

Western Power Trading Forum Comments on Real-Time Market Neutrality Settlement Draft Final Proposal

Carrie Bentley - Gridwell Consulting for WPTF - Cbentley@gridwell.com

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 these brief comments on the CAISO's Real-Time Market Neutrality Settlement draft final proposal discussed on the June 6, 2019 stakeholder call. The changes aim to improve the allocation of offset costs primarily by minimizing unnecessary cost shifting among the EIM BAAs. WPTF appreciates the expedited response by the CAISO in addressing this issue as the current impact to EIM entities is significant. However, as discussed on the stakeholder call there are outstanding issues and concerns that should be addressed especially before the CAISO extends the day-ahead market to EIM and/or another GHG-regulated area is created. Thus, WPTF supports these changes as interim solutions with a commitment by the CAISO to conduct a phase II stakeholder process, initiated in 2019, to continue a more comprehensive dialogue with stakeholders.

Proposed Financial Valuation of Transfers

WPTF appreciates the CAISO responding to previous comments and hosting a workshop to walk through more detailed and complex examples of the proposed financial valuation of transfers. As discussed on the stakeholder call and iterated in comments, there appears to be other compounding settlement issues that are impacted by the neutrality assessment. For example, EIM entities that are subject to GHG compliance obligations due to being deemed by the CAISO as having served California load may not be fully compensated for the GHG cost they are incurring. It appears that inadequate GHG compensation may be resulting from the real-time neutrality settlement clawing back some of the revenue the EIM entity received to cover the GHG obligations. Thus, absent the inadvertent "claw-back", the EIM entity would have received sufficient compensation to cover its GHG costs.

As noted above, WPTF appreciates the CAISO quickly working through this initiative and proposing a solution to address the initially identified issue. The current issue has had a significant impact on EIM entities and addressing it sooner rather than later is appreciated. However, due to the larger EIM settlement concerns that this process has brought to light, WPTF supports the proposed financial valuation of EIM transfers as an interim solution while the CAISO conducts a second phase of this stakeholder process to facilitate a comprehensive review of the larger EIM settlement concerns.

Transparent GHG Accounting

Throughout this stakeholder process, GHG accounting has been a large component of the discussions and is central to the larger settlement issues raised by stakeholders. The CAISO's proposed formulation

to determine the financial value of EIM transfers starts with a cost that includes GHG and, for transfers between two non-GHG regulated BAAs, backs out the GHG cost. While from a mathematical standpoint, this is the same as if the CAISO were to start with just the energy cost and then add back in the GHG cost when appropriate, it is a less transparent approach.

GHG accounting is only going to get more complicated when (1) the CAISO extends the day-ahead market to EIM and/or (2) another BAA implements a GHG program such that there become multiple GHG-regulated areas. Thus, WPTF strongly encourages the CAISO in the second phase of this stakeholder process to consider the benefits of creating a separate GHG account now rather than waiting until one of the two events noted above occur. Even absent an extended day-ahead market and another GHG regulated area, having a separate GHG account is beneficial in that it will improve transparency and allow for any inadvertent settlement errors to be more easily identified and addressed.

Additional Impact Assessment

Lastly, WPTF asks the CAISO to provide more transparency around the impact of the existing settlement issues by EIM BAA. Specifically, the CAISO could conduct the calculation it already has completed for Q1 2019 back to 2014 and report out the impact (gains and losses) by EIM entity and year.

WPTF thanks the CAISO for consideration of our comments.