

Western Power Trading Forum Comments on Intertie Deviation Settlement Issue Paper
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The Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

Comments

WPTF appreciates the opportunity to submit comments on the CAISO's Intertie Deviation Settlement issue paper and stakeholder call held on August 22, 2018. At this time, our comments remain at a high level and we will opine on potential solutions when the CAISO issues a straw proposal.

WPTF supports the CAISO developing an incentive-based settlement structure that results in improved market efficiency, price signals, and grid reliability. As acknowledged by the CAISO, the existing intertie decline charge structure is outdated – extending back to pre-nodal market days. As we move through this stakeholder process, WPTF encourages the CAISO to be open to considering holistic changes if needed; working within an existing framework oftentimes results in more “band aid” solutions rather than a long-term sustainable market design.

An incentive is only effective if it can result in the desired behavioral change which, for this issue, would be for market participants to submit intertie bids they reasonably expect to deliver. High levels of undelivered imports present reliability concerns and can suppress market prices; undelivered exports can also contribute to reliability concerns, most notably during over-generation conditions, and can increase market prices. Thus, it is extremely important that market participants can react to the incentive structure developed through this stakeholder process to address the issue identified by the CAISO – otherwise it simply becomes an added cost with no market improvements or results in unintended behavioral changes. It may be useful for stakeholders to have a better idea as to what the underlying factors contributing to the current behavior are (i.e. opting to not tag as opposed to declining the awards). For example, is the fact that bids are cleared based on HASP prices but settled at the FMM prices contributing to the behavior? Or are there any process-oriented constraints on the market participant side that make it challenging for them to decline rather than wait and not submit e-tags?

The resulting settlement structure should not discriminate between internal and external resources, nor should any additional seams issues be created. Additional market inefficiencies could be created if the size of the penalty or settlement structure is such that external resources become, all else equal, costlier due to its location, putting them at a disadvantage relative to internal resources.

Lastly, WPTF asks the CAISO to include in the next paper a discussion of how other ISOs handle intertie deviations and if they have seen, or had to address, similar operational and market concerns the CAISO is currently facing.

WPTF thanks the CAISO for consideration of our comments.