# Stakeholder Comments
# Intertie Deviation Settlement Straw Proposal and October 15th Stakeholder Webconference

| Submitted by | Company | Date Submitted |
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The Sacramento Municipal Utility District (SMUD) appreciates the opportunity to comment on the issues presented by the CAISO in the Intertie Deviation Settlement Straw Proposal and the data discussed during the meeting held on October 15th. The straw proposal and presentation highlighted the significant challenge that un-delivered intertie resources are causing CAISO operations, and SMUD fully supports finding a workable solution to this problem so that scheduling coordinators are dis-incentivized from trading behavior that creates operational and reliability challenges for the CAISO grid, increases market prices, and also has potential ripple effects to other balancing areas. We also greatly appreciate the time and resources CAISO Staff have taken to analyze both the scope of the problem and the potential causes and solutions, and we offer the following responses to the straw proposal and suggestions for moving forward.

<u>Data on Un-tagged Resources</u>

SMUD found the data presented on un-tagged resources and undelivered energy to be very compelling as it clearly demonstrates a significant problem. We were interested to learn that it does not seem to be a few "bad actors" who are failing to deliver at certain intertie points, and that the problem is geographically diverse as well. We are interested in the comment that perhaps the problem actors are energy marketers that are compelled by market prices outside of the CAISO and therefore are not dissuaded by the possibility of paying ½ of the market clearing price for their undelivered energy under the existing penalty structure. This seems supported by the data shared (slide 15) showing that the reason stated for the declines is "bad bid." The fact that undelivered energy during peak load periods and other times of system stress is potentially increasing real-time market prices is disturbing and therefore SMUD greatly appreciates the effort being put into this stakeholder initiative.

It seems that an important piece of the data analysis moving forward is to focus on deliveries that were curtailed due to reliability issues and ensure that the CAISO can effectively and appropriately identify these instances. SMUD is concerned that due to the unique nature of the relationship between SMUD and BANC, undelivered energy from SMUD might not be tagged for "reliability reasons" when in fact BANC had a reliability need to curtail the export (or import.). We offer another example related to transmission curtailment later in our comments.

If further stakeholder meetings or revised straw proposal could go into more detail and provide assurance that it is possible to easily identify these curtailments, we would appreciate that.

<u>Replacement of the Existing Decline Charge with a new Settlement Methodology</u>

SMUD appreciated the very helpful illustrations regarding why the current decline charge only rarely leads to penalties for non-delivered resources. It certainly seems that certain market participants are manipulating the current structure, which allows them to avoid penalties for non-delivery in the second half of the hour. It is certainly surprising that so many critical peak days with significant un-deliveries are still not triggering the decline charge because of the 10% threshold, because the decline charge is only applied if declines exceed 10% of total MWh transactions over a month vs. a day or a week. We find this very compelling, particularly the example from September 2017, when we know that our own balancing area experienced stress as well. If the threshold requires a system-wide cumulative total for a month, than essentially the appropriate bidding behavior of the majority of market participants is allowing certain market participants to manipulate the penalty structure and not delivery energy, thus creating an unfair cross-subsidy of sorts.

Therefore, one simple solution presented would be to remove the 10% threshold, or calculate the threshold on a daily basis. SMUD would support this as a possible immediate step while other solutions are being developed and considered, as this might be easier to implement than a totally new penalty design.

SMUD also supports the suggestion made by PG&E at the stakeholder meeting that perhaps CAISO maintain the current decline penalty in some form with a modified timeline (change from T-40 to T-20), in addition to a new penalty structure based on actual deliveries. It seems that there would still be value to CAISO having all declines in place before real-time, ie, at T-20. CAISO suggested that this would possibly required the ADS timeline to be moved up in the BPM, but we think this effort would be worthwhile, and should be considered in the next version of the straw proposal.

We seek clarity as to whether CAISO intends to completely replace the existing structure with the new structure or whether CAISO is open to a hybrid approach. It seems that leaving the BPM in place as-is while replacing the current penalty with the straw proposal structure would mean that the BPM would simply be a paper requirement to decline by T-40, that is not correlated at all to the penalty structure.

Proposed Under/Over Delivery Charge

To summarize our understanding of the current straw proposal for a new under-over delivery charge, SMUD's take-aways from the straw proposal and the stakeholder meeting are as follows:

- for an intertie resource, any change made to a tag after the tag has been created in response to the FMM award will be eligible for UOD penalty charges unless that change was due to what CAISO deems a reliability curtailment.
- The calculation of UOD is:
    - FMM Award = MIN (HASP schedule, ADS accepted award or ETAG transmission profile)
    - Under/Over Delivery quantity = ABS(FMM schedule – ETAG ATF energy profile)

We would appreciate the chance to discuss this with CAISO Staff if we are mischaracterizing an aspect of the new proposed charge structure.

Adjustments / Substitute Deliveries

SMUD seeks clarification in the next version of the straw proposal regarding whether the over/under charge will be calculated by *resource* or by *scheduling coordinator*. SMUD wants to ensure that when we substitute one e-tag for another (in the same RT increment) that this wouldn't look like a "decline" or failure to deliver in the settlement, and that the new system would be able to match up the original acceptance with the substitution. In the presentation, CAISO staff said that the transmission profile will be used to determine the minimum deliveries for the new penalty structure, because this should align with the 15 minute dispatchable resources. SMUD wishes to note that sometimes the transmission profile changes and we will find a substitute transmission path and/or resource to submit with our real-time delivery, therefore the transmission profile may not be the best choice for the new penalty calculation.

Slide 45 shows that manual adjustments will be made in one of these examples shared to determine the total deviation (if any). We would like clarification on this point regarding how the "manual" adjustment would be made, and whether CAISO is certain that they will always have the needed information from the relevant entity to make the manual adjustment. We seek verification that CAISO has the capability to recognize that a re-supply tags completely replaces the original tag.

Adjusting the Under/Over Charge for Reliability Curtailments

SMUD seeks clarification regarding how CAISO will make the determination regarding whether a curtailment is for reliability or other purposes. Is this going to be strictly determined by whether a curtailment is initiated by a Balancing Authority Area Operator? This will need to be firmly established prior to implementation of the under/over delivery charge. For example, sometimes reliability curtailments are initiated by a third party (such as a transmission operator or TSP), so if outside criteria wouldn't be considered in categorizing a reliability curtailment, SMUD respectfully suggests that another category of adjustment be developed for the under/over delivery charge that avoids penalizing BA's who are faced with similar situations beyond their direct control, such as sudden transmission unavailability

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