

Comments of Seattle City Light on CAISO’s Draft Final Real-Time Market Neutrality Settlement Initiative

Submitted by	Company	Date Submitted
Emeka Anyanwu Energy Innovation & Resources Officer (206) 684-3718	Seattle City Light	June 13, 2019

Seattle City Light (Seattle) is the tenth largest consumer owned electric utility in the nation, providing electrical service to more than 450,000 residential, commercial, and industrial customers in the City of Seattle, Washington and six adjacent cities. Seattle owns and operates hydroelectric resources with approximately 2,000 MW of flexible, fast-ramping capacity. We regularly transact in the bilateral wholesale energy and transmission markets. Seattle executed an Implementation Agreement with the California Independent System Operator (CAISO) and intends to begin participating in the Western Energy Imbalance Market (EIM) in April 2020.

Summary of Recommendations

- Seattle recommends that oversight of market design flaws be clarified and supports the Department of Market Monitoring providing active oversight.
- Seattle supports CAISO’s current proposals and timeline for implementation, but requests that CAISO commit to further examine the root causes of the settlements issues and consider alternative solutions in a future, near-term stakeholder process.
- Seattle requests that CAISO set up a forum to discuss with stakeholders the question of resettling transfer values.
- Seattle continues to request CAISO provide a transparent accounting of the impact of each settlement issue on individual EIM entities and in aggregate.
- Seattle supports CAISO’s proposal to require communications of EIM ETSR values with 5-minute granularity, rather than using hourly integrated values for schedules between non-California BAAs and the CAISO BAA. Regarding a preferred method to standardize the incorporation of 5-minute ETSR values, Seattle believes CAISO’s Option 2 may be the most workable.

Detailed Comments

Seattle thanks CAISO for the opportunity to provide comments on CAISO’s Draft Final Real-

Time Market Neutrality Settlement Initiative. The settlements issues in this initiative are very impactful to EIM entities in terms of financial magnitude and from a fundamental market design and policy standpoint. It is essential to ensure the market design is working as intended in terms of how EIM entities are charged and paid and how California's GHG Cap and Trade program is applied and functioning in the EIM. This will become even more important in the context of an extended day-ahead market and in a scenario where the market must accommodate multiple GHG regimes.

The issues in this initiative raise questions about oversight of market design flaws and errors. Furthermore, this is not the first instance of the EIM operating with unintended and undesirable consequences for market participants. Seattle supports the department of market monitoring providing active oversight of market design, ISO practices and implementation. This should include auditing CAISO's implementation for conformance to market design. With this context in mind, Seattle believes it is important to ensure there is both adequate oversight of market design going forward and that the solutions that are developed to address the specific issues raised in this initiative are well-vetted, sustainable and scalable to future market iterations.

Given the competing need to move swiftly to resolve the settlement design issues that are causing significant financial impacts to EIM entities, we believe it is appropriate for CAISO to move forward according to its proposed timeline. However, we request that CAISO commit to re-examining these issues in a comprehensive stakeholder process that commences in the near term and that would fully examine the root cause of these issues and all potential solutions. For example, stakeholders have questioned whether CAISO's proposal to ensure GHG compliance costs are not applied to EIM transfers between non-California BAAs is scalable in a multi-GHG regime scenario and whether continuing to include GHG in the System Marginal Energy Cost (and then removing it through a GHG offset credit) adds unnecessary complexity to an already complex charge code. Seattle believes these questions have merit and there may be alternatives to accounting for GHG costs that achieve the goal of isolating GHG compliance costs to entities with GHG obligations but does so in a more transparent and scalable manner.

Seattle also recommends that CAISO set up a forum to further discuss with stakeholders the question of resettling transfer values. On the June 6 stakeholder call, it was specifically pointed out by a stakeholder that resettlement as a result CAISO settling to the hourly integrated value hourly may be appropriate, given that the tariff specifies settlement on a 5-minute basis.

Seattle continues to request CAISO provide all stakeholders a transparent accounting of the financial impact of these settlements issues on EIM entities, both individually and in aggregate. We believe transparency on the magnitude of these is important for stakeholders in assessing and understanding the errors and their proposed solutions. It is also reasonable to expect CAISO to provide a clear and complete picture of these issues to both market participants and other stakeholders.

Regarding CAISO's request for stakeholder feedback on standardizing the incorporation of 5-minute ETSR granularity, Seattle believes CAISO's Option 2: "Require the EIM BAA responsible for tagging the ETSR transfer value to submit all after-the-fact EIM transfer values to the CAISO settlements system as EIM real-time interchange schedules, shaped to reflect

the RTD ESTR dispatches” would be the most workable approach to standardize 5-minute ESTR granularity. Seattle believes this approach would appropriately incorporate and standardize 5-minute ETSR granularity and could be implemented and tracked easily. Option 1 is not ideal because there may be an increase in unaccounted for energy to the extent a schedule update was not captured in time to be included in the RTD settlement process. Option 3 could present challenges in tracking ESTR values through the settlements process.

Seattle thanks CAISO for its swift response to the stakeholder concerns that raised these issues and requests CAISO’s continued responsiveness to the concerns and interests of Seattle and other stakeholders in further exploring these issues in a future stakeholder process in the near term. If you have any questions, please contact Lea Fisher at 206-386-4546 or Lea.Fisher@seattle.gov.