

# WSPP Operating Committee Meeting

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# Disclaimer

- The views expressed in this presentation and in my verbal remarks are mine alone and do not necessarily reflect the views of the FERC or its Commissioners.

# Order 764 – Variable Energy Resources

- VERS Rule issued in June 2012; compliance filings made last November
- Required transmission providers (TPs) to offer customers the option of scheduling tx. service at 15-min. intervals (though TPs can propose “consistent with or superior to”)
- Required VERS generators to provide TPs with weather and operational data to support power production forecasting

# Order 764 – Variable Energy Resources (con't)

## Benefits of VERS reform:

1. Allows VERS generators (e.g., renewables) to better manage exposure to energy imbalance penalties (which apply when gen. doesn't put scheduled amount of power on grid)
2. Gives TPs better info on VERS generators, thus letting them carry fewer reserves and lower their costs for reserves

# Order 764 – Variable Energy Resources: Compliance in the West

- All public utilities in the West with OATTs on file at FERC have filed in compliance to 764
- 22 public utilities in the West have filed:
  - 11 have been accepted without condition
  - 11 remain under analysis
- Peetz Logan asked for waiver of having to comply; pending
- Neither BPA nor WAPA have filed, but they may

# Order 784 – “*Avista*” Reform Rule

- Order issued to reform FERC’s *Avista* policy which governs sales of ancillary services at market-based rate (MBR) to transmission providers that would use those ancillary services to meet their own OATT obligations.
- *Avista* policy to ensure that utilities aren’t paying excessive rates for ancillary services and passing those along to OATT customers.

# Order 784 – “*Avista*” Reform Rule (con’t)

- Order 784 arose from a concern that *Avista* restrictions had become an unreasonable barrier to entry, unnecessarily restricting access to potential ancillary suppliers
- Order 784 allows sales of Imbalance (Energy and Generator) and Operating Reserve (Spinning and Supplemental) ancillary services at MBR using general MBR authority.
- Thus, no special market power study needed for these ancillary services b/c most resources are capable of providing these within-hour services.

# Order 784 – “Avista” Reform Rule (con’t)

- Per 784-A, two showings on tx. scheduling practices required to get MBR for reserves:
  - For Spinning Reserves, seller must show that 1<sup>st</sup> tier resources can change their output “immediately” in response to a home BAA contingency
  - For Supplemental Reserves, seller must show that 1<sup>st</sup> tier resources can change their output “within a short period of time” in response to a home BAA contingency
  - Seller needs to give a detailed discussion of how tx. scheduling practices or other protocols permit needed level of response

# Order 784 – “*Avista*” Reform Rule (con’t)

- Order 784 didn’t find enough evidence to permit other ancillary services to be covered under existing MBR screens, but it gave 2 other options:
  - provide evidence of a competitive solicitation; or
  - Use a price cap based on the buying utility’s OATT rate for that ancillary service.
- Workshop set for April 22 to explore options for MBR sales of other ancillary (regulation, freq. response, reactive supply, voltage control)

# Status of Compliance With Order 784

- Two types of 784 compliance filings received:
  - Optional updates to MBR sellers' tariffs to add imbalance and reserve services to sell; and
  - Required PU and RTO OATT filings to add new *pro forma* language taking speed and accuracy of regulation resources into account in setting regulation reserve level requirements
  - Most of these filings are still pending

# Order 792 – Small Generator Interconnection Agmts. & Procedures

- Final Rule issued Nov. 22, 2013 in RM13-2
- Rule reformed *pro forma* SGIA and SGIP to:
  - Provide customers option to request a pre-application report on system conditions at a point of interconnection;
  - Raise threshold to get fast tracking from 2 MW to 5 MW in some cases;
  - Added a min. load screen to see if facility can be connected safely/reliably even if it fails fast track test;
  - Allow customer to give written comments on upgrades alleged to be needed for interconnection;
  - Revised definition to include energy storage devices.

# CAISO RA – Recent Developments

- In Dec 2012, CAISO filed tariff amendments (in ER13-550) for authority to offer financial support to resources at risk-of-retirement that are needed for local or flexible capacity in the 2-5 year forward period. CAISO argued:
  - In light of increasing renewable generation on its grid, as early as 2017 CAISO will need 3500 MW of flexible capacity for reliable operations;
  - Resource adequacy and other procurement mechanisms don't ensure that needed flexible resources are procured and retained;
  - Existing 2-year forward risk-of-retirement procurement authority is not sufficient to address to address needs beyond 2 years.
- In March 2013, FERC found many aspects of CAISO's proposal weren't supported or just and reasonable.
- FERC acknowledged the importance of the reliability issues raised by CAISO and directed staff to convene a technical conference to coordinate FERC staff with CPUC, CAISO and industry participants on resolving the reliability issues raised.
- Technical conference held July 2013 in Sacramento in Docket AD13-5.
- The conference focused on a recently announced CPUC and CAISO staff agreement on a Joint Reliability Framework (or Plan).

## CAISO-CPUC Joint Reliability Plan (JRP) (1)

- JRP is an agreement between CPUC and CAISO to consider:
  - Multi-year resource adequacy requirements;
  - Development of a joint unified long-term reliability planning assessment; and
  - Development of a market-based replacement to CAISO's existing backstop procurement authority, to include consideration of a CAISO-run reliability services auction
- Conceptual plan adopted by CPUC in Nov. 2013.
- Conceptual plan adopted by CAISO Board in Dec. 2013.

## CAISO-CPUC Joint Reliability Plan (JRP) (2)

- In February, **CPUC** initiated a rulemaking to determine:
  - Need for and framework of a forward RA requirement;
  - Process for a joint unified long-term reliability planning assessment;
  - CPUC policy position on CAISO's market-based backstop procurement mechanism.
- In February, **CAISO** kicked off a stakeholder process to:
  - Consider the design of a market-based capacity backstop procurement authority;
  - Consider must-offer requirements for local, flexible and system resource adequacy capacity.
- FERC staff has held and will hold periodic conference calls with CPUC and CAISO staff for updates on their respective initiatives.



# California Cap & Trade: Impacts Thus Far

- CAISO estimates that cap & trade has increased CA power prices by about \$6/MWH
- Cap & trade allowance prices seem to correlate with power impacts
- CAISO has not observed a significant change in power imports into CA under cap & trade



# Cap & Trade Considerations

- Will the revised CARB regulations (providing for safe harbors) facilitate power imports and reduce concerns over the “anti shuffling” rules?
- How will linkage with Quebec actually work out? Pricing impacts?
- Will the CA legislature make further changes to the program and also address the post 2020 time frame?

# Cap & Trade Considerations (Con't)

- Will there be impacts on reliability (in CA or the rest of the West) and interstate trade?
- Is there a potential for market manipulation?
- Is FERC involved?

# Energy Imbalance Market (EIM)

- There have been 3 primary Western initiatives:
  1. Public Utility Commission (PUC) EIM effort jointly led by WIRAB (US Western Governors energy advisors) and CREPC (Western state commissioners): Doug Larson for former, PUC Commissioners Savage and Kavulla for latter
  2. Northwest Power Pool effort, consisting of BAAs in NWPP footprint; considering toolkit of market enhancements short of an EIM
  3. CAISO-PacifiCorp EIM initiative

# CAISO-PacifiCorp EIM

- CAISO-PacifiCorp MOU signed spring 2013
- Implementation Agreement approved by FERC in summer 2013
- CAISO tariff amendments to implement an EIM filed on Feb. 28, 2014 in ER14-1350
- PacifiCorp tariff amendment filing expected at FERC by end of March 2014
- Note: I can't discuss merits of these proposals

# CAISO-PacifiCorp EIM: Timeline

- CAISO requests an order from FERC by June 20, 2014 in order to have a level of certainty of the market rules that will apply in the simulation scheduled to start July 8, 2014.
- CAISO requests a September 23, 2014 effective date.
- The “go-live” date for the implementation of the EIM is scheduled for October 1, 2014.

# CAISO-PacifiCorp EIM: Background

- Announced purpose is to meet participating BAs' need for imbalance energy in real time, replacing each BA's existing use of manual processes and bilateral arrangements.
- EIM participants will purchase and sell imbalance energy in both 15-minute and 5-minute markets.
- Each BA that chooses to participate in the EIM will remain responsible for meeting all reliability requirements of its BAA.

# CAISO-PacifiCorp EIM

- CAISO will apply its current \$1,000/MWh bid cap.
- CAISO's Dept. of Market Monitoring (DMM) will be monitoring the markets to identify inappropriate bidding strategies in the real-time market.
- CAISO will apply market power mitigation to the EIM participants in the real-time market.

# CAISO EIM Governance

- The Feb. 28 filing does not propose any changes to CAISO governance.
- CAISO conducting a concurrent stakeholder process to design a governance structure to provide stakeholder input in EIM matters through a transitional committee to CAISO's Board.
- The transitional committee will consider options for a long-term independent EIM governance structure and advise the Board on associated market design matters.

# Broad EIM Issues

- Who will pay for costs (e.g., of software, of operations, of loop flow)?
- Will there be adverse reliability/operational impacts? (BPA, CAISO, PacifiCorp MOU of 2/14)
- Who will be the EIM operator: CAISO? SPP? Other?
- What will the governance structure be?
- What will FERC's jurisdiction be over the EIM?
- Will it have an independent market monitor?

# FERC Enforcement Issues

- MOU between FERC and the Commodity Futures Trading Commission (CFTC) signed on Jan. 2, 2014:
  - Jurisdiction: no resolution, but new process set up for each agency to notify other when there's overlap
  - Information: new procedures for 2 agencies to share info on market surveillance and investigative responsibilities, but confidentiality maintained.
  - No CFTC info shared with FERC yet; in early Feb., 8 Senators wrote to CFTC. Signatories incl: Wyden & Merkley (OR); Cantwell (WA); Feinstein & Boxer (CA)

# FERC Enforcement Issues (con't)

- Major recent settlements of alleged market manipulation cases: Constellation and JP Morgan
- Norman Bay, Director of FERC Office of Enforcement, nominated to be next Chairman of FERC; Senate hearing date not yet set. Bay joined FERC staff in 2009.

# Gas-Electric Coordination

- April 1 FERC technical conference (in AD14-8) on cold weather impacts on RTOs/ISOs
- On Feb. 21 CAISO issued a technical bulletin to address natural gas price spikes; tariff waiver filing expected in March.
- On Jan. 24 FERC approved a price cap waiver sought by PJM to cover soaring natural gas costs for mid-Atlantic generators, and an ISO-NE petition to raise capacity prices by \$1 B
- FERC has processed 21 gas-electric coordination filings since June 2013

# Other Issues at FERC

- Apr. 29 technical conference on cyber security, esp. re: grid communication systems
- FERC staff will work with NERC to decide whether to recommend new mandatory rules on utilities to protect against physical attacks; response to letter from 4 Senators.
- On March 1 Southwest Power Pool (SPP) launched its Integrated Market (day-ahead, real-time balancing and congestion hedging)