

**Stakeholder Comments on Penalty Prices and Scheduling Priorities in the CAISO Markets –  
11/20/20 Informational Call**

Submitted by	Company	Date Submitted
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SCE appreciates the opportunity to provide the following comments on the CAISO penalty prices and scheduling priorities in the CAISO markets stakeholder call on Nov 20, 2020<sup>1</sup>.

**1. CAISO load must have higher scheduling priority than exports clearing the day-ahead market, including those exports that would otherwise be supported by capacity needed in RUC.**

The CAISO and stakeholders must evaluate the existing market design to ensure CAISO load has the highest scheduling priority. For California load that is participating in the CAISO markets, the only way to serve the load is through market schedules from the CAISO markets. In general, the market design must ensure that serving CAISO load<sup>2</sup> has a higher scheduling priority than exports to serve load outside of the CAISO Balance Authority Area (BAA).

Currently in the Integrated Forward Market (IFM), CAISO load has the same scheduling priority as self-scheduled exports that are supported by non-Resource Adequacy (RA) resources (PT SS Exports), but higher priority than exports that are *not* supported by non-RA resources (LPT SS Exports). The IFM does not evaluate whether the schedules are physically feasible resulting in market schedules for exports that are physically infeasible. The CAISO should address this issue by only awarding IFM schedules for exports that are physically feasible, as discussed in Section 2 below.

In the Residual Unit Commitment (RUC) process, the load forecast is used, as a fixed quantity<sup>3</sup>, and has a higher scheduling priority than PT SS Exports and LPT SS Exports. However, in RUC, the power balance constraint (PBC) has the same scheduling priority as PT SS Exports<sup>4</sup>. Placing the PBC and PT SS Exports at the same scheduling priority provides a “leakage” and may result in RUC effectively curtailing load within the CAISO BAA before curtailing such exports<sup>5</sup>. The CAISO and stakeholders should discuss if this is appropriate in light of the impacts to California during the August events. In

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<sup>1</sup> CAISO Penalty Price and Scheduling Priorities Presentation, dated November 20, 2020, <http://www.caiso.com/Documents/Presentation-PenaltyPrices-SchedulingPriorities-CAISOMarkets-Nov20-2020.pdf>.

<sup>2</sup> The CAISO load also includes fringe/stranded load that’s outside the CAISO, which California load serving entities must serve.

<sup>3</sup> CAISO should clarify if load forecast is modeled as a fixed MW quantity, and has an “infinite” high scheduling priority ( *i.e.*, the highest scheduling priority and higher than *any* other type of resources including any export and the power balance constraint that is modeled as a slack variable up to 300MW). The CAISO should also clarify if the model includes any export in the load forecast used in the RUC optimization, and whether the power balance constraint in RUC includes any export.

<sup>4</sup> Currently, the PBC can be violated up to 300 MW. CAISO Presentation, at 28 & 31.

<sup>5</sup> SCE understands that PBC provides a cushion in filling the gap between cleared supply and cleared load within a market optimization solution. Therefore, it is very likely that, during supply emergency conditions, the PBC slack variable (up to 300MW) represents fictitious supply that does not exist.

particular, SCE recommends discussion of whether the PBC should have a higher scheduling priority than PT SS Exports<sup>6</sup> and/or if it is appropriate to continue to offer PT SS Exports.

**2. Final Day-Ahead Market (DAM) awards for exports should be based on Residual Unit Commitment (RUC) results that are physically feasible.**

While the emergency Business Practice Manual (BPM) changes made on Sept 5, 2020 were necessary to address the issues identified by the CAISO, the financial awards from the IFM were sent out to scheduling coordinators during the August heatwave event, even though the CAISO and parties knew those schedules were not physically feasible due to curtailments. To avoid confusion among stakeholders, allow parties time to secure supply from outside of the CAISO BAA, and ensure market awards represent schedules that are physically feasible, the CAISO should change this practice and use RUC results as final DAM awards when exports are curtailed in RUC. Such a change will avoid confusion on which schedule may be feasible and which schedule may not, and accordingly, it will eliminate potentially e-tagging in the day-ahead timeframe on export schedules that are indeed infeasible and will allow participants time to make alternative arrangements for power since they would no longer receive an IFM award.

To summarize, the CAISO should change its practice such that, if the IFM award for an export is subsequently deemed infeasible and curtailed in the RUC, the RUC result should be used as the final DAM schedule for the export. The IFM schedule and award should not be sent to the Scheduling Coordinator as a schedule since the schedule is not feasible<sup>7</sup>. The settled schedule should be the RUC award. The CAISO should make BPM and potential tariff modifications to implement the changes prior to summer 2021.

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<sup>6</sup> This may also require a discussion on proper compensation in the event that PT SS Exports are not allowed to receive IFM schedules if the capacity is required by RUC to serve CAISO BA load.

<sup>7</sup> Since the real-time market can only accommodate schedules that are physically feasible this approach is likely to reduce total uplift. If there is any uplift on a specific transaction, the uplift should be allocated to parties appropriately. The CAISO should determine whether changes are needed in the allocation of uplift under this change.