



STAKEHOLDER COMMENT FORM

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**Required fields*

ISSUE:

Modifications to Schedule 4 and Schedule 9 are unnecessary

OATT REFERENCE:

Schedule 4 and Schedule 9

COMMENT:

WPTF appreciates the opportunity to comment on the latest round of tariff revisions that NV Energy has proposed to implement the EIM. Some very significant changes, which have the practical effect of redistributing market results, have been made quite late in the stakeholder process. Although the changes were vaguely referenced during the December 2, 2014 stakeholder meeting, they were not explained in sufficient detail for stakeholders to provide meaningful input at that time. Therefore, the January 12, 2015 posting of the new Schedule 4 and Schedule 9 language is the first real opportunity for stakeholder feedback. Stakeholders will not have another chance to comment on the modifications or see any changes NV Energy may make until the tariff is filed at FERC. Had these changes been more thoroughly vetted through NV Energy's stakeholder process, there would have been more opportunities to find agreeable solutions. As described in more detail below, WPTF opposes some of the proposed changes, especially the proposed changes to Schedule 9.

The proposed "penalty tiers" in Schedule 4 and Schedule 9 of the NV Energy OATT, would impose extra costs (or reduced payments) on loads and generators that deviate from their base schedule by more than 1.5%. While WPTF understands that NV Energy's desire is to incent customers to properly schedule, the EIM should already be achieving that goal. In fact, the Market Operator's prices are designed to pay or charge the actual cost of addressing imbalances that occur for a specific generator or for load. It is unclear why NV Energy feels that, on top of the market prices, "penalty tiers" are needed to incent proper behavior. The penalties tiers will arbitrarily redistribute the prices produced by the market simply to incent "proper scheduling practices."

For utilities that are not utilizing a market structure to address imbalances, uninstructed imbalance energy penalties are often included in Schedule 4 and Schedule 9 of utility OATTs. These penalties are more appropriate under the structure of NV Energy's existing OATT, which relies on index pricing that is not necessarily indicative of the costs of addressing imbalances. These penalty tiers are far less justified under a market structure, which uses actual costs as the basis for imbalance costs. Under the EIM, the Market Operator is charging or paying customers the costs or benefits associated with imbalances. This renders the "penalty tier" structure unnecessary in the EIM.

It is also important to note that, other entities that participate in the EIM have not utilized such penalty structures, especially for generators. When implementing the EIM, PacifiCorp evaluated the need for penalty tiers in Schedule 4 and Schedule 9 of its OATT and determined the penalty tiers were unnecessary in the market structure of the EIM. Furthermore, the CAISO's tariff 11.23 states that the CAISO will not charge any Uninstructed Deviation Penalties to generators until FERC issues an order authorizing the CAISO to do so. This section of the tariff can be traced back to a FERC Order¹ on the CAISO's Order 890 compliance filing. In this Order FERC determined that the CAISO's LMP based market mechanism satisfied the Commission's requirement for imbalance penalties. Therefore, when NV Energy's imbalance tariff moves to pricing under a market mechanism (the EIM), the penalty tiers proposed for Schedule 4 and 9 should no longer be necessary, just as they are unnecessary for the CAISO and PacifiCorp.

NV Energy has failed to provide sufficient justification for the significant changes it has proposed to Schedule 4 and Schedule 9 in the latest round of proposed tariff revisions for the EIM. NV Energy's proposed treatment of generators under Schedule 9 is inconsistent with both CAISO practice and the practice of the other EIM Entity (PacifiCorp). WPTF encourages NV Energy to revert to the earlier versions of the proposed tariff revisions, under which the market signals from the EIM would provide incentives for generators and loads to maintain their schedules to the best of their ability and penalty tiers are removed from Schedule 4 and Schedule 9.

¹ Available here: <https://www.ferc.gov/whats-new/comm-meet/2008/051508/E-29.pdf>