

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator
Corp.

Docket No. ER20-1890-000

MOTION OF POWEREX CORP. TO INTERVENE AND COMMENTS

Pursuant to Rules 212 and 214 of the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 214, Powerex Corp. ("Powerex") hereby moves to intervene and submit comments concerning the California Independent System Operator Corp.'s ("CAISO") proposed revisions to its tariff to attempt to address challenges that the CAISO markets have experienced due to import delivery failures.¹

**I.
CORRESPONDENCE AND COMMUNICATIONS**

All correspondence and communications in this proceeding should be directed to the following persons:

Mike Benn
Energy Trade Policy Analyst
Powerex Corp.
666 Burrard Street, 13th Floor
Vancouver, British Columbia
Canada V6C 2X8
Phone: (604) 891-6074
Fax: (604) 891-7012
mike.benn@powerex.com

Deanna E. King
Bracewell LLP
111 Congress Avenue,
Suite 2300
Austin, Texas 78701
Phone: (512) 494-3612
Fax: (512) 479-3912
deanna.king@bracewell.com

¹ *Cal. Indep. Sys. Operator Corp.*, Tariff Amendment To Enhance Intertie Transaction Market Rules, Request for Waiver of Notice Requirement, and Request for Timely Commission Order, Docket No. ER20-1890-000 (May 22, 2020) ("Filing").

Stephen J. Hug
Tracey L. Bradley
Bracewell LLP
2001 M Street NW, Suite 900
Washington, D.C. 20036
Phone: (202) 828-5800
Fax: (800) 404-3970
stephen.hug@bracewell.com
tracey.bradley@bracewell.com

Powerex requests that the foregoing persons be placed on the official service list for this proceeding and respectfully requests waiver of Rule 203(b)(3) of the Commission's regulations, 18 C.F.R. § 385.203(b)(3), in order to permit designation of more than two persons for service in this proceeding.

II. MOTION TO INTERVENE

A. Interest Of Powerex

Powerex is a corporation organized under the *Business Corporations Act* of British Columbia, with its principal place of business at Vancouver, British Columbia, Canada. Powerex is the wholly owned power marketing subsidiary of the British Columbia Hydro and Power Authority ("BC Hydro"), a provincial Crown Corporation owned by the Government of British Columbia. Powerex sells power at wholesale in the United States, pursuant to market-based rate authority originally granted by the Commission on September 24, 1997.² Powerex sells

² See *British Columbia Power Exch. Corp.*, 80 FERC ¶ 61,343 (1997); *British Columbia Power Exch. Corp.*, Docket No. ER97-4024-012 (Sept. 12, 2000) (unpublished letter order); *Powerex Corp.*, Docket No. ER01-48-002 (Oct. 30, 2003) (unpublished letter order); *Powerex Corp.*, Docket No. ER01-48-007 (July 26, 2007) (unpublished letter order); *Powerex Corp.*, Docket No. ER01-48-018 (Oct. 29, 2010) (unpublished letter order); *Powerex Corp.*, Docket Nos. ER10-3297-003, *et al.* (Aug. 29, 2014) (unpublished letter order); *Powerex Corp.*, Docket Nos. ER17-704-000, *et al.* (Jan. 25, 2018).

power from a portfolio of resources in the United States and Canada, including Canadian Entitlement resources made available under the Columbia River Treaty, BC Hydro system capability, and various other power resources acquired from other sellers within the United States and Canada. Powerex is an active participant in the CAISO day-ahead and real-time markets.

B. Motion To Intervene

As an active participant in the CAISO markets, Powerex has a direct, immediate, and substantial interest that cannot be adequately represented by any other party and will be directly affected by any Commission action in this proceeding. Powerex's intervention is in the public interest, and it therefore moves for leave to intervene in this proceeding.

III. BACKGROUND

In the filing, CAISO explains that it is proposing to revise its tariff in an attempt to address pressing issues that have arisen regarding the impact of the non-delivery of intertie awards in the CAISO markets.³ CAISO explains that the failure of importers to deliver energy in accordance with their market awards can have detrimental impacts on both reliability and pricing in the CAISO markets by resulting in supply shortages and price spikes.⁴ CAISO states that the non-delivery of intertie awards is a growing problem and that recent experience shows that the "range of undelivered intertie supply can reach significant amounts, with average

³ Filing at 2.

⁴ *Id.* at 11.

non-delivery increasing during peak load hours when the CAISO has the greatest need for the energy.”⁵ In order to try to mitigate these issues, CAISO proposes to revise its tariff to:

- Provide CAISO with greater visibility into whether an intertie award is likely to be delivered by requiring the submission of a valid e-tag that matches the market award by 40 minutes prior to the trading hour; and
- Modifying the existing monthly non-delivery charge with a new under/over delivery charge to increase the incentive for market participants to perform in accordance with their market awards.⁶

The CAISO requests that the Commission issue an order by September 17, 2020 accepting the proposed tariff revisions, effective October 1, 2020.⁷

IV. **COMMENTS**

Powerex appreciates the CAISO taking steps to revise its tariff to increase the financial incentives for intertie suppliers to deliver energy to the CAISO balancing authority area (“BAA”) in accordance with their physical market awards. Powerex agrees that the current tariff provisions have failed to ensure that the physical market awards upon which the CAISO relies to reliably operate the grid are actually delivered. It is important to recognize, however, that CAISO’s filing represents only an incremental first step towards addressing one of the symptoms of a much larger problem facing the CAISO BAA: the extensive reliance on physical energy import schedules that are not backed—and that the CAISO currently does not require to be backed—by real physical capacity.

⁵ *Id.* at 12-13.

⁶ *Id.* at 3-4.

⁷ *Id.* at 2.

The extensive problems of speculative or otherwise non-firm import supply in the CAISO markets have continued to become apparent since early 2019, when the CAISO concluded the stakeholder process associated with this filing. As the CAISO filing acknowledges, recent experience demonstrates that the “range of undelivered intertie supply can reach significant amounts, with average non-delivery increasing during peak load hours when the CAISO has the greatest need for the energy.”⁸ In some cases, intertie delivery failures have contributed to emergency conditions and threatened grid stability, forcing the CAISO to rely on out-of-market dispatch and other measures to attempt to keep the lights on.⁹

The issues that the CAISO BAA has experienced with intertie delivery failures largely reflect the failure of the existing CAISO markets to distinguish—in its dispatch, pricing and settlement processes—between (1) firm energy supply from real physical resources that can be counted upon to deliver; and (2) lower quality products such as non-firm energy, unit-contingent energy, and entirely speculative supply, where a marketer may only attempt to find a source of supply after receiving a CAISO market award.

The challenges associated with the resulting intertie award delivery failures have grown significantly as the CAISO grid has become increasingly reliant on imports to meet its needs, particularly in peak hours. For example, the CAISO’s Summer 2020 assessment concludes that

“[t]he CAISO system reliability depends on a certain range of net imports from neighboring balancing authorities, particularly during

⁸ *Id.* at 12-13.

⁹ *Id.* at 13.

higher system peaks. This trend indicates that the availability of imports at historical levels could be at risk at times when CAISO may be most dependent on such imports.”¹⁰

It should also be recognized that even if the proposed measures successfully reduce the occurrence of delivery failures on intertie awards, they will have addressed only one symptom of a far more pervasive problem. Namely, the CAISO markets as well as California’s Resource Adequacy (“RA”) program systematically fail to distinguish speculative and non-firm supply from firm physical supply. By enabling speculative and non-firm supply to inefficiently displace sales of *firm energy* and capacity products, the current rules of the CAISO markets and the RA program have led to myriad reliability challenges and price spikes:

- **Energy imports at CAISO interties**—CAISO markets will continue to fail to distinguish between offers that represent firm physical supply and offers from marketers with non-firm supply and/or entirely speculative supply. This can tie up limited transmission space for awards that do not or cannot deliver, and improperly comingles distinct products with different deliverability attributes.
- **The Energy Imbalance Market (“EIM”)** is harmed by CAISO’s inclusion of speculative and non-firm supply, and associated delivery failures, in at least two ways:
 - It enables the CAISO BAA to improperly pass the Resource Sufficiency test—and lean on the resources of other EIM entities—whereas every other EIM BAA is required to demonstrate sufficient real physical supply resources is Resource Sufficiency evaluation; and
 - When CAISO experiences delivery failures by speculative and non-firm sellers, the resulting supply shortfalls can create price spikes that spread to other EIM entities.
- **California’s RA program** fails to require sellers of RA to demonstrate the forward commitment of real physical capacity, enabling marketers to sell RA backed only by “paper capacity”, leading to price spikes and reliability challenges when energy associated with these contracts is not

¹⁰ CAISO 2020 Summer Loads and Resources Assessment at 4, *available at*: <http://www.caiso.com/Documents/2020SummerLoadsandResourcesAssessment.pdf>.

delivered to the CAISO grid, often during periods when the CAISO grid most needs the supply ostensibly secured under the RA program.

While Powerex believes the Commission should accept the proposed tariff revisions, these steps should be recognized as only an incremental step, and not as comprehensively addressing the root cause of California's energy delivery performance challenges. Powerex therefore looks forward to working with the CAISO and with other stakeholders in the Resource Adequacy Enhancements stakeholder process to eliminate paper capacity from the California RA program, ensuring all RA contracts are supported by the forward commitment of real physical capacity that can be delivered to the CAISO grid. Powerex also looks forward to working with the CAISO and other stakeholders in the Day-Ahead Market Enhancements stakeholder process to ensure that CAISO's markets properly recognize the fundamental distinction between firm, non-firm and speculative supply in the dispatch, pricing and settlement processes of the CAISO markets.

V.
CONCLUSION

Wherefore, for the foregoing reasons, Powerex requests the Commission to grant this intervention and issue an order consistent with the comments above.

Respectfully submitted,

/s/ Deanna E. King

Stephen J. Hug
Tracey L. Bradley
Bracewell LLP
2001 M Street NW, Suite 900
Washington, D.C. 20036
Phone: (202) 828-5800
Fax: (800) 404-3970
stephen.hug@bracewell.com
tracey.bradley@bracewell.com

Deanna E. King
Bracewell LLP
111 Congress Avenue
Suite 2300
Austin, Texas 78701
Phone: (512) 494-3612
Fax: (512) 479-3912
deanna.king@bracewell.com

On Behalf of Powerex Corp.

June 12, 2020

CERTIFICATE OF SERVICE

Pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day served a copy of the foregoing on all persons designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 12th day of June, 2020.

/s/ Stephen J. Hug

Stephen J. Hug

Document Content(s)

Powerex_MTI_and_Comments_Intertie_Deviation.PDF.....1-9