



Department of Energy

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CAISO Annual Policy Initiatives Roadmap Process August update to the 2020 revised draft Policy Initiatives Catalog Bonneville Power Administration Submission, July 2, 2019

Submitted by	Company	Date Submitted
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Bonneville Power Administration¹ appreciates CAISO's willingness to consider submissions to its annual policy initiative prioritization process throughout the year. Consistent with the Draft Implementation Agreement², Bonneville proposes the EIM enhancement initiatives and priorities described below for the CAISO's consideration in assessing its underway and planned policy priorities, its 2020 annual plan and its 3-year policy initiative roadmap process commencing this summer.³

1) Energy Imbalance Market closing timelines and Resource Sufficiency⁴

Bonneville supports the CAISO's initiative⁵ to examine moving the final base schedule submission closer to the operating hour, which would provide EIM entities with additional time

¹ Bonneville is a federal power marketing administration within the U.S. Department of Energy that markets electric power from 31 federal hydroelectric projects and some non-federal projects in the Pacific Northwest with a nameplate capacity of 22,500 MW. Bonneville currently supplies 30 percent of the power consumed in the Northwest. Bonneville also operates 15,000 miles of high voltage transmission that interconnects most of the other transmission systems in the Northwest with Canada and California. Bonneville is obligated by statute to serve Northwest municipalities, public utility districts, cooperatives and then other regional entities prior to selling power out of the region.

² The Draft Implementation Agreement between CAISO and Bonneville is Attachment C to Bonneville's June 20, 2019 Western Energy Imbalance Market Letter to the Region, *available at* <https://www.bpa.gov/Projects/Initiatives/EIM/Pages/Energy-Imbalance-Market.aspx>

³ As an active participant in these processes, Bonneville expects to submit further comments on the CAISO's Annual Policy Initiative Prioritization and Roadmap as those processes advance later this year.

⁴ This first proposal addresses Bonneville's obligations under the Draft Implementation Agreement, section 14(g), 14(h)(i) and 14(h)(iii).

to adequately formalize their resource plans to meet the resource sufficiency requirements. Additionally, moving the submission timeline closer to the operating hour would benefit all EIM entities by reducing the magnitude of scheduling errors, particularly for variable generation resources whose schedules are based on forecasts and persistence.

While Bonneville supports an initiative to move the final base schedule submission closer to the operating hour, Bonneville believes that the CAISO should elaborate on the initiative's current scope, and expand the scope to include additional modifications to the resource sufficiency evaluation to achieve greater improvements. Bonneville also requests that the CAISO assign this initiative a higher priority, initiate it in 2019 and assign it an implementation timeline in the Fall of 2020 or 2021.

Bonneville submits the following comments regarding the current scope of this initiative:

- Bonneville believes that moving the final base schedule submission deadline and the final hourly resource sufficiency evaluation from T-40 to, for example, T-30 would require that the start time of the FMM (for the 1st 15-min interval of hour T) move from T-37.5 to sometime after T-30, such as T-27.5. This ensures that the final resource sufficiency results (e.g. potential EIM transfer limits) are incorporated into the binding FMM run for the 1st interval of hour T.
- As part of this initiative, does the CAISO plan to evaluate moving the start time of the FMM forward to match the change in the base schedule submission deadline? If not, how does the CAISO intend to capture the results of the final resource sufficiency evaluation at T-30 in the financially binding FMM at T-37.5?

Bonneville encourages the CAISO to expand the scope of this initiative to include the following:

- Move forward the start time of all Advisory/Binding FMM runs to utilize the most recent forecast data: Bonneville believes that moving the FMM start times forward to utilize more updated demand and VERs forecast data would 1) reduce the differences between FMM awards and RTD dispatches, and 2) reduce the uncertainty component of the resource sufficiency requirement.
 - The FMM uses binding and advisory demand and VERs forecasts to determine the optimal 15-min awards. If the binding FMM demand and VERs forecasts were updated closer to the start time of the RTD, this should reduce the differences between the binding FMM awards and the binding RTD dispatches.
 - The flexible ramp up/down uncertainty requirements are calculated using a histogram of the differences in the demand net VERs forecasts between the advisory FMM and binding RTD. By using more updated FMM demand and VERs forecasts, the uncertainty requirements should decrease.
- Move the second base schedule submission deadline and subsequent Resource Sufficiency test forward from T-55: Bonneville encourages the CAISO to move the

⁵ The initiative "6.1.9 EIM Base Schedule Submission Deadline" is included in Discretionary Initiatives section of the CAISO's Draft Policy Initiatives Catalog for 2020 published on February 28, 2019, page 16.

second base schedule submission deadline and resource sufficiency test forward from T-55 to, for example, T-45. In doing so, the demand and VERs forecasts should also be frozen at T-45 rather than at T-55. Using more updated forecasts will decrease the difference between the actual and forecasted delta demand of the flexible ramp requirement, and provide the most up-to-date snapshot of an EIM entity's ramping capability.

Bonneville believes the CAISO's initiative to move the base schedule submission deadline closer to the operating hour is a step in the right direction; however, additional changes should be pursued to further improve the accuracy of the market model outputs and the resource sufficiency evaluations. Bonneville encourages the CAISO to explore the additional modifications proposed above, which would improve not only the timeliness of the resource sufficiency evaluation, but also significantly improve the accuracy of the resource sufficiency requirements, the determination of an EIM entity's ramping capability, and the market model outputs.

2) Resource Sufficiency – obligation transfers⁶

“The resource sufficiency evaluations insure that each balancing authority area can individually meet their own load through their intertie schedules and generation. This would allow parties to bilaterally trade bid range prior to the operation month, day, and/or hour. Currently, only if a resource is pseudo-tied would it bid range transfer between two balancing areas. In order for the bid range to transfer from one EIM balancing area to another EIM balancing area, transmission would need to be procured to ensure that the bid range is available to the receiving balancing area. The ability to transact bid range and a robust day-ahead resource sufficiency evaluation will seek to address concerns that EIM Entities rely on the extended day-ahead market and EIM to meet their energy and flexibility needs without incurring transmission charges from the source and intermediary balancing areas in the EIM.”⁷ Bonneville agrees that such a product is an integral piece of a well-designed electricity market. Bonneville also agrees that it is important to ensure appropriate transmission requirements for such a product are met and that this should be addressed as part of the Extend Day-Ahead Market to EIM Entities (EDAM) policy initiative process. Assuming extending the day-ahead market to EIM Entities moves forward, Bonneville requests that the CAISO assign this initiative a high priority, initiate it the third quarter of 2019 as planned and assign it an implementation timeline in the Fall of 2020 or 2021.

⁶ This second proposal addresses Bonneville's obligations under the Draft Implementation Agreement, section 14(h)(ii).

⁷ The initiative “5.10.3 Transferring Bid Range” is included in the Initiatives Currently Underway and Planned section of the CAISO's Draft Policy Initiatives Catalog for 2020 published on February 28, 2019, page 11.

3) Settlements – increased transparency⁸

Bonneville seeks to increase the level of transparency on the allocations used for the uplift and offset charge codes on EIM Entity settlement statements. This will allow greater understanding of these charge codes among our Transmission Customers and ease the possible implementation of cost allocation procedures that Bonneville and its customers may consider during our upcoming TC-22 tariff and BP-22 rate proceedings starting in calendar year 2020. Preliminary indications suggest that the scope of these offset settlement costs could be in the millions of dollars per year in absolute value but depend greatly upon the scope and manner of EIM participation by all participating resources in Bonneville’s balancing authority. Bonneville is encouraged by the quick progress on the Real-Time Market Neutrality Settlement policy initiative.⁹ However, we believe further evaluation and policy development are necessary in these areas and we understand that the CAISO has committed to achieve this further evaluation and policy development¹⁰ as part of the proposed Real-time Enhancements policy initiative.¹¹ Bonneville encourages the CAISO to stick with its high-priority to implement an initial fix for real-time market neutrality settlements in 2019 and then prioritize a more comprehensive follow-on policy enhancement in 2020 with an implementation timeline in the Fall of 2020 or 2021.

4) Settlements – dispute resolution timelines¹²

Bonneville seeks to increase the amount of time available to review and dispute EIM transactions included on the T+3B, T+12B and T+55B settlement statements in order to facilitate possible implementation of EIM settlements with its own Transmission Customers. Bonneville recognizes

⁸ This third proposal addresses Bonneville’s obligations under the Draft Implementation Agreement, section 14(h)(iiii).

⁹ This is third proposal related to, but a more comprehensive addition to, the Real-Time Market Neutrality Settlement policy initiative recently initiated in April 2019 by the CAISO in response to requests from PacifiCorp and Idaho Power that focuses on more accurately calculating and allocating the Real-Time Imbalance Energy Offset (RTIEO). This offset is one of the three offsets used by the CAISO to allocate amounts owed or received from market neutrality. The others are the Real-Time Marginal Loss Offset and the Real-Time Congestion Offset.

¹⁰ “Some stakeholders argued that this justifies a new stakeholder initiative to further review the calculation of offsets and cost allocation. Other stakeholders questioned if the implementation approach for the financial value of EIM transfers is scalable if additional GHG programs must be supported. In response, Management commits to conduct a comprehensive review of the real-time settlement charge codes associated with interactions between balancing authority areas in the real-time market enhancements initiative scheduled for next year. In addition, Management is committed to ensuring that the financial value of EIM transfers is scalable to multiple GHG programs in the West. To that end, Management will include within the scope of the multi-GHG areas initiative currently planned to commence later this year, assuming an additional GHG program would need to be supported, a validation that the current implementation is scalable to the additional GHG programs.”

Memorandum to the Energy Imbalance Market Governing Body, Decision on Real-Time Market Neutrality Settlement Proposal, CAISO, June 21, 2019, pages 4-5, *available at* <https://www.westerneim.com/Pages/Governance/default.aspx>

¹¹ The initiative “6.1.23 Real-Time Market Enhancements” is included in the Discretionary Initiatives section of the CAISO’s Draft Policy Initiatives Catalog for 2020 published on February 28, 2019, page 20 (The Catalog’s Table of Contents lists this initiative as 6.1.24 Real-Time Market Enhancements).

¹² This fourth proposal also addresses Bonneville’s obligations under the Draft Implementation Agreement, section 14(h)(iiii).

that the Market Settlement Timeline Transformation policy initiative kicked-off in the middle of 2019. Bonneville is encouraged by the web conference CAISO hosted on June 13th to initiate this policy initiative and seeks an implementation timeline in the Fall of 2020 or 2021.