

## Comments of Powerex Corp. on External Load Forward Scheduling Rights Issue Paper

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to submit comments on CAISO’s August 31, 2021 External Load Forward Scheduling Rights Process Issue Paper (“Issue Paper”). The Issue Paper proposes a two-phase stakeholder process, and identifies issues to be explored in each phase. The Issue Paper further proposes to organize working groups around particular sets of issues.

In these comments:

- Powerex requests that CAISO clearly state its intended approach in this stakeholder process, so that external stakeholders can evaluate how best to allocate their efforts; and
- Powerex also provides brief comments on the Issue Paper’s framing of the issues and proposed approach.

### **I. Powerex Requests That The CAISO Clarify The Approach It Will Be Pursuing In this Stakeholder Process**

This stakeholder initiative deals with issues of direct and urgent relevance to external stakeholders, including external transmission service providers and their customers, and external load-serving entities and their ratepayers. Two questions stand out as having primary importance to external stakeholders:

1. Will wheel-through service across the CAISO-controlled grid be provided in a manner comparable to the wheel-through service provided over external transmission systems (that is currently enjoyed by loads in the CAISO balancing authority area (“BAA”))?
2. Will deliveries on transmission paths that involve a segment on external transmission systems—such as the Pacific AC and Pacific DC Interties—be determined primarily by transmission service awarded by the CAISO, or will service on all segments be of comparable importance?

The answer to these questions will largely be determined by the type of approach that the CAISO elects to take in this stakeholder process. For instance, one approach that the CAISO could take in this stakeholder process is simply as a transmission service provider for the transmission facilities in the CAISO BAA. Under this approach, stakeholders internal to the CAISO may urge the CAISO to:

1. Pursue rules that ensure that transmission service awarded by the CAISO largely determines what schedules ultimately flow on multi-segments transmission paths such as the Pacific AC and Pacific DC Interties; and
2. Maximize the amount of CAISO transmission service that is set aside for use by the CAISO load-serving entities that ultimately backstop funding of CAISO transmission revenues, limited only by FERC open-access requirements.

Unfortunately, such an approach would pose significant challenges for other transmission service providers in the region that provide service on “upstream” segments of multi-segments paths, particularly the Pacific AC and Pacific DC Interties, as well as for their transmission customers. It would also pose significant challenges for external load-serving entities that rely on supply arrangements utilizing those paths.

Consequently, if the measures emerging from this stakeholder process maintain, or perhaps even exacerbate, existing transmission seams issues such that firm priority on external segments of multi-segment paths is irrelevant to determining which delivery schedules actually flow, then external transmission service providers may need to explore changes to ensure that firm rights on their systems are not undermined. Such changes may include carefully crafted modifications to transmission tariffs, business practices, and/or rates.

While these efforts may help resolve inequitable outcomes of specific transmission seams, Powerex believes it is also important to recognize that external transmission service providers are currently at a significant disadvantage to CAISO in terms of the tools available at their disposal to protect the value of their transmission service. This is because the CAISO is also a market operator, and provides transmission services through its acceptance of bids and offers in its markets, rather than under a traditional OATT framework. This means that many of the CAISO mechanisms that impact external transmission stakeholders are rooted in CAISO’s organized market rules, including its ability to set penalty prices; its practice of not requiring a day-ahead e-Tag for day-ahead awards; and the use of market awards—and not complete e-Tags—as the basis for considering transmission to be “used” (such that there is no need to secure the necessary external transmission service on multi-segment paths, prior to claiming transmission use across the CAISO system. Further, the release of unused CAISO transmission capability does not occur until it is often too late for any other entity to use it). Ultimately, if the CAISO does inequitably limit wheel-through service on its system and/or elevates the importance of transmission service on the CAISO system over external transmission service on multi-segment paths, external stakeholders may need to explore developing or joining an organized market outside of the CAISO BAA, such that transmission seams issues are resolved between peer market operators, as is largely the case for transmission seams in the Eastern Interconnection.

What is plainly evident is that, if the CAISO pursues an approach in this stakeholder process in its role as a California transmission service provider, then the best prospect for ensuring the interests of external stakeholders are not undermined will be to allocate limited resources to other efforts and initiatives outside of the CAISO to ensure equitable outcomes for all affected transmission customers.

The alternative and far preferable approach would be for CAISO to approach this stakeholder process with the primary goal of facilitating a genuinely regional solution for access to key regional transmission paths. This approach would continue to fully respect CAISO's function as a California transmission provider, but it would also afford comparable recognition and respect for the role of external transmission providers on multi-segment paths. Powerex believes such an approach would be preferable, and has the potential to give all entities—both within and outside the CAISO BAA—greater forward-looking certainty regarding their ability to obtain transmission service for delivery of their supply arrangements.

Given the importance of CAISO's approach to the solutions that are likely to emerge from this stakeholder process, and given that numerous external stakeholders must decide how much time and resources to commit to this stakeholder process, Powerex requests that the CAISO clearly state, at the outset of this initiative, the approach that it will take. More specifically, Powerex requests the CAISO to state:

1. Whether the CAISO is willing to commit to providing wheel-through service on its transmission system that is comparable to the wheel-through service it enjoys on other transmission providers' systems.
2. Whether the CAISO is willing to commit to pursuing equitable solutions that respect, and do not serve to undermine, firm transmission scheduling rights on other transmission providers' systems.

## **II. Summary Comments On Issue Paper Framing Of Issues**

Powerex believes it is appropriate to separate this stakeholder initiative into a first phase that explores near-term improvements given the CAISO's current scheduling priority paradigm, and a second phase regarding a more durable framework which, as expressed above, must consider fundamentally changing that paradigm.

The CAISO and stakeholders have recognized that any longer-term solution under Phase 2 will not be in place by the sunset date of the current CAISO tariff provisions related to Priority Wheeling Through service. It therefore appears that the CAISO will need to file to extend the existing provisions, as contemplated in the CAISO's comments at FERC.<sup>1</sup> Powerex believes that the CAISO should make any such filing without delay, in order to minimize unnecessary uncertainty regarding the rules that will apply next summer. Powerex also does not believe that any of the enhancements being considered under Phase 1 of this initiative require a change to the CAISO tariff, meaning that Phase 1 of this initiative does not need to be concluded in order for the CAISO to file to extend the current tariff provisions.

Regarding Phase 1, Powerex is supportive of pursuing near-term enhancements to provide increased transparency regarding the quantity of priority schedules registered at each intertie, as

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, Motion for Leave to File Answer and Answer of the California Independent System Operator Corporation to Comments and Protests, Docket No. ER21-1790-000 at 72 (filed June 2, 2021).

this will help inform market participants of the relative risk of curtailment to their non-priority self-schedules. Powerex also supports changes to the post-HASP curtailment process to reduce the risk of unnecessary curtailments. Powerex maintains that requiring all priority self-schedules to submit a day-ahead e-Tag will be highly effective at reducing this risk. Opponents of this approach fail to explain why a practice that has worked elsewhere in the west for decades, and throughout the eastern interconnection, would somehow be unworkable for the CAISO. It should be recognized that IFM awards that do not submit a day-ahead e-Tag either have not secured the supply or have not secured external transmission service to the CAISO boundary, and are relying on being able to do so in real-time. While the CAISO has a longstanding practice of enabling such activity, it appears highly inconsistent with the rationale for granting high-priority transmission access on the CAISO grid.

Regarding phase 2 of the initiative, Powerex believes that forward contracting in the west will benefit from the ability of customers to know whether they can rely on transmission service into or through the CAISO grid. To that end, a process that grants—or fails to grant—forward scheduling rights into or through the CAISO grid will reduce some of the uncertainty that has been created by the CAISO’s scheduling priority changes enacted this summer.

Powerex supports the concept of forward scheduling rights being considered as part of an integrated package of rights to the transmission system. That is, entities that receive forward transmission rights on the CAISO system should receive (1) Import Capability, enabling the rights to be applied in the Resource Adequacy showings; (2) Congestion Revenue Rights, hedging the congestion charges for scheduling on the transmission rights in the day-ahead market; and (3) physical scheduling priority, enabling the schedule to flow even under conditions when the CAISO cannot accept all economic schedules. These transmission-related elements may be distinct under the CAISO’s market rules, but they reflect the integrated economic and reliability benefits associated with a customer’s commitment to fund the applicable transmission facilities.