



October 27, 2021

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket No. ER15-2565-____
September 2021 Informational Report
Energy Imbalance Market – Transition Period Report –
Public Service Company of New Mexico EIM Entity**

Dear Secretary Bose:

The California Independent System Operator Corporation (CAISO) hereby submits its report on the transition period of Public Service Company of New Mexico EIM Entity during its first six months of participation in the Energy Imbalance Market (EIM) for September 2021. The Public Service Company of New Mexico began participation in the EIM on April 1, 2021; and the transition period ended on September 30, 2021. This is the last and final transition period report for the Balancing Authority of Northern California. The Commission also directed the Department of Market Monitoring (DMM) to submit an independent assessment of the CAISO's report, which the CAISO's DMM will seek to file within approximately 15 business days.

Please contact the undersigned with any questions.

Respectfully submitted

By: /s/ John Anders

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California ISO

**Energy Imbalance Market
September 1 – September 30, 2021**

**Transition Period Report
Public Service Company of New Mexico (PNM) EIM Entity**

October 27, 2021

I. Introduction and Background

On October 29, 2015, the Federal Energy Regulatory Commission (Commission) approved the California Independent System Operator Corporation's (CAISO) proposed tariff amendments to allow a transition period for new Energy Imbalance Market (EIM) entities during the first six months of EIM participation, effective November 1, 2015.¹ Public Service Company of New Mexico (PNM), the prospective EIM Entity, entered the EIM on April 1, 2021; and the transition period will apply to the PNM balancing authority area (BAA) until October 1, 2021.

During the six-month transition period, the price of energy in the new EIM entity's BAA is not subject to the pricing parameters that normally apply when the market optimization relaxes a transmission constraint or the power balance constraint. Instead, during the six-month transition period, the CAISO will clear the market based on the marginal economic energy bid (referred to herein as "transition period pricing"). In addition, during the six-month transition period, the CAISO sets the flexible ramping constraint relaxation parameter for the new EIM entity's BAA between \$0 and \$0.01, but only when the power balance or transmission constraints are relaxed in the relevant EIM BAA. This is necessary to allow the market software to determine the marginal energy bid price.

Consistent with the Commission's October 29 Order, the CAISO and the Department of Market Monitoring (DMM) will file informational reports at 30-day intervals during the six-month transition period for any new EIM entity. The CAISO provides this report for PNM to comply with the Commission's requirements in the October 29 Order. The CAISO anticipates filing these reports on a monthly basis. However, because the complete set of data is not available immediately at the end of the applicable month,² and depending on the market performance each month, along with the need to coordinate with the EIM entity, the CAISO expects to continue to file the monthly reports approximately 25 days after the end of each month in order to provide the prior full month's data.

¹ *California Indep. Sys. Operator Corp.*, 153 FERC ¶ 61,104 (2015) (October 29 Order).

² The earliest the CAISO can start gathering the data is 10 business days after the last day for the reporting month since this is when the price correction window expires.

II. Highlights

Overall, PNM's transition into the EIM was smooth and without significant consequence. The sixth month's market performance highlights are as follows:

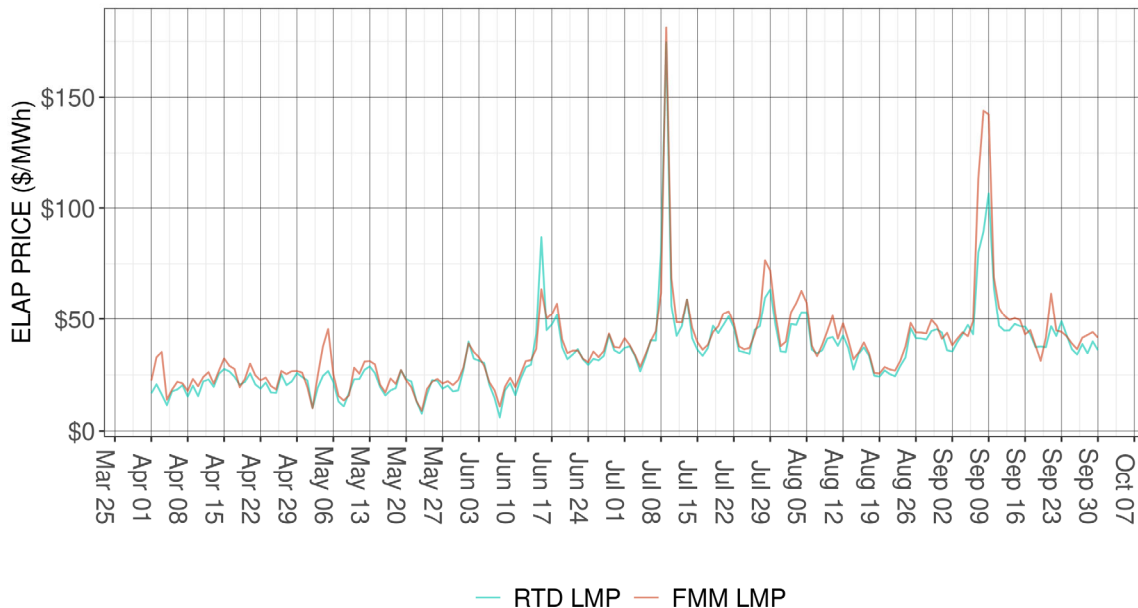
- PNM BAA prices were stable and within reasonable ranges, with a monthly average price of \$53.96/MWh in the fifteen-minute market (FMM) and \$47.24/MWh in the real-time dispatch (RTD).
- Power balance constraint infeasibilities for the under-supply conditions were minimal for the PNM BAA with no valid under-supply infeasibility in the fifteen-minute market and 0.093 percent of intervals in the five-minute market.
- As part of the resource sufficiency test performed for each EIM entity prior to the real-time markets, PNM successfully passed over 97.35 percent of its balancing tests and 99.8 percent of its bid-range capacity tests.
- As part of the resource sufficiency test, PNM passed successfully 99.93 percent of its upward flexible ramping sufficiency tests and 99.86 percent of its downward flexible ramping sufficiency tests in September.
- The monthly average price for upward flexible ramping capacity in the FMM for the PNM BAA averaged at \$0.19/MWh in September, while prices for the downward flexible ramping product were \$0.0/MWh.

III. Market Performance Related to the Transitional Period

a. Prices

Figure 1 shows the daily average Fifteen-Minute Market (FMM) and Real-Time Dispatch (RTD) prices in the PNM EIM Load Aggregation Point (ELAP) for April 1, 2021 until October 1, 2021. September’s monthly average price in FMM increased to \$53.96/MWh compared to August’s monthly average price of \$40.86/MWh. At the same time, September’s monthly average energy price in the RTD increased to \$47.24/MWh compared to \$37.61/MWh in August.

Figure 1: Daily average prices for the PNM BAA



Under the CAISO’s price correction authority in Section 35 of the CAISO tariff, the CAISO may correct prices posted on its Open Access Same-Time Information System (OASIS) if it finds: (1) that the prices were the product of an invalid market solution; (2) the market solution produced an invalid price due to data input failures, hardware or software failures; or (3) a result that is inconsistent with the CAISO tariff. The prices presented in Figure 1 include all prices produced by the CAISO consistent with its tariff requirements. That is, the trends represent: (1) prices as produced in the market that the CAISO deemed valid; (2) prices that the CAISO could, and did, correct pursuant to Section 35 of the CAISO tariff; and (3) any prices the CAISO adjusted pursuant to the transition period pricing reflected in Section 29.27 of the CAISO tariff.

b. Frequency of Power Balance Constraint Infeasibilities

Figures 2 and 3 show the frequency of intervals in which the power balance constraint was relaxed for under-supply conditions in the PNM BAA for the FMM and RTD, respectively. The under-supply infeasibilities are classified into three categories: Valid, Corrected and Would-Be-Corrected. Some of the under-supply infeasibilities affected by either data input failures or software failures were corrected under the price correction authority in Section 35 of the CAISO tariff and are classified as Corrected. There are other under-supply infeasibilities that were impacted by data input failures or software failures, and which would be subject to price correction, but were not corrected because the price after correction would be the same price as that obtained by the transition period pricing. These instances are classified as Would-Be-Corrected. All remaining under-supply infeasibilities which were driven by system conditions are classified as Valid. In Figure 3, a single interval under-supply infeasibility in RTD on September 5, September 19, and September 27 were classified as Would-Be-Corrected because a software issue impacted these under-supply infeasibilities.

Figure 2: Frequency of FMM under-supply power balance infeasibilities in the PNM BAA

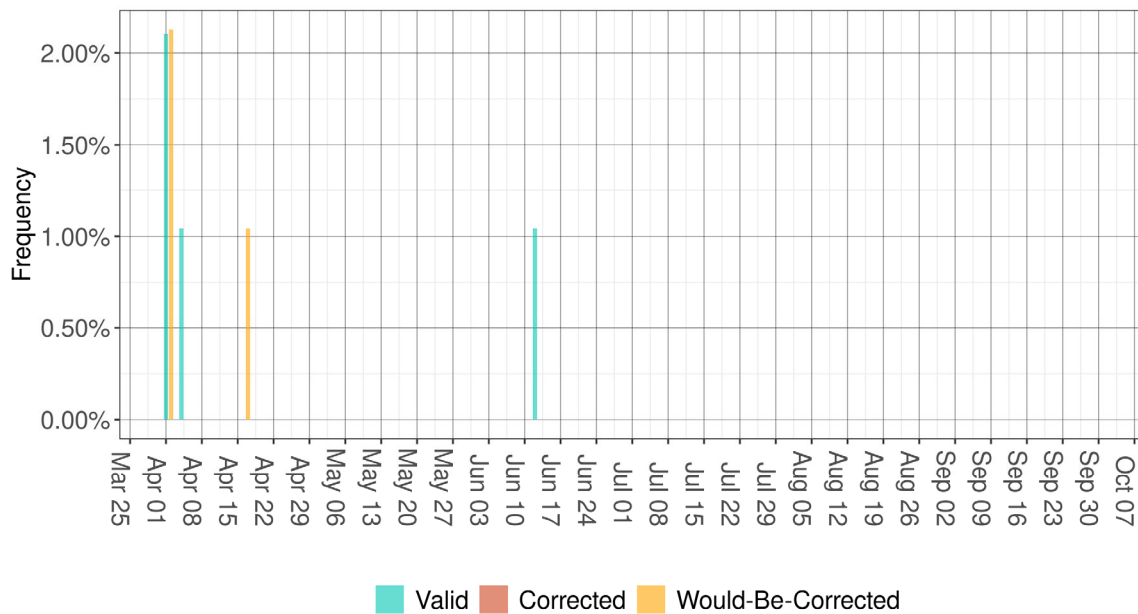
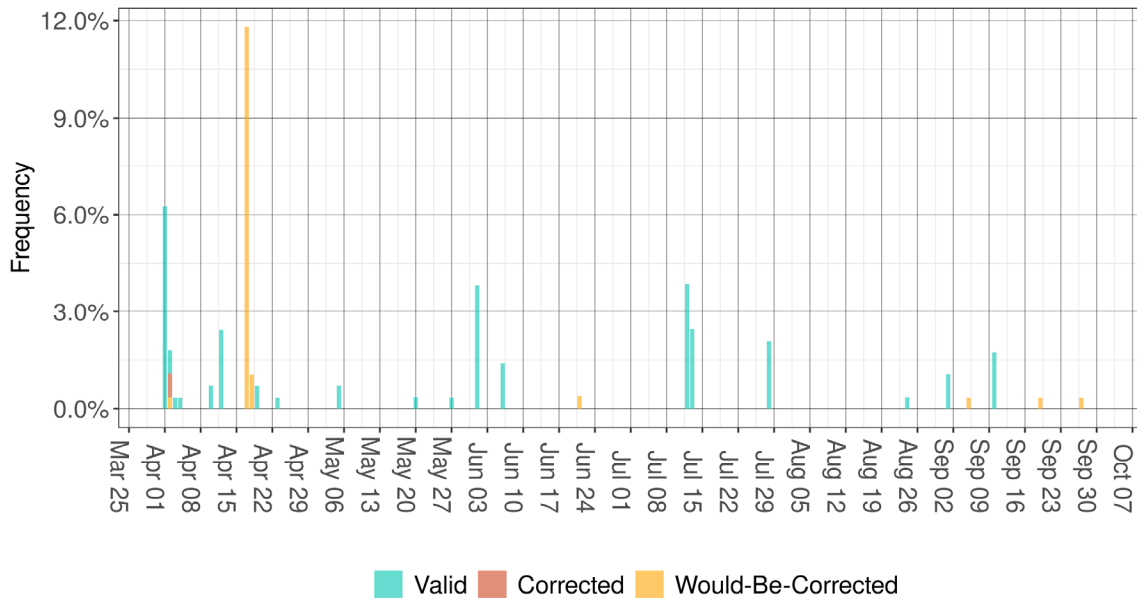


Figure 3: Frequency of RTD under-supply power balance in feasibilities in the PNM BAA



In September 2021, the PNM BAA had no intervals with valid under-supply infeasibility in the FMM and 0.093 percent of intervals with valid under-supply infeasibilities in the RTD. Tables 1 and 2 list the intervals with valid under-supply infeasibilities in FMM and RTD observed in September. There was no under-supply infeasibility in FMM and eight under-supply infeasibilities in RTD for the month.

Table 1: List of valid FMM under-supply infeasibilities in the PNM BAA

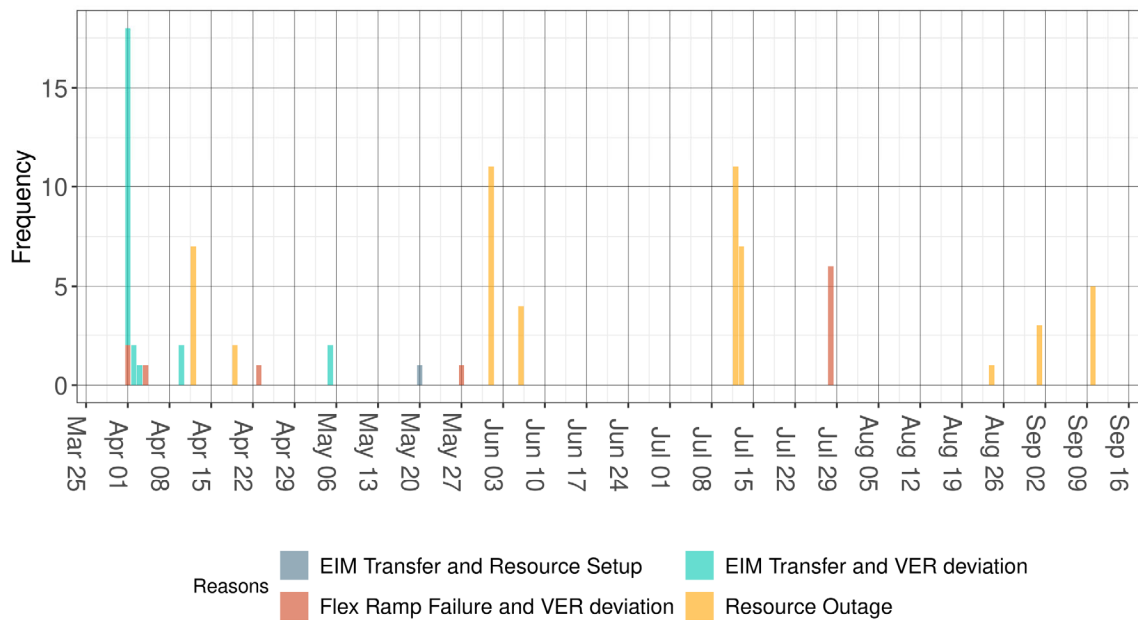
Trade Date	Trade Hour	Trade Interval	MW Infeasibility

Table 2: List of valid RTD under-supply infeasibilities in the PNM BAA

Trade Date	Trade Hour	Trade Interval	MW Infeasibility
1-Sep-21	15	1	76.8
1-Sep-21	15	7	107.0
1-Sep-21	16	1	3.8
10-Sep-21	1	12	71.8
10-Sep-21	2	1	99.8
10-Sep-21	2	2	136.5
10-Sep-21	2	3	129.6
10-Sep-21	2	4	198.8

In general, under-supply infeasibilities for a BAA could be driven by various changes to either supply or demand conditions for a five-minute market interval. A root cause analysis was performed for all RTD under-supply infeasibilities listed in Table 2 and for each of the instances a primary reason was identified. Figure 4 shows the daily count of RTD under-supply infeasibilities categorized into various reasons for April 1, 2021 until October 1, 2021. There were three intervals with under-supply infeasibilities on September 1, 2021 due to the forced outage of a generating unit. Again, on September 10, 2021, there were five intervals with under-supply infeasibilities due to a forced outage of another generating unit. During both these outages, PNM deployed operating reserves to replace lost generation.

Figure 4: Frequency of RTD under-supply infeasibilities in the PNM BAA categorized by reasons



c. Balancing and Sufficiency Test Failures

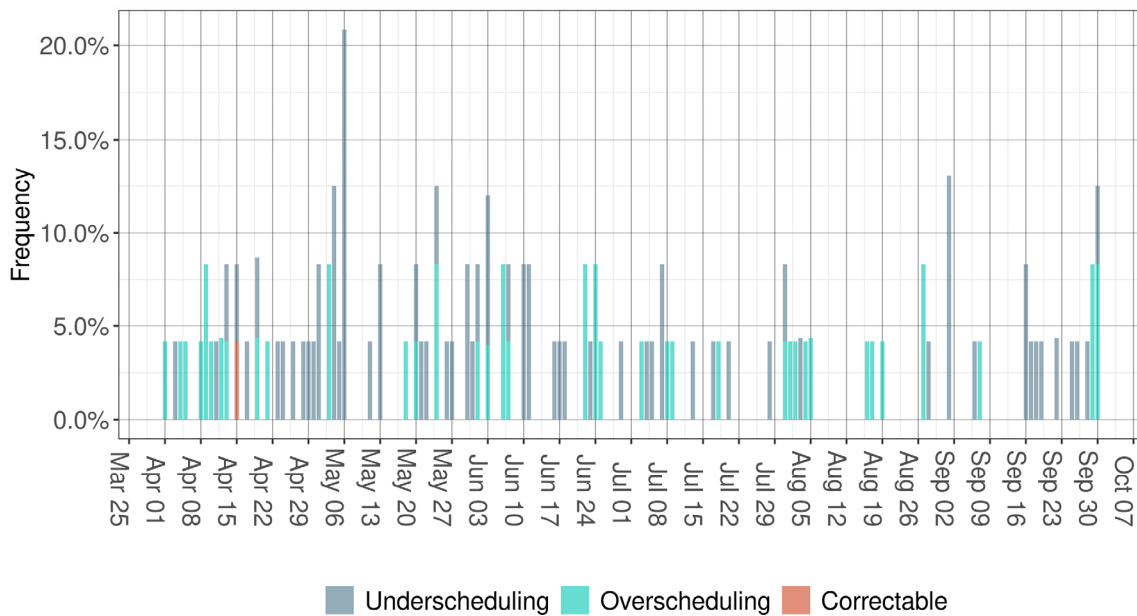
The EIM provides an opportunity to BAAs to serve their load while realizing the benefits of increased resource diversity. Since the EIM does not include resource adequacy requirements or obligations for resources to submit bids, the CAISO performs a series of resource sufficiency tests comprised of: (i) a balancing test, (ii) a capacity test, and (iii) a flexible ramping sufficiency test. These tests occur prior to the real-time market.

Performance of a balancing test before each trading hour ensures that each participating BAA submits a balanced base schedule of generation and a net schedule interchange to meet its demand. In addition, the participating BAA is required to submit bids with enough ramping capability to meet its net load forecast uncertainty and load movement requirements. Figure 5 shows the trend

of balancing test outcomes for the period of April 1, 2021, until October 1, 2021, and Figure 6 shows the pattern of bid-range capacity test outcomes for the period of April 1, 2021, until October 1, 2021.³ If a balancing test or the bid-range capacity test is affected by data input failures or a software failures, those test results are shown as correctable events. The PNM BAA passed the balancing test in 97.35 percent of the intervals in September, which is within the acceptable range of the balancing test failures. The PNM BAA passed the bid-range capacity test in 99.82 percent of intervals in September.

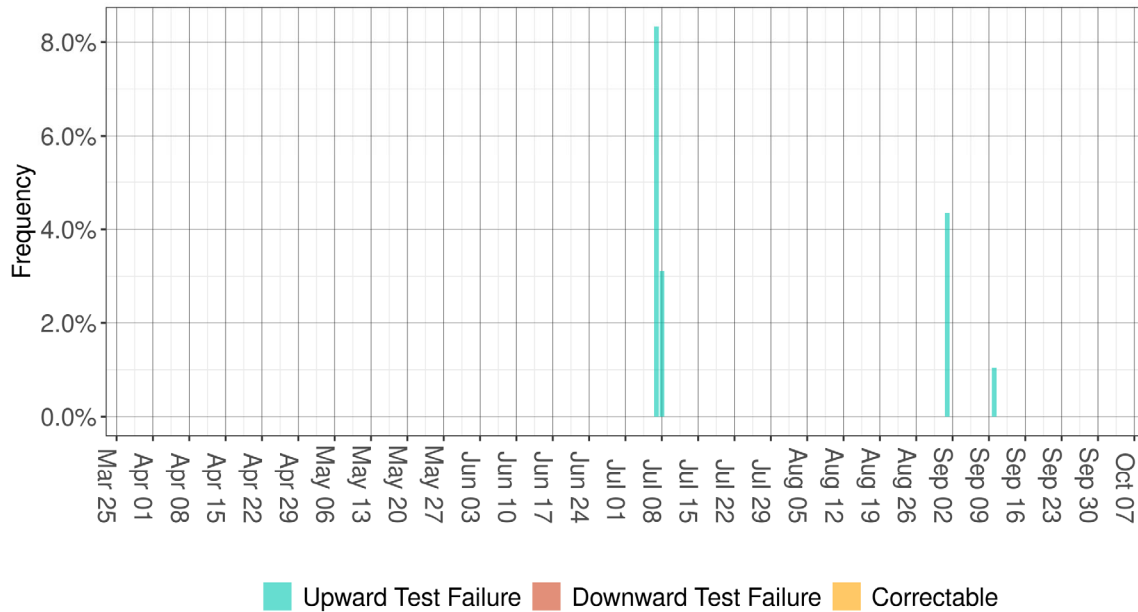
All the balancing test failures in September 2021 are classified into two reasons. First, the PNM BAA uses a software application to submit base schedules; some issues with this software application affected PNM’s ability to submit base schedules and caused balancing test failure. Second, in addition to the base schedule submission, PNM operators have to account for resource outages and manual dispatches to ensure these constraints do not affect the generation base schedules. As system conditions change in real-time, it can be challenging for operators to submit base schedules that do not conflict with either an outage or manual dispatch. In September, there were several instances where operators entered base schedules that conflicted with either the generation outage or manual dispatch that caused a balancing test failure. These instances were identified by PNM as opportunities to improve the base schedule submission process.

Figure 5: Frequency of Balancing test failures in the PNM BAA



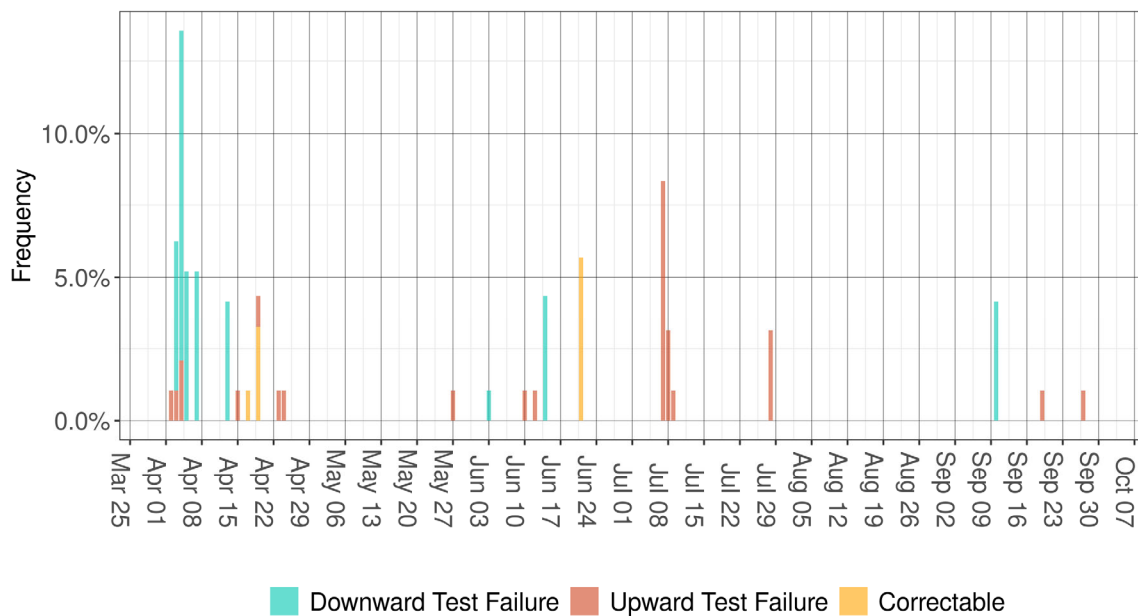
³ The CAISO performs resource sufficiency tests pursuant to Section 29.34(k) of the CAISO tariff.

Figure 6: Frequency of Bid Range Capacity test failures in the PNM BAA



The CAISO also performs the flexible ramping sufficiency test as specified in Section 29.34(m) of the CAISO tariff. Figure 7 shows the trend of the test failures for flexible ramping for the period of April 1, 2021 until October 1, 2021. The PNM BAA passed the flexible ramp up test in 99.93 percent of intervals and flexible ramp down test in 99.86 percent of the intervals in September.

Figure 7: Frequency of flexible ramping sufficiency test failures in the PNM BAA



d. Flexible Ramping Product

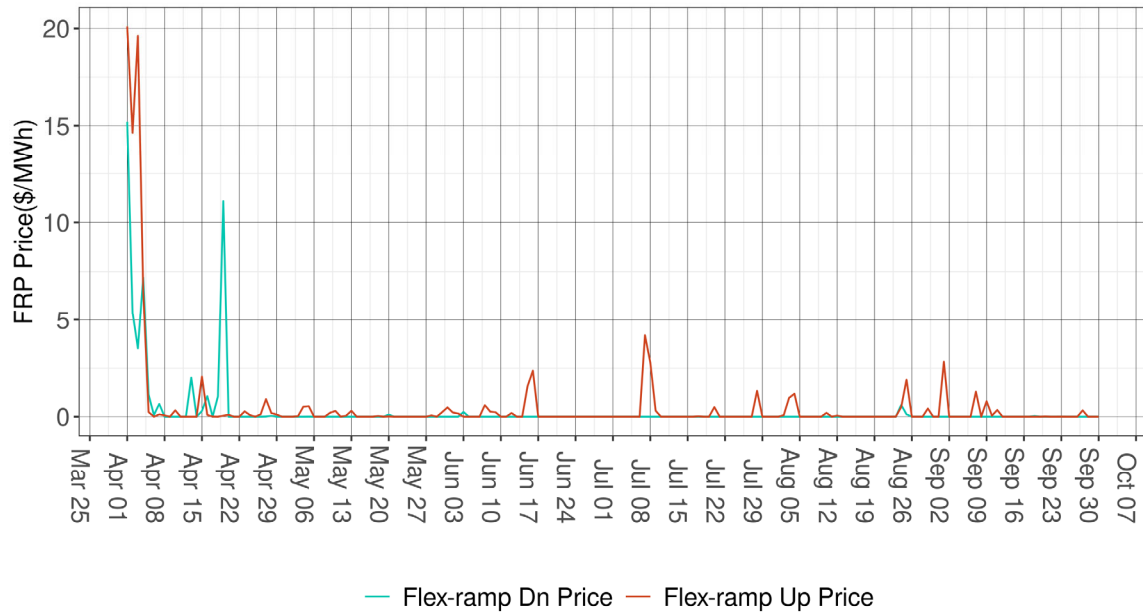
Figure 8 shows the daily average of the upward and downward flexible ramping constraint requirement and procurement in the FMM, the positive portion of a bar represents flexible ramp up and the negative portion of a bar represents flexible ramp down. Figure 9 shows the daily average of the upward and downward flexible ramping constraint prices in the FMM. With the implementation of the flexible ramping product on November 1, 2016, calculation of the requirements consists of historical data for uncertainty with any applicable net import/export capability or credit. This effectively reduces the amount of flexible ramping the PNM BAA has to procure and, generally, the EIM system-wide area (which includes all the BAAs in the EIM, including the CAISO BAA) will drive the requirements. The market clearing process may result in procuring the PNM BAA capacity towards meeting the overall EIM-system-wide area requirement. This is the main reason why the individual PNM procurement may generally fall below or be above the individual PNM flex ramp requirement. For most of the time, the flexible ramping up procurement was below the area requirements.

Figure 8: Daily Average requirement and procurement of upward flexible ramping in the FMM for PNM BAA



The price trend provided in Figure 9 is the nested price determined by the summation of the shadow price of the individual PNM BAA plus the shadow price of the EIM system-wide area. In September, the average upward flexible ramping capacity price was \$0.19/MWh and the average downward flexible ramping capacity price was \$0.0/MWh.

Figure 9: Daily Average price of flexible ramping Up and Down in the FMM for PNM BAA



CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service list in the above-referenced proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California, this 27th day of October 2021.

/s/ Anna Pascuzzo
Anna Pascuzzo