

Western Power Trading Forum on the CAISO's Pseudo-Ties of Shared Resources Issue Paper and Straw Proposal

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The Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

Comments

WPTF appreciates the opportunity to submit these comments on the CAISO's Pseudo-Ties of Shared Resources Issue Paper and Straw Proposal discussed on May 7 with stakeholders. As stated in the Issue Paper, this policy is proposing tariff changes that will remove a current restriction that only allows pseudo-ties with resources where the full output of the resource is dedicated to the CAISO BAA. The proposal also includes a change to how dynamic schedules can participate in the real-time market as means to address what is described as an accounting issue. Specifically, the CAISO states that it "cannot support dynamic schedules of resources that will *economically* [emphasis added] bid resources between EIM Entity BAAs . . ." and then continues to explain the reason economic bids can no longer be supported is due to an accounting issue.¹ In other words, the proposal will require dynamic schedules of resources to be self-scheduled in the real-time market. For the reasons discussed below, WPTF strongly opposes this element of the proposal. Rather than address what seems to be an accounting issue with changes to market bidding rules, WPTF respectfully requests that the CAISO consider other solutions such as modifications to the accounting formulations.

As discussed in more detail below, restricting the ability for dynamic schedules to economically offer in the real-time market is discriminatory, decreases flexibility in real-time, and contradicts several aspects of the CAISO's existing market structure.²

¹ On page 5, the CAISO states that "dispatchable dynamic schedules of resources between BAAs within the EIM Area would conflict with EIM's accounting of BAA-level transfers between these BAAs, which uses dynamic schedules between BAA-system portfolios of all resources within these BAAs."

² Based on conversations with the CAISO, it is WPTF's understanding that the restriction on economic offers from dynamic schedules is only the in real-time market; under this proposal dynamic schedules can still economically offer into the day-ahead market.

Removing the ability to submit economic offers is discriminatory

In a competitive market, all resources should have equal access to bidding features; restricting the ability for one type of resource to have the option of either self-scheduling or economically offering is discriminatory and introduces significant FERC risk. WPTF recently protested at FERC a CAISO policy that would not allow a certain resource type to self-schedule in the CAISO market on the basis that all resources should have equal access to bidding features; FERC ultimately rejected that element of the CAISO proposal and WPTF is concerned that this proposal introduces a similar issue.³ While WPTF understands that the CAISO proposal will now allow dynamic schedules of shared resources to be modeled as pseudo-ties, not all resources currently dynamically scheduled, or those forthcoming, can be a pseudo-tie. One main difference between a dynamic schedule and pseudo-tie that still exists is that a pseudo-tie is modeled within the CAISO BAA. Therefore, those resources that are dynamically scheduled but need to remain within the Host BAA cannot move over to a pseudo-tie but will no longer be able to economically offer into the real-time market.

WPTF believes the proposal is also discriminatory in the sense that different entities that each own a portion of a single resource will be faced with differing bidding rules. Take for example a resource that is partially owned by an EIM entity and partially owned by another non-EIM entity. The EIM entity can bid its portion of the resource into the real-time market using either self-schedules or economic offers. However, the non-EIM entity sets up its portion of the resource as a dynamic schedule into the CAISO BAA but because the resource is within another EIM BAA, cannot economically offer its portion of the resource into the real-time market. This puts two entities that both own a portion of the same resource on unequal footing with regards to how they can reflect willingness to supply energy into the real-time market.

Removing the ability to submit economic offers decreases real-time flexibility

For years, the CAISO has been introducing market design elements with the intention of incentivizing more economic participation, especially in the real-time market, to manage over-supply conditions and the increased penetration of renewable resources. This policy is now heading in the opposite direction by not allowing economic offers in real-time from certain resource types. Decreasing the amount of economically offered capacity and increasing the amount of self-scheduled capacity in real-time will cause the market to resort more quickly to cutting self-schedules when managing congestion and/or over-supply conditions. Once the market begins cutting into self-schedules and relaxing various constraints to achieve a solution, the market prices and signals are then determined by administratively set penalty prices. This has the effect of distorting price signals and reaching a suboptimal market solution.

³ [FERC Order on Generation Deliverability Assessment Methodology](#).

Today the CAISO may not see this proposed change as having a significant impact because there may be few existing resources that will have to modify current participation.⁴ However, the recent CPUC ruling on RA is proposing that for import RA to be considered resource-specific, it must be either pseudo-tied or dynamically scheduled.⁵ Therefore, the CAISO will see a significant increase in dynamic schedules due to the recent RA ruling and, per this policy, all of those resources will now be self-scheduled in real-time rather than economically offered. Therefore, while today the impact may be seen as minimal, this is not a hypothetical issue – there will be more dynamically scheduled resources coming online in the near future and these resources will not be able to simply switch over to a pseudo-tie.

[Removing the ability to submit economic offers contradicts existing market structure](#)

Under the proposal, dynamic scheduled resources will no longer be able to provide Flexible RA. Today, resources that are providing Flexible RA capacity are required to submit economic offers into the real-time market.⁶ Under this proposal, dynamic schedules will still qualify to provide Flex RA capacity per the Flex RA eligibility rules. However, this proposal then sets up a new bidding restriction that makes it impossible for dynamic schedules providing Flex RA to actually meet its Flex RA bidding obligations, exposing them to RAAIM penalties due to conflicting CAISO market rules.

WPTF looks forward to continuing to discuss with the CAISO other ways to solve the accounting issue rather than restricting market bidding rules. Thank you for consideration of these comments.

⁴ Some of the currently dynamic scheduled resources may be indifferent between being a dynamic schedule or pseudo-tie now that pseudo-ties can be a portion of a larger resources. Additionally, those that remain dynamic schedules may already self-schedule thus do not see this change as having an impact.

⁵ See [CPUC Proposed Decision 17-9-020](#)

⁶ See CAISO Tariff Sections 40.10.3.2 through 40.10.3.6