

Stakeholder Comments Template

Subject: 2018 Draft Policy Initiatives Catalog

Submitted by	Company	Date Submitted
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The Washington Utilities and Transportation Commission (UTC) submits the following comments on the 2018 Draft Policy Initiatives Catalog (Catalog). The UTC regulates the rates and charges for electric service Pacific Power and Puget Sound Energy provide to retail ratepayers within the state of Washington.

Commented [A1]: I think a word is missing – “of” or “charged by”

The UTC appreciates the comprehensive list of initiatives included in the Catalog. In addition to recording initiatives the CAISO has completed, the annual catalog functions as a record of areas of potential improvement to market design and operation that have been proposed but not yet completed, or addressed.

Our comments concern the designation of initiatives in the Catalog. Due to the rapid and projected buildout of solar capacity in California and its impacts on the Northwest bi-lateral markets, certain initiatives listed under “discretionary” in the Catalog should be reclassified as “planned” so they may be addressed in 2018. The UTC requests that our comments on prioritization also be considered by the CAISO as it formulates its 2018 Draft Roadmap. The UTC will provide additional input on the prioritization of initiatives once the 2018 Draft Roadmap is released.

The initiatives that the UTC requests that CAISO reclassify fall into two categories. The first category pertains to initiatives that are directly related to the Energy Imbalance Market (EIM). The second category addresses seams issues between the Northwest bi-lateral markets and the EIM and CAISO markets.

EIM issues

The UTC requests, at a minimum, that the following three EIM related initiatives be moved to the Catalog work plan.

- Over/Under Scheduling Load Enhancements
- Hourly EIM Resource Sufficiency Evaluation
- Real-Time Market Enhancements

The Over/Under Scheduling Load Enhancements Initiative was first suggested as an area of improvement in 2016 and again in 2017 by multiple EIM entities. The significant cost impact to ratepayers of load forecasting error, regardless of the entity that ultimately provides the load forecast, has long been understood in the industry. The first step in improving load forecast performance is to document the methodology used to forecast load and to design, collect, analyze and maintain measurements of forecast performance. Doing so will provide accountability and transparency as well as allow market entities with load obligations to compare methods and data on load forecasting with the CAISO, and vice-versa, for the purpose of improving load forecast performance. Work on this initiative should allow a more accurate accounting of load forecast error, which entities load forecasts are responsible for the error, the costs incurred from load forecast error, and which entities are assigned the costs incurred due to the load forecast error.

Revisiting the Hourly EIM Resource Sufficiency Evaluation Initiative will provide an opportunity to more accurately assess the ramping capacity need and the ramping capability of resources to prevent EIM Participating Balancing Areas from being required to carry excessive ramping capacity.

The primary benefit of addressing the Real-Time Market Enhancements Initiative is the cost savings from more accurate forecasts of load and resources that will be made possible as the Fifteen Minute Market (FMM) is run with a shorter lead time.

Seams issues

The UTC requests, at a minimum, that the following three seams related issues be moved to the Catalog work plan.

- Day-Ahead Flexible Reserve Product
- Combined Intergrated Forward Market (IFM) and Residual Unit Commitment (RUC)
- Multi-Year Resource Adequacy

Without the inclusion of a day-ahead or hourly flexible reserve product in the CAISO market, participants outside of the CAISO market are unable to structure bilateral contracts and offer generation resource bids that reflect the value of their flexible capacity. Similarly, western wholesale market participants within the CAISO market footprint are not able to have the value of the ramping capacity of bilateral contracts economically evaluated and rewarded in the day-ahead market, stymieing the offer price they could otherwise make to flexible resources in the western interconnect. Market structure and financial incentives for flexible capacity in the day-ahead market that is the subject of the Day-ahead Flexible Reserve Product should be evaluated concurrently with phase 2 of the Flexible RA Capacity Must Offer Obligation Initiative (FRACMOO).

Regarding the second seams issue, the UTC recognizes that the initiative to combine IFM and RUC to co-optimize energy, ancillary services, and backstop capacity in the day-ahead market has the potential to increase market efficiency. The UTC supports addressing this initiative in 2018 because it has the potential to allow greater access to generation with lower ramping costs through de-commitment of the less economical flexible resources committed to in the day-ahead market.

Finally, the UTC supports the Multi-year Resource Adequacy (RA) Initiative. The UTC is concerned that at this juncture the load serving entities within the CAISO market are not required to secure resource adequacy far enough in advance to allow development of additional resources should resource insufficiency occur in the current year-ahead RA timeframe. The CAISO market is facing a very large growth in solar capacity and, with it, a very large growth in flexible capacity need. Securing flexible capacity is not a year ahead activity but rather a multi-year need.

Conclusion

The UTC requests that these six initiatives be added to the 2018 work plan of the 2018 Catalog and the 2018 Draft Roadmap. Once the 2018 Draft Roadmap is released, the UTC will review the draft and may submit additional comments.