

Energy Imbalance Market Transmission Challenges

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Agenda

- Tariff Administration
- Resource Sufficiency Evaluation
- Neutrality Charges
- The Horizon



Tariff Administration

- Multiple Tariffs in the EIM Footprint leads to:
 - Inconsistencies in Tariff interpretation
 - Inefficient Market dispatch results
 - Create barriers to entry into the Market
- Examples:
 1. Unauthorized Use Charges
 2. Loss Calculations and Settlements



Unauthorized Use Charges

- BAA cannot charge for transmission service for EIM dispatches
- Misinterpretation of the Tariff occurred resulting in significant charges
- Participating Resource pulled incremental bids during dispute period
- Dispute resolved – refund of charges
- What are the implications?



Treatment of Physical Losses and Financial Losses in the EIM

	Energy Imbalance <u>before</u> the application of physical OATT loss rates	Energy Imbalance <u>after</u> the application of physical OATT loss rates
Base Schedule (MWh)	105.00	110.53
Actual (MWh)	109.30	115.05
Imbalance (MWh)	(4.30)	(4.52)

EIM LMPs should be applied here

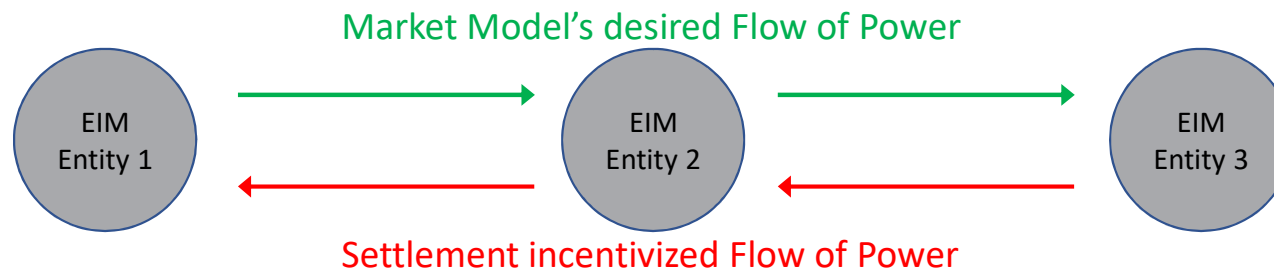
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Applying LMPs, which include an MCL component, to values already adjusted for Physical Losses equates to Financial Losses on Physical Losses and is inconsistent with how the Market Operator is settling with EIM Entities



Losses in Energy Imbalance Settlements

	Actual LAP (\$/MWh)	Effective LAP (\$/MWh)	Difference (\$/MWh)
EIM Entity 1	22.00	26.00	4.00
EIM Entity 2	24.00	25.20	1.20
EIM Entity 3	25.00	25.00	0.00



Where:

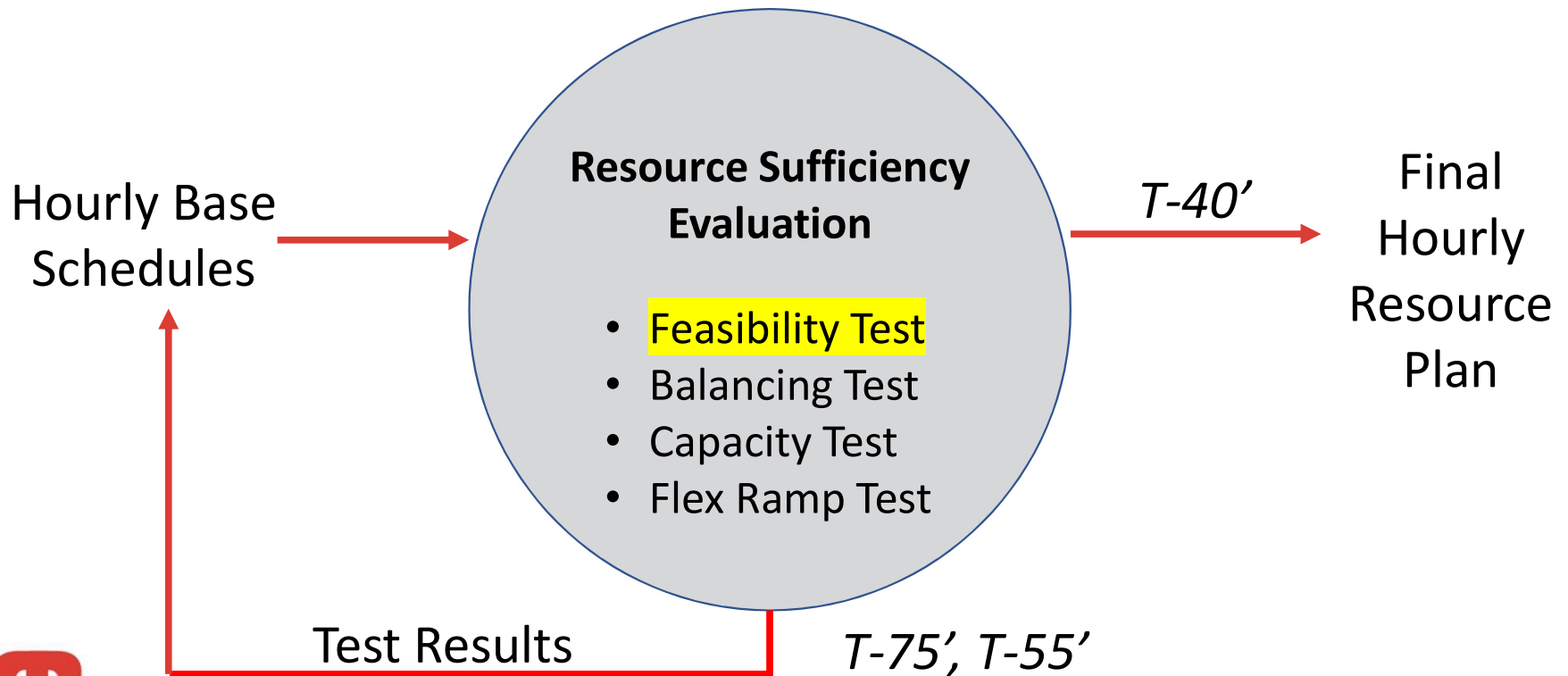
EIM Entity 1 settles energy imbalance using a modified LAP price which omits the Marginal Cost of Losses ("MCL")

EIM Entity 2 settles energy imbalance using the full LAP price plus their OATT loss rate (see prior slide)

EIM Entity 3 settles energy imbalance with customers consistent with their own settlement with the CAISO



Resource Sufficiency Evaluation



Neutrality Charges

- EIM Benefits Report – Gross Benefits
- Huge Neutrality costs being allocated to Transmission Customers
- Gross Benefits and Neutrality charges – there are months where the Benefit is negative but that is not reported to the Customers
- Are these isolated/special circumstances? No



The Horizon

- Short-term transmission revenues
- EIM Entities requesting generation data from Participating Resources
- CAISO EDAM
- SPP WEIS



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