

**UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator  
Corp.

Docket No. ER19-2497-000

**MOTION OF POWEREX CORP. TO INTERVENE AND COMMENTS**

Pursuant to Rules 212 and 214 of the Federal Energy Regulatory Commission's ("Commission") Rules of Practice and Procedure, 18 C.F.R. §§ 385.212, 214 (2019), Powerex Corp. ("Powerex") hereby moves to intervene and submit comments concerning the California Independent System Operator Corp.'s ("CAISO") proposed revisions to modify the calculation of the real-time imbalance energy offset ("RTIEO").<sup>1</sup>

**I.  
CORRESPONDENCE AND COMMUNICATIONS**

All correspondence and communications in this proceeding should be directed to the following persons:

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<sup>1</sup> *Cal. Indep. Sys. Operator Corp.*, Tariff Amendment To Address Real-Time Market Settlement Neutrality, Docket No. ER19-2497-000 (filed July 30, 2019) ("Filing").

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Powerex requests that the foregoing persons be placed on the official service list for this proceeding and respectfully requests waiver of Rule 203(b)(3) of the Commission's regulations, 18 C.F.R. § 385.203(b)(3), in order to permit designation of more than two persons for service in this proceeding.

## II. MOTION TO INTERVENE

### A. Interest Of Powerex

Powerex is a corporation organized under the *Business Corporations Act* of British Columbia, with its principal place of business at Vancouver, British Columbia, Canada. Powerex is the wholly owned power marketing subsidiary of the British Columbia Hydro and Power Authority ("BC Hydro"), a provincial Crown Corporation owned by the Government of British Columbia. Powerex sells power at wholesale in the United States, pursuant to market-based rate authority originally granted by the Commission on September 24, 1997.<sup>2</sup> Powerex sells

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<sup>2</sup> See *British Columbia Power Exch. Corp.*, 80 FERC ¶ 61,343 (1997); *British Columbia Power Exch. Corp.*, Docket No. ER97-4024-012 (Sept. 12, 2000) (unpublished letter order); *Powerex Corp.*, Docket No. ER01-48-002 (Oct. 30, 2003) (unpublished letter order); *Powerex Corp.*, Docket No. ER01-48-007 (July 26, 2007) (unpublished letter order); *Powerex Corp.*, Docket No. ER01-48-018 (Oct. 29, 2010) (unpublished letter order); *Powerex Corp.*, Docket Nos. ER10-3297-003, *et al.* (Aug. 29, 2014) (unpublished letter order); *Powerex Corp.*, Docket Nos. ER17-704-000, *et al.* (Jan. 25, 2018).

power from a portfolio of resources in the United States and Canada, including Canadian Entitlement resources made available under the Columbia River Treaty, BC Hydro system capability, and various other power resources acquired from other sellers within the United States and Canada.

Powerex is an active participant in the CAISO day-ahead and real-time markets, including the Energy Imbalance Market (“EIM”). Powerex participates in the EIM through aggregate resources representing the capability of non-emitting hydroelectric resources and load located in the system of BC Hydro. Powerex represents the first entity to participate in the EIM using the capability of resources and loads located wholly outside the United States.

#### **B. Motion To Intervene**

As an active participant in the EIM, Powerex has a direct, immediate, and substantial interest that cannot be adequately represented by any other party and will be directly affected by any Commission action in this proceeding. Powerex’s intervention is in the public interest, and it therefore moves for leave to intervene in this proceeding.

### **III. BACKGROUND**

As CAISO acknowledges in its filing, the current application of the RTIEO has resulted in charges and credits that do not appropriately take into account specific operational features of the EIM. CAISO’s proposal seeks to make two discrete modifications to the RTIEO calculation:

- First, CAISO proposes to modify the calculation to prevent costs associated with compliance with California’s greenhouse gas (“GHG”) regulations from being improperly applied to non-California EIM entities. Under the existing framework, CAISO calculates the financial value of

EIM transfers based on the system marginal energy cost (“SMEC”). As CAISO acknowledges in its filing, the use of the SMEC to calculate the financial value of EIM transfers has resulted in the costs associated with California’s GHG program being improperly applied to EIM transfers into Balancing Authority Areas (“BAA”) located entirely outside of California.<sup>3</sup> In order to address this issue, the CAISO proposes to revise its tariff to add a credit to the SMEC use for EIM transfers that do not incur GHG compliance costs.<sup>4</sup>

- Second, CAISO proposes to eliminate the EIM transfer adjustment. CAISO explains that it currently applies an EIM transfer adjustment to allocate RTIEO charges more closely with demand.<sup>5</sup> However, CAISO believes that experience with the EIM has demonstrated that RTIEO is driven by the manner in which each entity participating in the EIM manages and accounts for imbalance energy and unaccounted for energy, rather than by demand.<sup>6</sup>

CAISO requests that the Commission accept these tariff revisions effective August 1, 2019 (*i.e.*, two days after the filing) to ensure that market participants receive RTIEO charges and credits that more accurately reflect the intended operation of the EIM and cost causation principles.<sup>7</sup> CAISO acknowledges that certain stakeholders have requested that the improper calculation of the RTIEO charges be corrected on a retroactive basis, but CAISO proposes to implement the two specified changes on a prospective basis only. While CAISO states that it is not requesting authorization to implement these changes retroactively, it states that it “intends to engage stakeholders to discuss a more comprehensive review

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<sup>3</sup> Filing, Transmittal Letter at 1-2.

<sup>4</sup> *Id.* at 14-15.

<sup>5</sup> *Id.* at 2.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at 20.

of neutrality offsets” and to “examine its tariff authority to re-settle any incorrect applications of its filed rates.”<sup>8</sup>

#### **IV. COMMENTS**

Powerex supports the CAISO’s proposed tariff revisions to resolve identified flaws in the application of the RTIEO that have been shown to be inconsistent with the intended design of the EIM, and encourages the Commission to accept CAISO’s changes effective August 1, 2019, as requested. In particular, Powerex believes that immediate application of CAISO’s proposed changes is necessary to prevent continued harm to EIM participants in two key areas.

First, CAISO’s proposed change to valuing EIM transfers appears to eliminate the identified flaw that has inadvertently applied the costs associated with California’s GHG compliance framework to out-of-state EIM participants. In practice, CAISO’s neutrality charge assessment has:

- applied California GHG charges to all EIM imports by non-California EIM Entities; and
- clawed back the revenues CAISO has paid to Powerex and other non-California EIM entities to compensate their resources for the GHG compliance costs associated with output that is deemed to serve California load, completely negating the compensation of non- and low-emitting resources that is a bedrock design principle of the EIM.

Powerex believes that the implementation of CAISO’s proposed revision is necessary to address these flaws in the calculation of the financial value of EIM transfers, which has compromised the accuracy of EIM settlements. While CAISO’s proposed modification appears to resolve these specific identified flaws,

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<sup>8</sup> *Id.* at 19.

Powerex understands that CAISO is aware of other challenges related to the accounting of GHG emissions, and that CAISO is considering additional enhancement that may better achieve the objective of ensuring accurate GHG accounting within the EIM.

Second, CAISO's proposed elimination of the EIM transfer adjustment framework, which effectively "moves" neutrality adjustments from exporting BAAs to importing BAAs, appears to address the substantial and erroneous shifts in value among EIM entities caused by the inclusion of "unaccounted-for-energy" in the set of neutrality charges that are allocated to importing EIM entities. Unlike other neutrality charges included in the EIM transfer adjustment framework, neutrality charges and credits for unaccounted-for-energy are specific to the EIM entity in which they arise, in that they reflect differences between the system losses estimated by each EIM entity and the losses calculated by the CAISO software. The transfer of unaccounted-for-energy neutrality charges as a component of the current RTIEO settlement framework, while inadvertent, has resulted in financial harm to Powerex and other importing EIM entities.

Powerex supports CAISO's proposed steps to prevent the two flaws set out above from continuing to undermine the integrity of EIM settlements and from causing further harm to EIM entities. At the same time, Powerex notes the CAISO's settlement algorithms are extremely complex and highly technical; thus there remains some potential that the CAISO's identified solutions, while necessary, may be incomplete, and may create inadvertent consequences of their own. For instance, applying a credit based on the GHG shadow price—as the

CAISO proposes here as the simplest solution to efficiently resolve the first identified issue—should “back out” California GHG costs from the value of EIM transfers. But this approach will complicate an already complex GHG accounting framework, and will put the burden on EIM entities outside of California—which have not adopted California’s GHG program—to verify that their settlements correctly reverse the default inclusion of California GHG-related costs. Likewise, eliminating the EIM transfer adjustment altogether, as CAISO has proposed, removes a procedure that has been found to be highly problematic under its initial implementation, but may in the longer term reduce the intended financial incentives for EIM entities to minimize uninstructed deviations in load or generation.

Powerex notes and appreciates CAISO’s commitment to engage further with stakeholders in a more comprehensive review of neutrality offsets, and to examine its tariff authority to re-settle transactions where possible to address the financial harm that a number of its market participants have incurred as a result of the identified flaws in the RTIEO framework. Powerex underscores its support for CAISO’s proposals as essential interim solutions designed to prevent further harm to EIM participants. At the same time, Powerex encourages CAISO to promptly move forward with stakeholders to develop durable enhancements to the RTIEO framework and to related settlements processes that are consistent with the cost-causation and other design principles CAISO articulated at the outset of its creation of the EIM.

**V.**  
**CONCLUSION**

Wherefore, for the foregoing reasons, Powerex requests the Commission to grant this intervention and issue an order consistent with the comments above.

Respectfully submitted,

/s/ Deanna E. King

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*On Behalf of Powerex Corp.*

August 20, 2019

**CERTIFICATE OF SERVICE**

Pursuant to Rule 2010 of the Commission's Rules of Practice and Procedure, I hereby certify that I have this day served a copy of the foregoing on all persons designated on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 20th day of August, 2019.

**/s/ Stephen J. Hug**

Stephen J. Hug

Document Content(s)

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