



# Briefing on 2020 Policy Initiatives Roadmap and Annual Plan

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# 2020 Policy Initiatives Roadmap process

- *Policy Initiatives Catalog* process updates descriptions, categorization and status of all identified policy initiatives
- *Final Policy Initiatives Catalog* published on September 5
- *2020 Policy Initiatives Roadmap* process
  - Draft three-year roadmap and annual plan posted September 30
  - Final roadmap and annual plan posted November 25
  - Roadmap briefing to ISO Board of Governors on December 19
  - Roadmap briefing to EIM Governing Body on January 22, 2020
    - Post final roadmap following EIM Governing Body meeting

## 2020 Policy Roadmap reflects new process guidelines

- Currently, the EIM Governing Body and Board of Governors decision dates are tied to completion of policy development
  - Tariff and business requirement development occur after board approval of a policy
  - Implementation details often identify further policy refinement
- Beginning 2020, the ISO's new process:
  - Complete policy, tariff, and business requirements development prior to EIM Governing Body and Board of Governors approval
    - Allows for greater coordination and alignment during each stage of the process

# Primary drivers of proposed three-year roadmap

- Manage operational risk resulting from a transforming grid
- Enhance the market in response to changing grid conditions and clean energy goals in California and the West
- Continue enhancements to EIM, including integration into the day-ahead market, to provide benefits across the West
- Reform ISO's resource adequacy rules necessitated by increasing retirements and tightening dispatchable capacity
- Integrate new technologies to replace operational attributes previously provided by the thermal fleet

## New 2021 initiative enhancing market dispatch capability will improve operability of the fleet by:

- Manage ramp rates to better control system balance
- Enhance market incentives for resources to provide accurate curtailment response
  - i.e., lower the bid floor
- Explore solutions to mitigate decremental market power
- Change settlement rules for decremental exceptional dispatch
- Increase real-time intertie liquidity
  - i.e., exempt real-time exports from transmission access and measured demand uplift charges

# Enhancements to resource adequacy program needed to align procurement with operational needs.

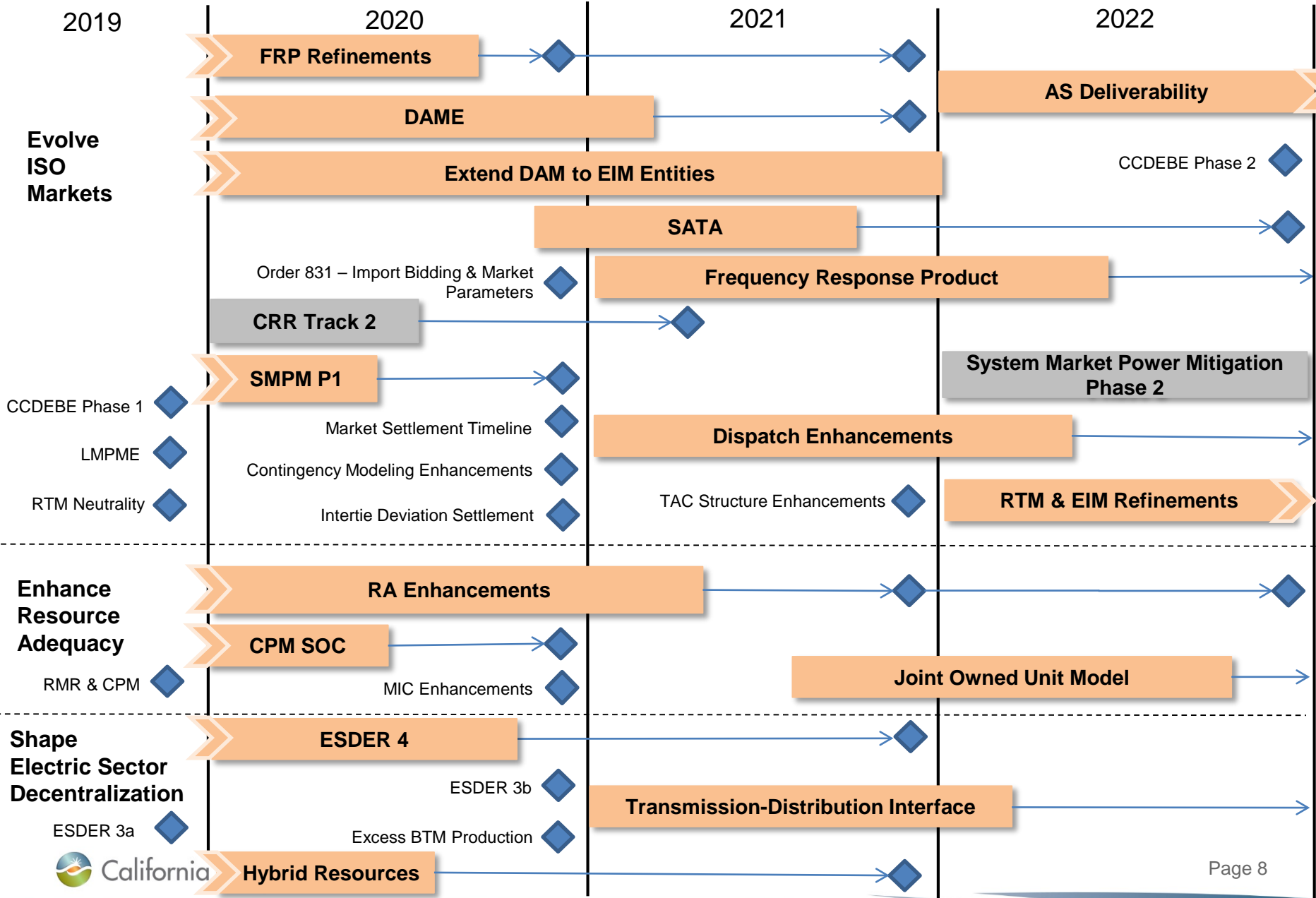
- Implementation 2020
  - Maximum import capability enhancements (new initiative)
  - Slow demand response
- Implementation 2021
  - Resource adequacy import provisions
  - Planned outage process enhancements
  - Local studies with availability-limited resources capacity procurement mechanism clarifications
  - Must offer obligations and bid insertion rules
  - Flexible resource adequacy
- Implementation 2022
  - Capacity counting rules and forced outage assessments
  - Portfolio analysis to ensure system sufficiency

Energy storage and distributed energy resources initiative continues to refine distributed energy resources and storage participation models and lower integration barriers.

- Develop methodology to calculate default energy bids for non-generator resources
- Expand distributed energy resources and storage modeling to optimally capture value and leverage resource design attributes that support grid reliability
  - State of charge parameter for non-generator resources
  - Maximum daily run time parameter for demand response
- Develop market participation rules and inform Local Regulatory Authority consideration of qualifying capacity counting for demand response

# Proposed Three-year Policy Roadmap of Major Initiatives

◆ = Implementation

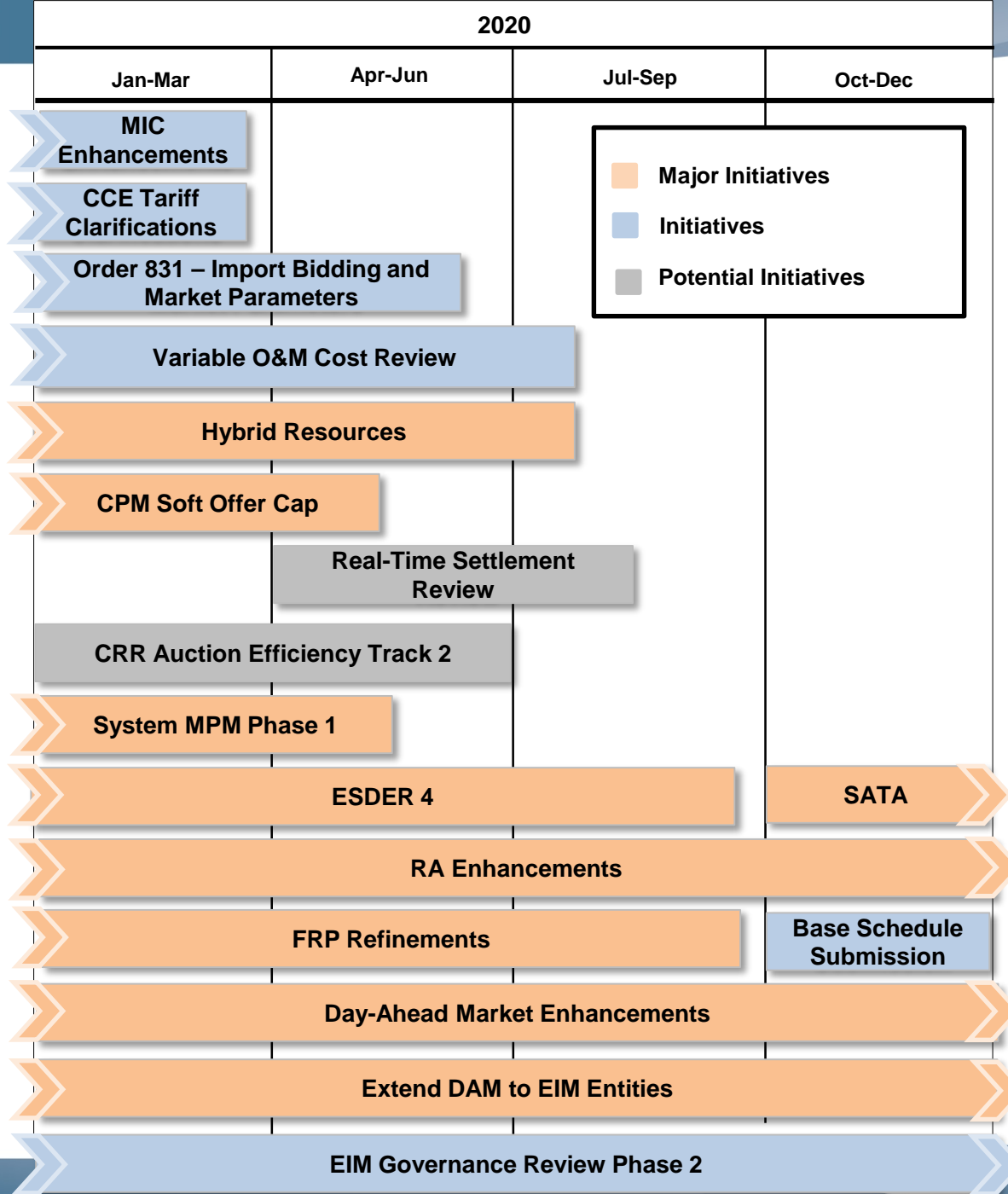


\*Timeframes are approximate and subject to change



# 2020 Draft Annual Plan

\*Timeframes are approximate and subject to change



# Stakeholders support the 3 year roadmap and annual plan.

- Stakeholders support new process guidelines
- PG&E believes the 2020 Annual Plan is too ambitious and requests prioritization of system market power mitigation, resource adequacy enhancements, and capacity procurement mechanism soft offer cap
- Stakeholders urge for continued policy alignment between day-ahead market enhancements and extended day-ahead market to EIM entities
  - Management recognizes the interdependencies between both initiatives. Policy teams are closely working together to ensure the day-ahead market enhancements and extended day-ahead market designs align

# Acronyms

|         |  |
|---------|--|
| AS      | Ancillary Services                                   |
| BTM     | Behind the Meter                                     |
| CCE     | Commitment Cost Enhancements                         |
| CCDEBE  | Commitment Costs and Default Energy Bid Enhancements |
| CPM     | Capacity Procurement Mechanism                       |
| CRR     | Congestion Revenue Rights                            |
| DAM     | Day-Ahead Market                                     |
| DAME    | Day-Ahead Market Enhancements                        |
| DER     | Distributed Energy Resources                         |
| DR      | Demand Response                                      |
| EIM     | Energy Imbalance Market                              |
| ESDER   | Energy Storage and Distributed Energy Resources      |
| FRP     | Flexible Ramping Product                             |
| LMPME   | Local Market Power Mitigation Enhancements           |
| MIC     | Maximum Import Capability                            |
| MPM     | Market Power Mitigation                              |
| PG&E    | Pacific Gas and Electric                             |
| PGE     | Portland General Electric                            |
| RA      | Resource Adequacy                                    |
| RMR     | Reliability Must Run                                 |
| RTM     | Real-Time Market                                     |
| SATA    | Storage as a Transmission Asset                      |
| SMPM P1 | System Market Power Mitigation Phase 1               |
| SOC     | Soft Offer Cap                                       |
| TAC     | Transmission Access Charge                           |