

**Comments of Powerex Corp. on
Extended Day-Ahead Market
Draft Tariff Language**

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Powerex submits the following comments on the CAISO’s March 30, 2023 draft tariff language for the Extended Day-Ahead Market (“Draft Tariff”). Powerex’s comments focus on provisions that would obligate EDAM Entities to make changes to their Open Access Transmission Tariffs (“OATTs”) in order to conform to how the CAISO seeks to utilize external transmission service in EDAM.

Powerex recognizes that implementation of any organized day-ahead market may require some modifications to the OATTs of participating transmission service providers (“TSPs”). But these modifications must retain the core principles of the OATT framework, including the scheduling priority that is a major driver for investment in long-term service by third party transmission customers. In contrast, the Draft Tariff seeks to force EDAM Entities to cast aside long-standing OATT principles, including by:

- Requiring TSPs to release Firm transmission rights not scheduled by the time the DAM runs exclusively to EDAM **as Firm rights**, rather than as Non-Firm service;
- Requiring TSPs to restrict the exercise of Firm priority, so Firm transmission rights-holders that schedule the use of their rights in real-time must “share” their firm priority with EDAM transfers if curtailments are necessary; and
- Requiring TSPs to develop and implement new procedures to grant Firm transmission service reservations in excess of Firm ATC. That is, to sell Firm “more than once.”

Each of these proposed requirements run afoul of the *pro forma* OATT, FERC precedent, and the established practices of TSPs in the west. In doing so, the Draft Tariff goes beyond what is necessary to implement a day-ahead and real-time organized market, and instead improperly requires that EDAM be given access to the Firm transmission service that other ratepayers have paid for. In the years ahead, there may well be one or more entities in the west that wish to replace their OATT with a different framework for planning, funding, and providing transmission service. But until that time, the development of organized markets in the west must uphold the core tenets of the OATT framework. This is critical to ensuring that transmission customers can continue to rely on their investments in OATT rights to serve the reliability needs of customers outside the EDAM footprint—including to enable the delivery of supply used to meet obligations under the Western Resource Adequacy Program (WRAP)—as well as to maintain incentives for continued investment in inter-utility transmission by third party customers, which provides billions of dollars of rate relief each year to native load customers.

1. The Draft Tariff requires TSPs to change their OATT to align with CAISO's desired use of external transmission

EDAM Transfers between EDAM BAAs require transmission service between the respective BAAs. Such transmission service is currently made available under the OATTs of the TSPs that provide service in each BAA. Any day-ahead and real-time organized market will require a mechanism for OATT transmission service to be used to effect transfers resulting from the organized market. However, the Draft Tariff does not leave it up to each TSP to determine the transmission that will be made available to EDAM. Rather, it requires TSPs to amend their respective OATTs to make transmission available to EDAM in the amounts and on terms set by CAISO, not by each TSP. This CAISO-directed approach is evident in multiple proposed provisions:

Under the EDAM Entity Implementation Agreement:

- “The Parties acknowledge that the rules and procedures governing participation in the CAISO’s Day-Ahead Market as an EDAM Entity are **set forth in the provisions of the CAISO Tariff** as filed with the Federal Energy Regulatory Commission (“FERC”)”¹
- “...implementation as an EDAM Entity **requires corresponding revisions to [Short Legal Name’s] Open Access Transmission Tariff [.]**”
- “Prior to the EDAM Entity Implementation Date, [Short Legal Name] **will satisfy all requirements of the CAISO Tariff** applicable to an EDAM Entity, including: ... (2) showing that [Short Legal Name] is authorized to **make transmission available** in the Balancing Authority Area in which the EDAM Entity is located consistent with the CAISO Tariff [.]”

Under Draft Tariff Section 33.18 (“EDAM Transmission Availability”):

- “An EDAM Entity must ... ensure an EDAM Transmission Service Provider **makes available for use in the Day-Ahead Market the transmission capacity** supporting the network model data included in the CAISO’s Full Network Model for the EDAM Entity Balancing Authority Area.”
- “An EDAM Entity **must ensure that the EDAM Transmission Service Provider amends its tariff** to account for the transmission it will make available in the Day-Ahead Market consistent with this Section 33.”

The specific manner in which each TSP will be required to modify its OATT is set out in subsequent provisions of Section 33.18, and goes far beyond the terms and practices for making transmission available under the *pro forma* OATT.

¹ Boldface in quoted language indicates added emphasis not in the original.

2. The Draft Tariff requires TSPs to release Unscheduled Firm Rights as Firm Service to EDAM, rather than as Non-Firm Service

As an initial matter, the Draft Tariff requires that all EDAM Transfers be scheduled on Firm transmission service:

“EDAM Transfers must be supported by firm or conditional firm point-to-point transmission service rights across an EDAM Internal Intertie or network integration transmission service associated with an import of a designated network resource across an EDAM Internal Intertie.” (33.18.2)

The Draft Tariff specifies three general categories for Firm transmission service to be made available for use in EDAM, including:

1. Firm transmission associated with a resource in the RSE (33.18.2.1)
2. Firm transmission rights not used by rights-holder (33.18.2.2)
3. Unsold Firm transmission capacity provided by TSP (33.18.2.3)

The second category is broken down further into two types:

2a: Firm transmission rights that are affirmatively released by the transmission customer for use by EDAM (33.18.2.2.2); and

2b: Firm transmission rights that are unscheduled by the time of the Day Ahead Market (33.18.2.2.3):

“... the transmission customer may later exercise its rights under the EDAM Transmission Service Provider tariff. In the meantime, the unscheduled transmission service rights ... will be made available to the CAISO for EDAM Transfers in the Day-Ahead Market.”

This latter provision is highly problematic, for several reasons.

First, the Draft Tariff requires TSPs to make unscheduled Firm transmission² available for EDAM Transfers, which require Firm (or Conditional Firm) transmission service. Under the OATT framework, however, unscheduled Firm transmission rights are never released as Firm service; instead, they are released by the TSP as Non-Firm service. The Draft Tariff’s requirement for TSPs to change their OATT to “release Firm as more Firm” is a radical departure from the OATT framework.

Second, the Draft Tariff will result in TSPs granting Firm transmission service reservations in excess of Firm Available Transfer Capability. Under the established methods for calculating Firm ATC, the granting of a Firm transmission service reservation reduces the remaining Firm ATC by a corresponding amount; when the Firm ATC reaches 0 MW, no further Firm transmission service is awarded. But the Draft Tariff would require TSPs to provide Firm transmission service to EDAM, even on fully subscribed paths where the Firm ATC is zero. This is contrary to the long-standing principle under the OATT framework that “Firm is only sold once.”

² In these comments “unscheduled Firm” refers to the portion of a Firm OATT transmission reservation for which the transmission customer has not submitted an energy self-schedule prior to the start of the CAISO’s Day-Ahead Market.

3. The Draft Tariff requires TSPs to change their OATT so Firm Customers that schedule after DAM must share Firm Priority with EDAM Transfers

The unprecedented requirement for TSPs to release unscheduled Firm rights as new Firm service to EDAM also causes significant adverse impacts to the transmission customers that have invested in Firm rights. Specifically, transmission customers that schedule on Firm transmission rights will face increased risk of curtailment during critical grid conditions if the addition of EDAM Transfers on unscheduled Firm capacity causes total Firm schedules to exceed scheduling limits in real-time.

Section 33.18.2.2.3 recognizes that a transmission customer with Firm rights may submit a schedule after the DAM (referred to as a “late Self-Schedule”). It also appears to contemplate that the sum of EDAM Transfers and customer-submitted Firm schedules may exceed the scheduling limit for a path, requiring those schedules to be reduced prior to the delivery interval.

The Draft Tariff sets out how these reductions to Firm schedules are to occur.

First, the Draft Tariff contemplates that the EDAM Transfers would be reduced through re-dispatch in the Real-Time Market, if possible, and with the cost of re-dispatch allocated to the EDAM Entity.

Second, if re-dispatch does not fully address the need to reduce Firm schedules on a path, the Draft Tariff gives EDAM Transfers on unscheduled Firm the same priority as schedules on the Firm service that was reserved and paid for by transmission customers:

- The Real-Time Market “will afford the Self-Schedule ... **equal priority** to cleared Day-Ahead Schedules.”
- **“EDAM Transfers will have a priority equal to Demand** in the EDAM Area under normal operating conditions and may be curtailed only as provided in Section 33.7.5.” (33.18.4 “EDAM Transfer Priority”)

If curtailments are necessary in order to respect a scheduling limit, the Draft Tariff expressly elevates the priority of EDAM Transfers relying on a transmission customer’s unscheduled Firm rights to be equal to the priority of “late” schedules using those very same Firm rights.

4. The CAISO should clarify whether schedules on Firm OATT rights submitted prior to the DAM will also be subject to curtailment along with EDAM Transfers

The Draft Tariff appears to represent transmission customers’ use of their Firm OATT rights through a Self-Schedule for Energy. These can be submitted prior to the DAM³, or after the DAM⁴. The latter is afforded “equal priority to cleared Day-Ahead Schedules,” while Powerex understands that the Self-Schedules submitted prior to the DAM are part of the Day-Ahead Schedules. As written, it would appear that the Draft Tariff would afford all Self-Schedules related

³ Under Sections 33.18.1.3 and 33.18.2.2.1 for EDAM External Interties and EDAM Internal Interties, respectively.

⁴ Under Sections 33.18.1.4 and 33.18.2.2.3 for EDAM External Interties and EDAM Internal Interties, respectively.

to transmission customers' use of their Firm OATT rights the same priority, regardless of when those Self-Schedules are submitted.

If this interpretation is correct, then it would appear the Draft Tariff would subject *all* schedules on Firm OATT rights to curtailment as a result of the requirement for TSPs to release unscheduled Firm as Firm service available to support EDAM Transfers. This appears inconsistent with the EDAM Final Proposal and related discussions, in which the CAISO explained that the absence of a real-time re-dispatch solution “may make it infeasible and not practicable, to accommodate fully or partly **the late exercise** of transmission rights.”⁵

Powerex requests that the CAISO clarify the priority of:

- Schedules on Firm OATT rights submitted prior to the DAM;
- Schedules on Firm OATT rights submitted after the DAM;
- EDAM Transfers; and
- Demand

5. The Draft Tariff only recognizes Firm rights-holders' energy schedules, but allows EDAM to encumber transmission for capacity

The Draft Tariff provides only one way for transmission customers to communicate their intended use of their Firm OATT rights:

- “The Scheduling Coordinator for a transmission customer of an EDAM Transmission Service Provider may **submit a Self-Schedule for Energy** associated with its registered firm or conditional firm ... transmission service rights prior to start of the Day-Ahead Market.” (33.18.2.2.1)

The Draft Tariff does not appear to provide any other means to represent a transmission customer's intended use of its Firm rights beyond the quantity of an energy delivery schedule submitted prior to the DAM. Specifically, the Draft Tariff does not provide a means for a Firm rights-holder to use its rights for a capacity product, or to otherwise schedule its Firm transmission rights (*e.g.*, by submitting a day-ahead e-Tag with a transmission profile reflecting the customer's intended use) for any arrangement where the quantity of energy to be delivered is not finalized until real-time. This restricts a transmission customer's ability to use its Firm rights to fixed hourly blocks of energy in quantities that can be determined prior to the Day Ahead Market, while impeding the use of those Firm rights for a broad range of other activity, including delivery of the output of variable energy resources, dispatchable and flexible gas and hydro resources, and any other transaction in which the customer may seek to use its Firm rights to deliver energy quantities that are finalized in real-time.

In contrast, however, the Draft Tariff contemplates multiple ways for EDAM to encumber transmission capability made available to the market, as evidenced by the proposed definition of EDAM Transfer:

⁵ EDAM Final Proposal at 42, emphasis added.

- EDAM Transfer — The **scheduled transfer of Energy, Imbalance Reserves, or Reliability Capacity in the Day-Ahead Market** between an EDAM Entity Balancing Authority Area and the CAISO Balancing Authority Area, or between EDAM Entity Balancing Authority Areas, using transmission capacity made available through the Extended Day-Ahead Market. (Appendix A, Definitions)

It would be inappropriate for the Draft Tariff to grant only EDAM the ability to set aside Firm transmission in the Day-Ahead Market to enable delivery of energy in the Real-Time Market without providing a comparable functionality to transmission customers that have procured Firm OATT transmission. This would also be contrary to Powerex’s understanding that CAISO staff committed to providing a mechanism for transmission customers to communicate—and the EDAM solution to respect—a day-ahead intention to utilize Firm OATT rights that does not require a day-ahead commitment to a delivery schedule (e.g., by respecting the transmission profile on a day-ahead e-Tag).

6. The Draft Tariff must be revised to be consistent with OATT principles

The changes to the OATTs required by the Draft Tariff not only violate OATT principles, but also go far beyond what is necessary to enable a day-ahead and real-time organized market to utilize transmission service. It is entirely possible, through collaborative engagement with stakeholders, for an organized market to identify an approach that makes transmission service available to the organized market while fully upholding OATT principles. At least two workable options should be considered by the CAISO.

First, the CAISO could limit the transmission capability available in EDAM to (1) Firm transmission to support RSE; (2) Unsold Firm transmission; and (3) Firm transmission that is *affirmatively* released by the rightsholder. Firm Transmission that is not scheduled by a rights-holder would not be available to support EDAM Transfers, since such transmission is only available as Non-Firm service under the OATT framework. This approach would not require any changes to the EDAM market design, as it merely changes the manner in which the quantity of transmission available for EDAM Transfers is calculated. Under this approach, Firm OATT rights would be treated comparably to Legacy Contracts or Transmission Ownership Rights, insofar as those rights can only be made available to EDAM if they are affirmatively released by the rights-holder.

Alternatively, the CAISO could enhance the EDAM design to explicitly recognize that EDAM transfers relying on unscheduled Firm transmission rights are non-firm and subject to curtailment to accommodate increased energy deliveries on transmission customers’ Firm OATT rights in real-time. EDAM may also need to be modified to ensure the Day-Ahead Market solution includes capacity (e.g., Reliability Capacity) that will be available in Real-Time to be deployed if the EDAM Transfers using Non-Firm transmission were curtailed.