

**Comments of Powerex Corp. on
Transmission Service and Market Scheduling Priorities
Draft Final Proposal**

Submitted by	Company	Date Submitted
Raj Hundal 604.891.6063	Powerex Corp.	January 7, 2022

Powerex appreciates the opportunity to submit comments on CAISO’s December 10, 2021 Transmission Service and Market Scheduling Priorities Phase 1 Draft Final Proposal (“Draft Final Proposal”).

Under Phase 1 of the Draft Final Proposal, the CAISO would extend the existing framework for market scheduling priorities for the next two summers. The CAISO would also provide additional reporting and transparency, but would not make any operational changes. CAISO will continue to explore and develop a longer-term framework as part of Phase 2 of this initiative.

Powerex Does Not Oppose The Phase 1 Elements Of The Draft Final Proposal

The development and implementation of the CAISO current framework for transmission service has been highly disruptive, both due to the nature of its provisions and to the timing of their implementation. There remains widespread concern among numerous entities outside of the CAISO balancing authority area (“BAA”) that the current framework is not consistent with open access, leads to discriminatory outcomes, and does not provide transmission service comparable to the service enjoyed by CAISO load-serving entities (“LSEs”) on external transmission systems. Despite these concerns, the CAISO secured FERC’s approval, and implemented the existing framework at the start of Summer 2021.

In order for entities across the west to prudently secure supply to meet their anticipated needs for at least the upcoming 1-2 years, clarity is required regarding what the rules will be—even if those rules remain objectionable. For this reason, Powerex does not object to the Draft Final Proposal maintaining the *status quo* through Summer 2023. Powerex also supports the increased transparency that will be provided through timely CAISO reporting on Resource Adequacy imports and Priority Wheeling Through by intertie and by month. These reports will provide important information to all participants regarding the potential risk of wheeling-through schedules being curtailed in favor of imports needed to serve CAISO load.

Phase 2 Requires A Clear Articulation Of Guiding Principles

The Phase 1 elements will provide the CAISO and stakeholders with the time needed to develop a durable framework for transmission access over the CAISO controlled grid, through Phase 2 of

this initiative. The Draft Final Proposal frames the key components of Phase 2 as (1) calculating Available Transfer Capability; (2) developing the reservation process; and (3) developing a study and upgrade process. Powerex believes this focus on the mechanisms of implementation is premature, and bypasses the critical step of articulating the guiding principles that will govern transmission access on the CAISO grid.

In Powerex's view, two key principles require clarification early in the Phase 2 process:

1. What limitations—if any—will the CAISO place on assertions of native load priority to “hold back” transmission capability?
2. Will the CAISO commit to developing a transmission access framework that does not explicitly favor entities within the CAISO BAA relative to those outside of it?

What Limitations—If Any—Will The CAISO Place On Assertions Of Native Load Priority To “Hold Back” Transmission Capability?

Clarity is needed regarding the limitations or requirements for transmission capacity that is set aside to support imports serving load in the CAISO BAA. The Draft Final Proposal lays out numerous mechanisms and labels under which such set-asides could be implemented, but it does not confront the central question:

- Will the CAISO take an *expansive* view of native load priority and broadly “hold back” transmission so the CAISO BAA can receive imports of spot market energy purchases?
- Or will the CAISO take a more qualified approach, and apply native load priority only for transmission necessary to support imports of supply from resources that are committed to serving load in the CAISO BAA (*i.e.*, resources owned or under contract to LSEs in the CAISO BAA)?

It is well documented that California's Resource Adequacy program leaves load in the CAISO BAA substantially short of the committed physical supply needed to reliably serve native load in critical hours. And while the problems in the Resource Adequacy program are beyond the scope of this stakeholder initiative, it appears that the historical dependence of the CAISO BAA on speculative spot market imports is now being put forward as a pretext for making thousands of megawatts of transmission capability unavailable for any other purpose, or to any other transmission customers. Such **a permissive approach would have the direct consequence of further enabling California LSEs to avoid competing with entities in the Southwest to acquire surplus Northwest supply**. This would cause self-evident harm to ratepayers in the Southwest—who will be shut out from competing for Northwest supply—but it will also harm Northwest ratepayers, who will see reduced demand for their product. Powerex believes it is inappropriate for any transmission provider to limit transmission access, under the guise of native load priority, so that native load-serving entities can “keep their options open” up to and through real-time, rather than competing for supply on a forward basis.

The inherent tension between open access for transmission service and preferential access for native load must be workably resolved prior to focusing on the mechanics of implementation.

Powerex strongly recommends that the CAISO put this issue squarely before stakeholders at the outset of the Phase 2 process.

Will The CAISO Commit To Developing A Transmission Access Framework That Does Not Explicitly Favor Entities Within The CAISO BAA Relative To Those Outside Of It?

A second overarching issue requiring clarification is the extent to which CAISO's transmission access framework will be designed to—or at least have the effect of—unduly favoring entities located within the CAISO BAA compared to entities located outside of it. This basic comparability principle has two dimensions.

First, Powerex believes external entities should have comparable access to CAISO transmission service as entities in the CAISO BAA enjoy on external transmission systems. This means, for example, making priority transmission service available on a forward basis for wheel-through service on highly desired transmission paths, and during highly desired periods. From the recent stakeholder discussions, Powerex is increasingly concerned that the CAISO's longer-term transmission proposal will ultimately be crafted to ensure that CAISO LSEs effectively receive all of the CAISO's import transmission capability on the Pacific AC and Pacific DC transmission paths during the summer season. This may be achieved not only through overly-permissive claims of native load priority to “hold back” transmission capability, but also through expansive uses of TRM, CBM and other mechanisms that reduce transmission capability available for other uses, including wheel-through deliveries.

Second, with regard to the critical issue of transmission access on multi-segment paths (e.g., between Northwest supply and loads in either California or the Southwest), the CAISO has historically adopted both market and transmission rules and practices that result in transmission service priority on the external segments of the delivery path being undermined, and in some cases, rendered meaningless.

This has occurred as the result of carefully crafted rules on the availability and release of ATC on the CAISO system, which diverge from the rules and practices that apply on external systems. For example, on external systems, a holder of priority transmission service (*i.e.*, Firm) rights must have an accepted e-Tag on the entire delivery path in order for the transmission capability of any segment to be considered “used.” Until the e-Tag is accepted, the transmission capability is *not* considered “used” and is made available by the transmission service provider to other customers, with lower priority. Importantly, the requirement of an accepted e-Tag means that the transmission customers must secure transmission service on *all transmission segments* on the delivery path. Only once transmission access on the full path has been procured is the transmission capability on any individual segment considered “used,” displacing lower-priority customers. In contrast, the CAISO has no such requirement—and has repeatedly refused to adopt any—meaning that the mere receipt of a CAISO import award is sufficient to prevent other participants from obtaining CAISO transmission access on that segment. In combination with the CAISO's preferential granting of market awards to imports needed to serve CAISO load, these practices result in deliveries to CAISO load having priority to flow on the *entire* delivery path—including on Bonneville's primary network and its Southern Intertie segments—ahead of other deliveries to other customers.

Rather than recognizing and engaging meaningfully on this critical issue, however, CAISO and certain California stakeholders have mischaracterized Powerex's statements. ***Powerex has not suggested that the CAISO must grant transmission access on its system based on the priority of transmission service on external systems.*** That has never been Powerex's position, and claims to the contrary are inaccurate and counterproductive.

What Powerex *does* expect is for the CAISO—and all transmission service providers—to refrain from adopting or perpetuating rules for transmission access on its system that directly negate the transmission access frameworks of external transmission providers. Achieving this baseline degree of comparability requires, at a minimum, that schedules with priority status under the CAISO's rules (e.g., Resource Adequacy imports and Priority Wheeling Through) be required to demonstrate both supply and transmission access on the entire delivery path prior to the CAISO displacing or curtailing lower-priority schedules.

Powerex has previously stated, and continues to believe, that Phase 2 also provides an opportunity for the CAISO to choose to work with other transmission service providers and develop a collaborative framework for transmission access on coordinated paths. A collaborative approach would allow the service priority of all transmission providers—including the CAISO—to be equitably recognized and respected. It should be uncontroversial that schedules with priority transmission service on both the CAISO segment and external segment(s) should have the highest priority to flow. But a collaborate framework could also ensure equitable outcomes between:

1. Delivery schedules with high priority transmission service on external segments but low priority on the CAISO segment; and
2. Delivery schedules with low priority transmission service on external segments but high priority on the CAISO segment.