



Briefing on 2018 Policy Initiatives Roadmap and Annual Plan

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The ISO previously committed to revising the policy initiatives catalog and roadmap process

Key Changes

- Catalog
 - Catalog updated in February and August
 - Created stakeholder submission template for new initiative requests
- Policy Roadmap and Annual Plan
 - Retired initiative ranking
 - Publish three-year policy roadmap and annual plan

2018 Policy Initiatives Roadmap process

- *Policy Initiatives Catalog* process updates descriptions, categorization and status of all identified policy initiatives.
- *Final Policy Initiatives Catalog* published on December 7
- *2018 Policy Initiatives Roadmap* process
 - Draft three-year roadmap and annual plan posted December 7
 - Final roadmap and annual plan posted January 12
 - Roadmap briefing to EIM Governing Body on January 23
 - Roadmap briefing to ISO Board of Governors on February 15

Primary drivers of proposed three-year roadmap

- Recent grid operations challenges pointing to need for day-ahead market enhancements to better manage net load curve in real time
- Extending day-ahead market enhancements to other EIM balancing areas provides regional benefits
- Increasing risk of retirement leading to increase in RMR driving need to reform the resource adequacy program
- Continuing efforts to lower barriers to DER
- market participation and addressing transmission-distribution interface coordination in line with DER growth

Day-ahead market enhancements address net load curve and uncertainty previously left to real-time market

- 15-minute scheduling granularity
 - Ensures day-ahead market commits resources with sufficient ramping capability
- Day-ahead flexible reserve product
 - Compensates resources for must-offer obligation in real-time market to address net load uncertainty
- Combined integrated forward market and residual unit commitment
 - Increase efficiency by simultaneously clearing bid in demand and balancing area net load forecast
- Full network model phase 2
 - Improved modeling of intertie transaction sources/sinks

Extending the day-ahead market to EIM Entities provides additional regional benefits.

- Key benefits:
 - Allows EIM participants to take advantage of day-ahead market enhancements
 - Day-ahead unit commitment and scheduling across larger footprint improves market efficiency and more effectively integrates renewables
- Key principles:
 - Each balancing authority retains reliability responsibilities
 - States maintain control over integrated resource planning
 - Resource adequacy procurement decisions remain with local regulatory authority
 - Transmission planning and investment decisions remain with each balancing authority and local regulatory authority

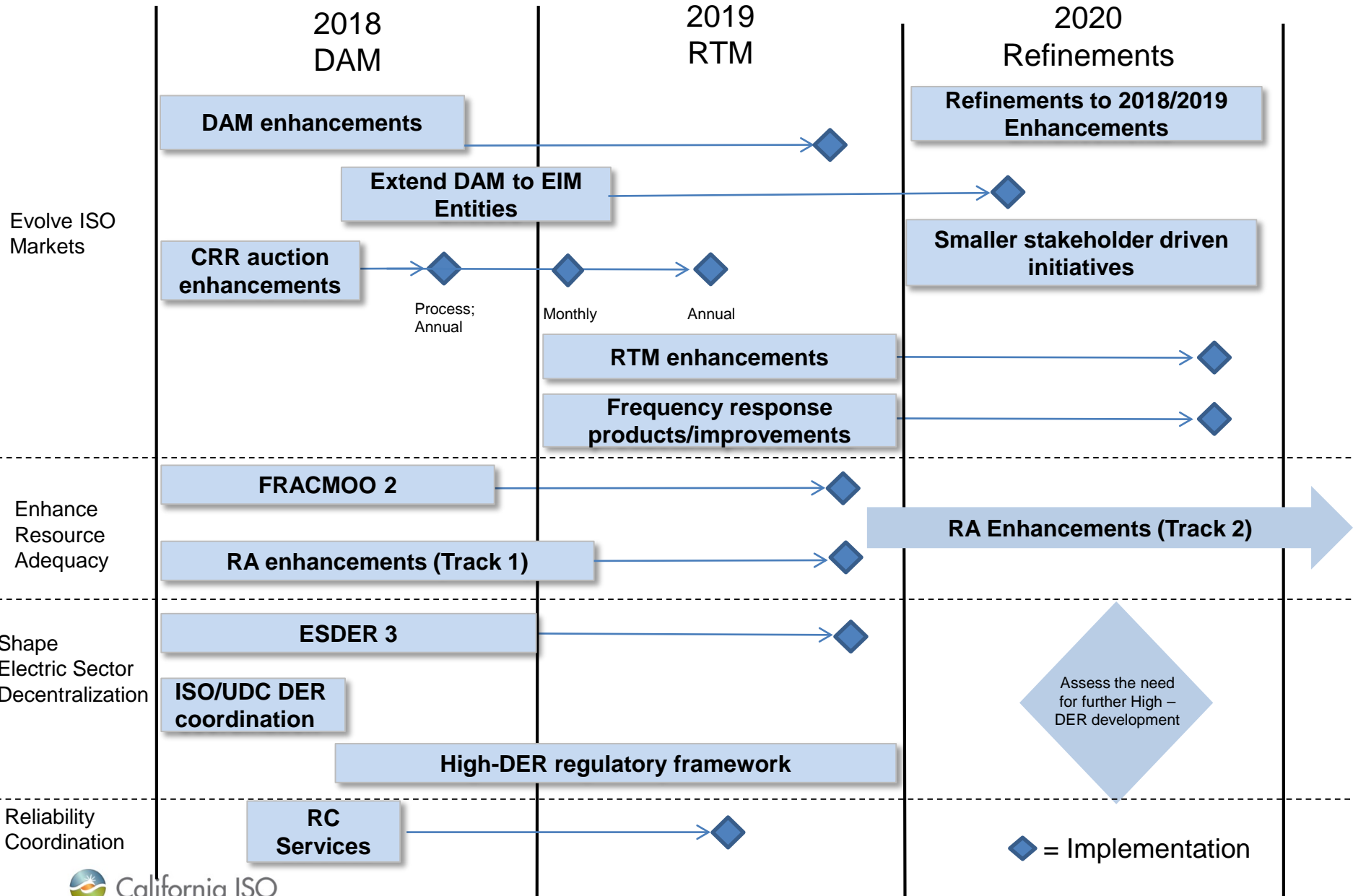
Scope of stakeholder initiative to extend day-ahead market to EIM Entities:

- Align transmission access charge (TAC) paradigms
 - Ensure EIM Entities recover transmission costs consistent with existing bilateral transmission framework
 - Consistent billing determinants across day-ahead market footprint for market efficiency
- Distribution of congestion rents collected through day-ahead market
 - Similar to ISO congestion revenue rights allocation to those that pay for transmission
- Day-ahead resource sufficiency evaluation
 - Ensure balancing areas not leaning on others for capacity, flexibility or transmission

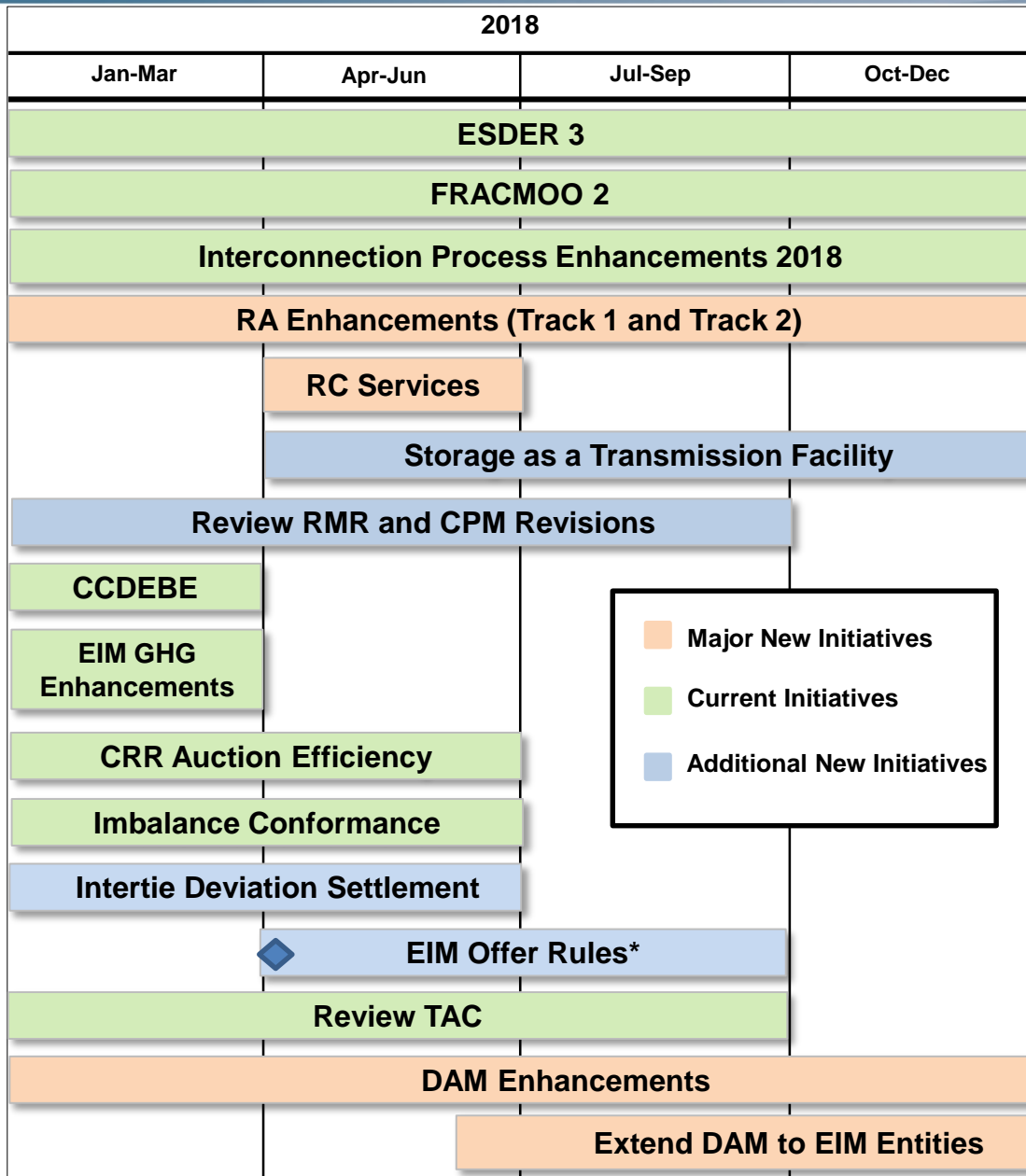
Scope of stakeholder initiative to extend day-ahead market to EIM Entities (continued):

- Provide for capacity trading (transferring bid range)
 - Facilitate monthly/daily/hourly bilateral transactions across expanded day-ahead market footprint
 - Used to help meet resource sufficiency evaluation using resources outside a balancing area
- Day-ahead GHG attribution
 - Extend EIM real-time market approach to day-ahead

Three-year Policy Roadmap of Major New Initiatives



2018 Annual Plan



- Major New Initiatives
- Current Initiatives
- Additional New Initiatives

◆ Workshop

*EIM DEB Option and RT Resource Sufficiency