

Bonneville Power Administration Comments on CAISO EIM Revised Straw Proposal posted May 30, 2013

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I. Overview

Bonneville Power Administration (BPA) appreciates the opportunity to provide comments on the CAISO revised straw proposal, posted on 5/30/13, for its proposed Energy Imbalance Market (EIM). BPA believes that the CAISO should address issues and concerns pertaining to intermediate balancing authority area system operations particularly when potential EIM Entities will need to use an intermediate transmission system in order to fully participate in the CAISO EIM market. BPA is interested in understanding: (1) how to effectively deal with potential implications of CAISO market operation dispatch of resources; (2) overall CAISO system operations as it relates to BPA's need for appropriate dispatch visibility and situational awareness to ensure reliability of the BPA system; and (3) gaining an improved understanding of how scheduling and settlement between the CAISO and an EIM Entity may impact BPA as an intermediate balancing authority area.

The BPA Balancing Authority Area, with its vast transmission system, encompasses most of the northwest region. BPA is generally interested in ensuring our ability to maintain reliability, identify and manage potential cost shifts between our customers and address tariff conflicts between EIM Entities and non-participating balancing authority areas.

BPA looks forward to continued collaboration with CAISO to find mutually agreeable solutions to issues raised prior to the EIM implementation date of October 2014.

II. General Comments

1. The proposed timelines for both the stakeholder process and EIM implementation date are tight given the complexity of the balancing authority area systems and degree of reviews and analyses needed in advance of EIM implementation date. BPA hopes that the CAISO will be open to discussing a longer evaluation period with stakeholders who may need additional time to review the proposal, conduct analysis¹, and provide comments that will help identify potential reliability impacts to systems in the west.
2. A topic that frequently arises as part of BPA's review is the interaction of our respective tariffs. This requires more extensive discussions than we had initially anticipated. CAISO should consider holding stakeholder meetings that deal with potential conflicts that may arise between the CAISO's tariff and an intermediate balancing authority area's tariff as an explicit topic.
3. The CAISO proposal should include solutions to avoid unpaid usage of transmission on an intermediate system.
4. The CAISO should clarify whether the proposal assumes that an intermediate balancing authority area has compatible system capabilities like dynamic capabilities with the CAISO, and seek stakeholder input on the potential costs and cost shifts of achieving sufficient system capabilities and data alignment needed for EIM operation.
5. CAISO should more thoroughly describe the proposed resource adequacy and/or sufficiency standard and how it will be applied to the EIM model outside of California.

¹ Analysis involves modeling of respective EIM Entity's system in relation to intermediate balancing authority area systems; modeling contract rights under tariff service; modeling generation and performance under different dispatch scenarios of potential EIM participants; and analysis of needed coordination for voltage and reactive support systems that are scaled to size and generator frequency under EIM. Additional analysis may be identified and required to fully evaluate the CAISO EIM proposal relative to intermediate balancing authority areas.

6. The CAISO should plan on more discussion on the type of agreements required and the terms and conditions of commercial operations between CAISO and intermediate balancing areas. Agreements detailing operational, reliability and commercial arrangements should be negotiated and executed before the EIM implementation date. Such agreements will need to be established consistent with current statutes and governance requirements of all stakeholders. Protocols and/or desk procedures will also be needed consistent with current statutes and governance requirements of all stakeholders.
7. BPA encourages the CAISO to be mindful of potential ratepayer vulnerability for all non-industrial loads in less populous states, including but not limited to Oregon, Idaho, Utah, Nevada and Wyoming, where Variable Energy Resource (VER) development and cost exposure is expected to grow. We note the potential of a Locational Imbalance Price on the local loads, whose demand for balancing energy on 5-minute intervals is considerably less than that from VERs and their ability to pay may be strained.

III. Specific Comments

1. **Section 2.2.** "Changes to Straw Proposal and Issue Paper". Please provide a redline of changes from version to version of the developing CAISO EIM Straw Proposal.
2. **Section 3.3.1.** "Registration of Market Resources (Master File)" mentions that an "EIM service agreement" is still to be defined. Can the CAISO please give an indication of when the EIM service agreement will be posted for stakeholder review and comment?
3. **Section 3.3.3.** "EIM Scheduling Coordinator Demand Forecasting" says "the Scheduling Coordinator may elect the option to provide their own demand forecast as part of the base schedules or adopt the Market Operator's demand forecast for the EIM Entity BAA". Please explain the election process, criteria to self-provide demand forecasts, the timing of the election, how and when the Scheduling Coordinator will be notified that its request has been approved or denied, and how long the election period is intended to last. Will the Scheduling Coordinator be able to switch between self-provision and adoption of the Market Operator's demand forecast within the specified term?
4. **Section 3.3.5.1 & 3.3.5.2** "Charges for Under-Scheduling and Charges for Over-Scheduling". Please explain what each charge is, how it will be calculated, and how and when it will apply. Also, please clarify what the following statement means: "If the EIM Entity Scheduling Coordinator uses the Market Operator demand forecast and provides sufficient base schedules to meet the Market Operator's demand forecast then under-over charges shall not apply." Please describe what sufficient base schedules mean in this context?
5. **Section 3.8** "Market Rule Oversight". BPA thanks the CAISO for making a separate but parallel stakeholder process available for all to give due consideration to developing a governance model that is flexible and will meet the needs of many. Stakeholders should be provided advance notice of meetings and materials.
6. **Section 3.10** "Transmission Service" states that "Since transfer capability between the CAISO and initial EIM Entities may be limited, the CAISO proposes that in the initial EIM implementation there would be no charge between the CAISO and EIM Entities for EIM's use of as-available transmission." (1) Please clarify what is meant by "as available" transmission. (2) Does the CAISO differentiate between NT and PTP rights of an EIM Entity for modeling and market operation purposes? BPA is asking this question to ensure tariff compliance and avoid potential cost-shifts to BPA customers. (3) Please clarify what is meant by "A question to be addressed is whether there are needs for an EIM Entity or EIM Participating Resource within an EIM Entity to have arranged transmission service agreements (e.g., network service, point-to-point service, or non-firm service) to or through transmission systems in other EIM Entity Areas"? (4) What assumptions about transmission rights and usage will the EIM Market Operator rely on for dispatch and redispatch, when needed? (5) Please explain how the CAISO monetizes transmission usage based on resource availability and energy bids.
7. **Section 3.4.2.** "Congestion Management". BPA would like the opportunity for more discussion about congestion management operation protocols and procedures. We suggest these protocols and procedures be put in place prior to use of BPA's transmission system for EIM purposes.

8. **Section 3.4.4.** "Scarcity" is described in terms of energy imbalance being used to meet demand deviations in the footprint that can manifest because of either insufficient energy bids or inadequate ramp capacity and that the power balances constraint would be relaxed at an "administrative penalty cost" in that situation. Please describe, and provide an example of, what the "administrative penalty cost" is, how it is calculated, and how and when it would be applied.
9. **Section 3.3.15.** "Generation & Transmission Outages" will require new processes and procedures to be effective. CAISO's "Outage Management Business Practices Manual" is dated Nov 12, 2012. Will this manual be updated to reflect new processes and procedures introduced by the proposed CAISO EIM? BPA would like to participate in the development of the rules and procedures that consider the intermediate balancing authority area.
10. **Section 3.3.9.1** "Minimum Shift Optimization Detail". Please provide more explanation for the purpose of the minimum shift optimization. More specifically, (1) Could the CAISO request EIM Entities to provide a feasible solution that does not violate any transmission or reliability constraints such as voltage stability or transient stability? (2) If minimum shift optimization is unable to resolve the transmission congestion, the current CAISO proposal is to relax the transmission constraint. Can this cause an SOL violation, and if so, how does the CAISO propose to address such a violation? (3) Will the base schedule adjustments cause MVAR reserve issues or RAS arming changes? (4) Is the CAISO planning to model all the WECC reliability constraints in the minimum shift optimization and EIM?
11. **Section 3.6.4** "Seams Coordination & Interaction with WECC Congestion Management". BPA is planning to conduct additional studies and analysis to ensure there are no unintended negative impacts from the EIM 5-minute dispatches on its system. In addition, BPA will focus on its Network where BPA has several flowgate constraints (with DTC limits) that will be studied in more detail. Please address what the CAISO would do in the event of limitations on dynamic transfer rights.

IV. Closing

Thank you in advance for consideration and written reply to our inquiries. For the reasons previously stated, BPA respectfully requests that CAISO consider extending the timeline to allow for more extensive stakeholder review and input on CAISO's EIM Straw Proposal. BPA suggests the CAISO work with stakeholders to determine whether or not additional time is needed to accommodate the necessary system improvements, development of operating procedures, and training of operations personnel needed to support the full functioning of an operational EIM. It is important to note for the CAISO that within the established timeframe, BPA intends to hold its own stakeholder process to ensure that we have fully discussed and carefully considered all potential aspects of the proposed EIM on the federal system and its vast customer and constituent base.