

## Comments of Powerex Corp. on EIM Resource Sufficiency Evaluation Enhancements, Phase 2 Straw Proposal

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to submit comments on CAISO’s July 1, 2022 EIM Resource Sufficiency Evaluation Enhancements Phase 2 Straw Proposal (“Straw Proposal”), and the discussion at the July 11 workshop on this topic.

### Powerex Supports Additional Development of CAISO’s Proposal for Failure Consequences

Based on Powerex’s understanding of the Straw Proposal, and the further elaboration and clarification provided by CAISO staff at the July 11 workshop, Powerex believes there are important elements of the CAISO’s proposal that would be a significant improvement over the current Resource Sufficiency Evaluation (“RSE”). In particular, Powerex supports the proposed approach for failure consequences in which transfers into a BAA that fails the RSE<sup>1</sup> would be limited to zero, but where this constraint could be relaxed at a penalty price at the CAISO offer price cap. This approach could form the basis of a workable balance between ensuring any BAA experiencing reliability challenges is able to access supply that is available in the Western EIM, while providing stronger incentives for all BAAs to come to the EIM sufficiently resourced.

Powerex requests that the next version of the proposal include the additional description of the proposed failure consequences that were provided verbally at the July 11 workshop, including confirmation that the initial limit on EIM transfers for a BAA that fails the RSE would be zero MW prior to any relaxation of the transfer limit, and that such relaxation would occur at a penalty price equal to the CAISO offer price cap. Powerex also believes additional discussion of the priority of supply delivered to a failing BAA is necessary to ensure that one BAA’s resource deficiency does not create reliability challenges for other BAAs.

### Consideration of Load Conformance in the RSE

CAISO has provided analysis that has been helpful in understanding the interaction between load conformance and the EIM. CAISO’s analysis indicates that “load conformance does not result in a *one-to-one* increase in WEIM import transfers,” but acknowledges there is a relationship

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<sup>1</sup> In particular, Powerex believes that the appropriate starting limitation is zero MW for a failure of the Bid Range Capacity Test and would support further discussion on appropriate limits for a failure of the Flexible Ramping Sufficiency Test.

between CAISO's systemic use of load conformance and an increase in EIM Imports into the CAISO BAA.

While Powerex recognizes that there is "limited ability to accurately predict the results of load conformance," Powerex believes that the ongoing use of load conformance by CAISO operators reflects a clear need for additional resources—including imports—to satisfy a capacity and/or flexibility challenge in the CAISO BAA, and which often results in the receipt of additional imports through the EIM. For this reason, an RSE that does not consider load conformance whatsoever is an incomplete measure of the CAISO's ability to balance its own supply and demand prior to the EIM.

At the same time, one of Powerex's chief concerns regarding load conformance is the ability of the additional resulting EIM import transfers to inflate the import limit in a subsequent RSE failure interval. Given that the Straw Proposal would replace the failure consequence with an import limit of 0 MW (which can be relaxed at a high penalty price), this concern would no longer apply, which would eliminate one key area in which load conformance negatively impacts the RSE.

If the CAISO proceeds with its proposal not to consider load conformance in the RSE, then Powerex believes that the CAISO must at least ensure that an accurate measure of net load uncertainty (which Powerex understands is at least one driver for load conformance) is promptly added to the RSE evaluation (subject to verification of the quantile regression methodology).

Lastly, Powerex urges the CAISO to continue to pursue market enhancements that would reduce the need for operators to use load conformance in the first place, including moving forward with a day-ahead flexible reserve product as proposed in the Day-Ahead Market Enhancements initiative.

#### Identification and RSE Treatment of "Non-Firm" Exports

Powerex generally agrees that the CAISO should develop the functionality to distinguish export schedules that are backed by committed supply from exports that are not. The latter characterization appropriately applies to hourly intertie exports scheduled in the HASP that would not have cleared without the advisory Western EIM transfers into the CAISO BAA. Powerex supports efforts for such exports to have lower priority. Powerex believes further discussion and clarification is needed to evolve the proposal, as follows:

1. Hourly exports supported by advisory Western EIM transfers should be identified as "non-firm energy" or "G-NF," consistent with the convention for communicating interruptible energy deliveries elsewhere in the west. The Straw Proposal's term of "Firm Provisional" is not commonly used in the industry, and appears to not be meaningfully different from "non-firm energy". Adopting industry-standard terminology will help ensure all parties to this type of CAISO export will know the delivery risks associated with this product.
2. Further clarification and discussion is necessary regarding how non-firm hourly exports will be identified. For example, will this categorization apply only to HASP exports that would not have cleared but-for advisory Western EIM transfers? In the but-for scenario, should advisory Western EIM transfers be equal to zero, or to typical values of realized

(binding) Western EIM transfers? Or would this term apply broadly and include day-ahead hourly export schedules that do not receive a RUC schedule?

3. The process for reducing or curtailing these lower-priority CAISO hourly export schedules needs to be more fully developed. For example, what circumstances would trigger reductions? How will the aggregate quantity of reductions be determined? Will reductions be *pro rata* or applied under some other approach?

Once a transparent and reasonable approach is developed for identifying and communicating hourly export schedules that are subject to lower priority has been developed, Powerex believes it would be appropriate for such exports to be excluded from the calculation of obligations when performing the RSE for the CAISO BAA, and for all other export schedules to be included. By the same token, the RSE must exclude such lower-priority exports from the supply of the receiving BAA.

More generally, Powerex believes the ability to distinguish between firm and non-firm energy exports, and to exclude the latter from the RSE, should be available to all EIM entities. The mechanism through with the CAISO BAA may arrange exports that are not supported by binding supply schedules (*i.e.*, the mingling of binding and advisory schedules in the HASP) may be unique, but the end result is not. Powerex requests that the next iteration of the proposal in this initiative provide for comparable treatment of all EIM entities, or identify why this functionality should be uniquely available only to the CAISO BAA.

#### *EDAM RSE Must Not Unwind the Important Progress Being Made in This Initiative*

Powerex reiterates its view that this initiative, in each of its phases to date, has identified numerous enhancements that will lead to a more accurate and effective RSE in the Western EIM. Concurrent with this initiative, the CAISO is also developing a day-ahead resource sufficiency evaluation as part of the EDAM effort. Unfortunately, many elements of the proposal EDAM RSE appear to directly contradict the findings and improvements being made to the Western EIM RSE.

This contrast is perhaps most evident in the proposals for what supply should be included:

- The EIM RSE recently filed (and FERC approved) amendments to include only import supply that had been e-Tagged at the time of the RSE.
- The proposed EDAM RSE would include all import *offers* as “supply” for the CAISO BAA, including supply where there is no identified source, no identified external transmission service and no requirement to submit a day-ahead e-Tag.

In the EIM RSE Enhancements initiative, it was recognized that not all CAISO import market awards represent physical capacity with procured transmission arrangements to ensure delivery to the CAISO BAA boundary. Rather, a portion of such supply represents speculative offers by marketers who then seek to acquire supply after they receive a market award. And yet the EDAM RSE is proposed to treat import *offers* (even before receiving a market award) as “supply” that can be relied upon to meet to obligations of the CAISO BAA.

Similar divergences are also observed regarding failure consequences, where the EIM RSE Enhancement initiative is moving toward a framework of strong price signals to make energy

available to entities experiencing reliability challenges (to the extent this can be done without jeopardizing the reliability of other entities), but the EDAM RSE does not provide similar consequences and protections. Most concerning, it was recently proposed that entities that fail the EDAM RSE would nevertheless have equal access to all EDAM supply (since all EDAM transfers to other EDAM BAAs, including to BAAs that fail the EDAM RSE, will have the same priority as load).

Powerex recognizes that concerns about the EDAM RSE are beyond the scope of this current initiative. It is critical, however, that the progress that has been achieved here not be unwound by a poorly-designed, inaccurate and/or ineffective EDAM RSE framework that seeks to achieve largely the same purpose. The success and integrity of the present initiative requires that the enhancements emerging from this stakeholder process be reflected in the counterpart EDAM proposal.