

CAISO Instructed Imbalance Energy Dispute Update

Facilities Committee
August 31, 2016

Background

- The NCPA Pool Members and SVP operate as a Load Following MSS Aggregation (LF MSSA)
- Contractually obligated to balance supply and demand during each 5-min. dispatch interval
 - Within defined deviation band
- If the LF MSSA portfolio deviates outside of the defined deviation band, subject to penalties:
 - Positive deviations
 - 100% LMP or give energy away for free
 - Negative deviations
 - 300% LMP
 - ◆ 100% for energy purchased from CAISO
 - ◆ 200% penalty for amount purchased from CAISO

Participation in Real-Time Market

- The deviation compliance equations are structured to enable NCPA to actively participate in the Real-Time Markets
 - Sell incremental energy produced by MSSA gen
 - Not otherwise needed for MSSA LF
 - Buy back (or dec) energy from the CAISO market (or reduce energy produced by MSSA gen)
 - Movement not associated with MSSA LF need
- Amount of incremental (increased gen) or decremental (reduction in gen) movements must be separately accounted for to differentiate between LF and non-LF movements in Real-Time

Accounting for Deviations

- All changes in Day-Ahead vs. Real-Time scheduled/metered quantities accounted for as Imbalance Energy
 - Instructed Imbalance Energy (IIE)
 - Change due to CAISO instructing supply to increase or decrease based on outages or system needs
 - Uninstructed Imbalance Energy (UIE)
 - Deviation in supply or demand that are not instructed by the CAISO
 - All load changes are defined as UIE
- All incremental supply or decremental adjustments dispatched by the CAISO need to be classified as IIE to ensure they do not inadvertently impact the LF MSSA balances

Low Hydro and Real-Time Market Volatility

- During the period of June 2015 through September 2015 NCPA began offering DEC bids into the CAISO markets
 - To save water, and capture real-time market opportunities to increase the value of the project
- NCPA also supplied limited supplemental (incremental) bids to the CAISO
 - To capture real-time market opportunities to increase the value of the project
- NCPA identified a problem in settlements where CAISO was assessing significant deviation penalties to NCPA when NCPA submitted DEC bids to the CAISO
 - Only in the instance where the DEC bid was not accepted and dispatched by CAISO

IIE Dispute

- In response to this outcome, NCPA submitted a placeholder dispute with CAISO claiming that CAISO was improperly accounted for IIE for DEC instructions
- NCPA also discovered various other data quality issue that were resulting in ongoing deviation penalties
- NCPA and CAISO staff met several times over the past year in an attempted to resolve the dispute
- **CAISO recently reclassified the dispute, and partially accepted and partially denied the dispute**

Result of Dispute

Month	Actual	Deviation	DEC Bid	Missing ED	Missing LFI	Operational	Rerate	RTCD-Failure	RTPD-Failure	Total
Apr-15	\$	515	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 426	\$ 1,140	\$ 2,081
May-15	\$	763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 763
Jun-15	\$	1,828	\$ 80,336	\$ -	\$ -	\$ -	\$ -	\$ 35,678	\$ 2,010	\$ 119,853
Jul-15	\$	768	\$ 23,192	\$ -	\$ 11,780	\$ -	\$ -	\$ 821	\$ 2,500	\$ 39,060
Aug-15	\$	-	\$ 42,543	\$ -	\$ 13,665	\$ -	\$ -	\$ -	\$ 7,389	\$ 63,598
Sep-15	\$	2,054	\$ 16,998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 761	\$ 19,813
Oct-15	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nov-15	\$	50	\$ -	\$ -	\$ 6,750	\$ -	\$ -	\$ -	\$ 2,455	\$ 9,255
Dec-15	\$	15,486	\$ 658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 465	\$ 16,609
Jan-16	\$	2,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,270	\$ 4,010
Feb-16	\$	111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,519	\$ 4,629
Mar-16	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73	\$ 6,091	\$ 6,164
Apr-16	\$	3,250	\$ -	\$ 3,008	\$ -	\$ -	\$ -	\$ -	\$ 12,983	\$ 19,242
May-16	\$	313	\$ -	\$ -	\$ -	\$ 799	\$ -	\$ 1,152	\$ 4,704	\$ 6,967
Jun-16	\$	1,780	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,070	\$ 19,850
Jul-16	\$	408	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,291	\$ 2,698
Total	\$	30,066	\$ 163,727	\$ 3,008	\$ 32,195	\$ 799	\$ 38,149	\$ 66,648	\$ 334,593	

Options for Seeking Further Remedy

- Outstanding disagreement regarding IIE accounting for DEC bids and instructions
 - Enter into CAISO Dispute Resolution with arbitration
 - Deadline for submittal is November 3, 2015
 - Review of tariff interpretation
 - Submit a BPM change request to modify CAISO's current calculation
 - Would apply prospectively only
 - May or may not be accepted
 - File a complaint at FERC
 - Claim based on contract dispute
 - ◆ Cost of processing complaint likely exceed disputed amount
 - ◆ Could be used as leverage
 - Combination of options / parallel tracks

Staff Recommendation

- NCPA's recommendation is not based on a formal litigation risk analysis (to be developed pending feedback from the Facilities Committee)
 1. Move to file request for formal CAISO dispute resolution
 - Preserve NCPA's right and develop a form of leverage with CAISO
 2. In parallel, submit a formal BPR change request to modify the deviation compliance equation to be consistent with intent of MSSA Agreement
- Pending outcome of the combined part 1 and 2, possibly seek resolution at FERC via a formal complaint

Questions / Comments