by the Commission is no longer valid, and additional information on the practical effects of eliminating the RTIEO transfers under Section 11.5.4.1 are necessary for consideration of the Final Proposal.

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<sup>2</sup> See, *Cal. Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,087 (2015).

<sup>3</sup> Counsel for the Six Cities has been unable to locate on the ISO's or the Western EIM's web sites other materials that might assist in evaluating the Final Proposal. The ISO's Transmittal Letter in Docket No. ER14-1386-000 at page 8, n.15 refers to workshops on cost offsets during the stakeholder process that led to the formation of the EIM and the ER14-1386-000 filing, but counsel was unable to locate any presentations from such workshops on the ISO's or the EIM's web sites. Also, the Policy Initiatives Catalog Submission Form submitted by PacifiCorp on March 19, 2019 discussing RTIEO Transfers between EIM BAAs refers to an attached power point presentation that counsel was not able to locate on the ISO web site.

The Final Proposal also indicates that the ISO plans to change the process for submission of ETSR schedules in the EIM through the Business Practice Manual change process. The Final Proposal identifies, but does not discuss, three options the ISO is considering for submission of ETSR schedules and requests stakeholders to express their preference for standardizing the submission of 5-minute ETSR data. This aspect of the stakeholder process is also inadequate. Although a consistent approach for submission of ETSR data seems appropriate, the ISO should provide an explanation of the advantages and disadvantages of the options it is considering.

### **COMMENTS ON THE DRAFT TARIFF LANGUAGE**

- Section 11.5.4.1(c)            The first line of this subsection retains prior language that refers to “the adjusted Real-Time Imbalance Energy Offset . . . .” In what way would the Real-Time Imbalance Energy Offset be “adjusted” under the approach described in the Final Proposal?
- Section 11.5.4.1(d)            This subsection refers to allocation of “Residual Neutrality Amounts.” What would give rise to any Residual Real-Time Imbalance Energy Offset amount?
- Appendix C, Paragraph B      The equations at the end of the first full paragraph appear inconsistent.
- The last sentence of the paragraph appears to be duplicative and potentially confusing.

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