

Comments of Powerex Corp. on EIM Resource Sufficiency Evaluation Enhancements, Phase 2 Revised Final Proposal

Submitted by	Company	Date Submitted
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Powerex recently [announced](#) its commitment to fund and participate in SPP's Markets+, beginning as early as June 2024.¹ Powerex anticipates continued participation in the Western EIM until that time, and has an ongoing interest in the development of market rules that are efficient, equitable, and non-discriminatory.

Powerex submits the following comments on CAISO's November 7, 2022 EIM Resource Sufficiency Evaluation Enhancements Phase 2 Revised Final Proposal ("Revised Final Proposal"), and the discussion at the workshop on this topic. The Revised Final Proposal is a highly watered-down version of what began as a conceptually sound proposal for EIM entities that fail the Resource Sufficiency Evaluation (RSE) and are experiencing supply deficiencies to access "energy assistance" from the rest of the EIM at appropriately high prices that provide strong financial incentives and price signals to avoid such deficiencies. The CAISO has largely nullified the effectiveness of this approach through a Revised Final Proposal that:

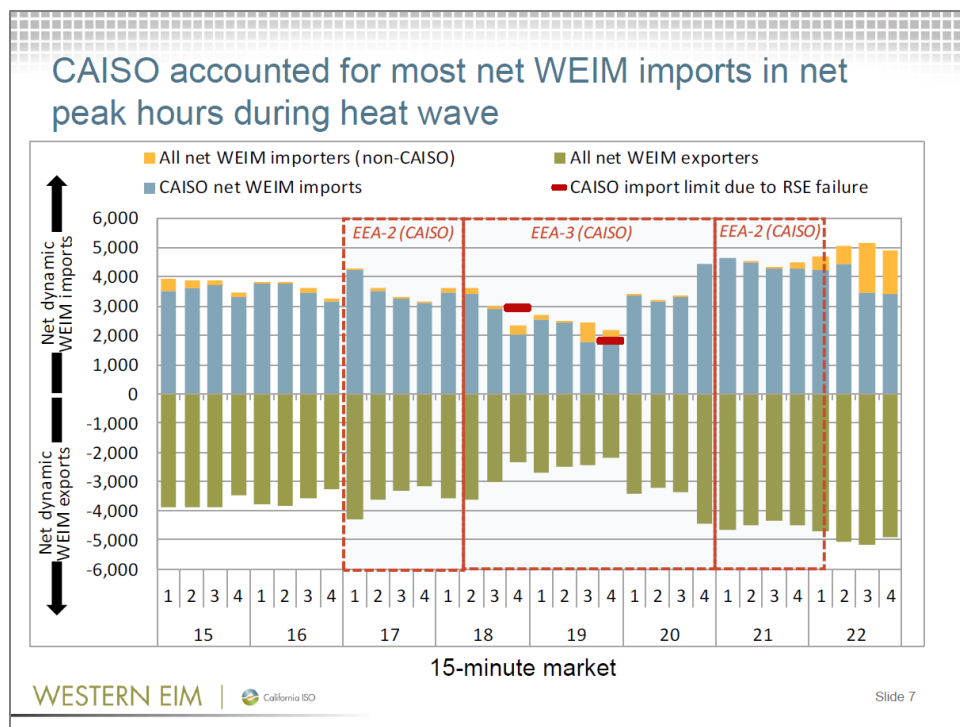
1. Applies the high prices only as an "out of market" settlement charge, instead of establishing an appropriately high market-clearing price in the deficient BAA;
2. Applies the out-of-market charge to the lesser of EIM imports or the RSE deficit quantity, rather than to the entire volume of imbalance energy in the deficient BAA; and
3. Allows each EIM entity to elect to remain under the *status quo*, bypassing any changes at all.

The CAISO's changes in the Revised Final Proposal ensure that the CAISO BAA will continue to be able to lean on capacity procured and paid for by ratepayers of other EIM entities, paying only a small fraction of the build and/or procurement costs of such supply. And in the event that the CAISO BAA eventually "opts in" to the energy assistance framework being proposed, the last-minute modifications ensure the financial consequences will be so weak that no meaningful change in behavior in the CAISO BAA can reasonably be expected. Despite a clear path for all BAAs to be held to comparable resource sufficiency requirements and consequences, the CAISO has again found a way for the CAISO BAA not to be similarly accountable.

¹ Among the key reasons identified by Powerex for its decision to commit to Markets+ was its "inclusive and independent governance framework supported by a neutral market operator and independent board of directors." See also SPP's [press release](#).

Since the outset of the EIM, the Resource Sufficiency Evaluation (RSE) has been designed and implemented by the CAISO in a manner that requires all EIM entities *other than the CAISO BAA* to procure sufficient supply prior to the EIM timeframe—by building resources or contracting for supply in 16-hour blocks, often for entire seasons—while the CAISO BAA is able to enter the EIM with persistent and large resource deficiencies. The CAISO BAA is then able to access to the supply from other EIM entities to cure those deficiencies, paying for energy imports only in the hours they are actually needed, and paying suppressed energy prices that do not reflect the value of the underlying capacity.

The extensive leaning by the CAISO BAA on supply procured and paid for by other EIM entities is obvious in the data for the September 2022 heat event, where the CAISO BAA received virtually all energy imports from the rest of the EIM:



Source: CAISO DMM, [Market Monitoring Update: Resource Sufficiency Tests In The Energy Imbalance Market](#), at 7.

The CAISO BAA received thousands of MW of imports through the EIM, and without any financial consequence, even when it was in a declared EEA2 or EEA3—including, but not limited to, the few instances that the RSE actually recognized the CAISO BAA was not resource sufficient. These outcomes show that the RSE, as currently implemented to the CAISO BAA, is largely meaningless. This is the unworkable and highly inequitable *status quo* that the CAISO has ensured will continue to be available to the CAISO BAA.

The CAISO’s design and implementation of the RSE with respect to the CAISO BAA has never lived up to the foundational design principle that all EIM entities must come to the EIM fully resource sufficient. Rather than meaningfully address this problem, the Revised Final Proposal ensures it will continue. And because the load-serving entities responsible for procuring supply

to meet load in the CAISO BAA will continue to be able to rely on access to supply procured by other EIM entities and then sold to the CAISO BAA through the EIM, there will continue to be under-procurement of supply, exposing the entire EIM footprint to increased reliability risk and price volatility.