



Transmission Services

**Customer Comments on the BPA
Stakeholder Meeting addressing the
PAC-CAISO Energy Imbalance Market
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Comments on CAISO EIM and PacifiCorp Participation

Submitted by	Company	Date Submitted
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Powerex welcomes the opportunity to provide comments in response to BPA's February 20, 2014 stakeholder meeting and presentation. Powerex greatly appreciates BPA's engagement with PacifiCorp and the CAISO to protect BPA's multiple interests — including its interests as a balancing authority and an open access transmission service provider.

Powerex supports the creation and implementation of efficient markets for imbalance energy in the West. As a transmission customer taking service under BPA's OATT, Powerex believes BPA's engagement and involvement is necessary to ensure the CAISO/PAC-proposed EIM structure and operations do not undermine BPA's OATT framework or the transmission rights of BPA's customers. The February 14, 2014 MOU commitments are a positive step, given the important role BPA has to play in the CAISO/PAC EIM.

Powerex's specific comments in response to BPA's February 20 presentation and materials relate to the two issues it believes are most pressing given the imminent proposed implementation date for the CAISO/PAC EIM: the need for BPA to insist on a confidentiality agreement to protect the use of sensitive information BPA shares with the CAISO, and the need for BPA to address threshold transmission access and congestion management issues — both on its network facilities and on the COI.

A. Confidentiality and Use Agreement

Powerex urges BPA to insist that an explicit confidentiality agreement be executed by the three entities (BPA, CAISO and PacifiCorp) prior to the implementation of the proposed EIM, to protect confidential information supplied by one entity from being accessed by other market participants or used by CAISO or PacifiCorp for purposes other than the reliable and efficient operation of the EIM. It is of particular concern to Powerex that BPA's cooperation with the CAISO/PAC EIM may entail sharing of sensitive market data supplied to BPA by its transmission customers and by generation facilities and load customers within the BPA balancing authority area (BAA).

To date, CAISO has provided no assurances that the data it seeks from BPA to support economic dispatch in the EIM will not also be used by CAISO for other purposes, such as modeling and implementation of its proposed Full Network Model (FNM) expansion. A confidentiality and use agreement is essential to ensure that data BPA provides to the CAISO as EIM operator is not used except as intended for the reliable and efficient dispatch of the EIM. Such an agreement should preclude the CAISO's use of these data for any other purpose without BPA's consent.

As BPA is aware, the CAISO has for some time sought to expand its Full Network Model outside the CAISO grid. As proposed, the CAISO's expanded Full Network Model necessarily requires the use of data related to transmission paths and generation external to its grid. However, the CAISO's expanded model is a troubling and far-reaching California-centric redesign that, in Powerex's view, does not take into account the best interests of entities operating under an OATT framework. For example, Powerex understands a longer-term objective of this CAISO initiative is to both dispatch and settle imports and

exports based on each generator's physical location and actual flows on the grid, which may be independent of the OATT transmission rights used for scheduling to the CAISO border. Such an approach is inconsistent with the OATT construct. CAISO has explained that the events associated with the September 8, 2011 blackout are the primary driver for its FNM expansion effort, and it asserts the FNM will result in broad benefits. Powerex supports greater *collaborative, reciprocal* data sharing for reliability and market efficiency purposes. However, as Powerex has noted in its filings with the CAISO, other less regionally intrusive solutions are available, but were not fully explored, and the benefits of the proposed model have not yet been supported by analysis. In addition, the CAISO has not, for example, taken other steps to address the September 8, 2011 blackout recommendations such as imposing a day-ahead tagging requirement for day-ahead transactions, as is standard practice across the region outside CAISO, or to set out robust definitions and obligations on the extent of capacity commitments associated with firm imports into its market. More troublingly, CAISO's stakeholder process simply did not adequately address the detrimental impacts of the proposed Full Network Model expansion on neighboring transmission providers' OATT frameworks and transmission customers.

Because of the significant uncertainties and potential detrimental regional impact of the CAISO's proposed FNM expansion, Powerex urges BPA to ensure that the CAISO does not use voluntarily provided EIM data for other purposes, such as modeling and implementation of its proposed FNM expansion. To the extent the CAISO wishes to pursue FNM's expanded footprint, it should enter into discussions on a regional and collaborative basis, with its collection and use of data concerning other BAAs fully transparent and with the consent of other regional entities.

B. BPA's Congestion Management Proposal

Powerex appreciates BPA's close examination of the congestion management issues arising from the proposed implementation of the CAISO/PAC EIM. More discussion on this issue is needed within the BPA stakeholder process prior to moving forward with the CAISO and PacifiCorp.

First, Powerex believes it will be important for BPA to engage in more substantive dialogue and analysis concerning the COI. Dynamic usage on the COI will change significantly with the start of the proposed EIM market. Prior to PacifiCorp obtaining any dynamic transfer capability on the COI, or to the startup of the CAISO/PAC EIM market, BPA needs to commence a new stakeholder process to ensure allocation of dynamic transfer capability on the COI will be consistent with its OATT. BPA's February 20, 2014 presentation summarily states that "curtailments have proven to be effective on the COI" and that tags on the COI are "curtailed in curtailment priority order." But as Powerex pointed out in its initial comments in November 2013, BPA's existing Dynamic Transmission Capacity (DTC) business practice implements a *customer-weighted* allocation scheme, rather than the *pro-rata transmission-rights-weighted* priority framework in place for all other allocation purposes to firm transmission customers, such as for scheduling restrictions or curtailments. Powerex believes the DTC business practice's allocation mechanism must be re-examined and modified to ensure dynamic transfer allocations will be consistent with OATT principles and transmission priorities.

More generally, similar concerns related to PacifiCorp's access to dynamic space on BPA's network must be addressed. OATT principles require that PacifiCorp compete for dynamic space on BPA's network in a manner comparable to the access of other eligible transmission customers. The proposed congestion management structure set out in BPA's February 20, 2014 presentation does not specify whether PacifiCorp's allocation of dynamic transfer capability will meet this standard, and hence may result in preferential treatment for EIM schedules on BPA's network. EIM schedules should not be permitted to jump BPA's queuing and priority system for awarding dynamic transfer capability; instead, capacity awarded for EIM usage should follow the timelines and processes available to all customers.

In sum, Powerex urges BPA to continue to work to ensure that implementation of the EIM does not affect allocation of transmission rights or uses under BPA's OATT in an unduly discriminatory manner.