

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System
Operator Corporation**)

Docket No. ER23-2686-000

**COMMENTS OF THE DEPARTMENT OF MARKET MONITORING
OF THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (“FERC” or “Commission”), 18 C.F.R. §§385.212, 385.214, the Department of Market Monitoring (“DMM”), acting in its capacity as the Independent Market Monitor for the California Independent System Operator Corporation (“CAISO”), submits these comments in the above-captioned proceeding.

I. COMMENTS

Summary

In this filing, CAISO proposes additional revised tariff amendments to implement the Day-Ahead Market Enhancements (DAME) and Extended Day-Ahead Market (EDAM) policy initiatives following the Commission’s December 20 Order.^{1,2} DMM supports the clarifications to the tariff proposed in this filing.

¹ *California Independent System Operator Corporation Day-Ahead Market Enhancements and Extended Day-Ahead Market Compliance Filing*, California Independent System Operator Corporation, Docket No. ER23-2686-000, (“Compliance Filing”):

<https://www.caiso.com/Documents/Feb16-2024-ComplianceFiling-DAME-EDAM-ER23-2686.pdf>

² 185 FERC ¶ 61,210 *December 20 Order*, Federal Energy Regulatory Commission, Docket No. ER23-2686-000, (“December 20 Order”):

<https://www.caiso.com/Documents/Dec20-2023-OrderAcceptingTariffRevisionsinPart-SubjecttoCondition-RejectinginPart-EDAM-DAME-ER23-2686.pdf>

In the December 20 Order, the Commission directed the CAISO to update the proposed tariff amendments to better describe the balancing area-level market power mitigation procedures for EDAM Entities, and codify the determinants of the configurable deployment factor that will be used to determine procurement of imbalance reserves.

The EDAM design includes a new framework for balancing area power balance constraints. This change requires additional clarifications in the tariff to ensure that existing balancing area-level market power mitigation procedures are reflected accurately for the Western Energy Imbalance Market (WEIM). In addition, the new tariff language in the Compliance Filing makes it clear that these specific market power mitigation procedures will also be applied in the day-ahead timeframe upon the implementation of EDAM.

Following the CAISO's August 22 Filing, and comments made by the CAISO in a recent stakeholder workshop, DMM was concerned there was ambiguity in whether the CAISO would implement balancing area-level market power mitigation at the onset of EDAM.³ DMM's understanding is that the CAISO's final policy proposal clearly stated the market power mitigation practices in WEIM would be extended to EDAM, which includes balancing area-level mitigation.⁴ DMM supports the clarifications made in the Compliance Filing which clearly articulate that balancing area-level mitigation will be applied in EDAM.

³ *California Independent System Operator Corporation Day-Ahead Market Enhancements and Extended Day-Ahead Market*, California Independent System Operator Corporation, Docket No. ER23-2686-000, ("August 22 Filing"): <https://www.caiso.com/Documents/Aug22-2023-DAME-EDAM-Tariff-Amendment-ER23-2686.pdf>

⁴ *Comments on Day-Ahead Market Enhancements and Extended Day-Ahead Market*, Department of Market Monitoring, Docket No. ER23-2686-000: <https://www.caiso.com/Documents/DMM-Comments-ER23-2686-DAME-EDAM-9-21-2023.pdf>

The Compliance Filing also includes details on how the CAISO will configure the deployment factor parameter. In DMM's comments on the CAISO's August 22 Filing, DMM noted that the proposed approach of using configurable parameters in imbalance reserve deployment scenarios reflects a conservative and prudent approach.⁵ DMM supports the CAISO's proposed tariff revisions in the Compliance Filing to further codify how these parameters will be adjusted.

The comments below provide more detail on the market power mitigation elements of the Compliance Filing.

Balancing area-level market power mitigation

DMM supports the CAISO's proposed tariff amendments explaining balancing area-level local market power mitigation upon the implementation of EDAM. In the Final Proposal of the CAISO's EDAM stakeholder initiative, the CAISO proposed extending the balancing area-level market power mitigation practices in WEIM to EDAM.⁶

In the WEIM, the CAISO currently conducts local market power mitigation procedures on transmission constraints, and also tests the competitiveness of balancing areas under certain conditions. Specifically, the CAISO tests balancing areas for competitiveness when the power balance constraint shadow price of that balancing area is greater than zero.

In the current framework, there is a system power balance constraint and additional power balance constraints for each non-CAISO balancing area. When a balancing area in the WEIM is import constrained from the CAISO balancing area, the

⁵ Ibid.

⁶ *Extended Day-Ahead Market – Final Proposal*, CAISO, December 7, 2022, pp 86-87: <https://www.caiso.com/InitiativeDocuments/FinalProposal-ExtendedDay-AheadMarket.pdf>

shadow price on that balancing area's power balance constraint is greater than zero. This triggers the test of whether that balancing area can competitively meet its own demand in the WEIM. If the balancing area fails the competitiveness test, then all resources in that balancing area are subject to market power mitigation procedures.

Upon implementation of EDAM, the CAISO will implement a power balance constraint for the CAISO balancing area instead of a system power balance constraint. With this change, each balancing area will now have its own marginal energy cost, which will be reflected in the power balance constraint shadow price. Under this framework, when a balancing area is import constrained from the CAISO balancing area, the balancing area's power balance constraint shadow price will exceed the power balance constraint shadow price of the CAISO balancing area. Therefore, rather than testing balancing areas for competitiveness when their power balance shadow price is positive, balancing area-level mitigation in EDAM will be implemented by testing for competitiveness when the balancing area power balance shadow price is higher than that of the CAISO balancing area.

In the Compliance Filing, CAISO proposed to update the tariff's description of balancing area-level market power mitigation in the WEIM. The proposed updates state that when non-competitive conditions exist in a balancing area, the difference between the marginal energy cost of that balancing area and the CAISO's marginal energy cost will be treated similarly to the non-competitive component of the marginal cost of congestion in the local market power mitigation process.⁷ DMM understands this to mean that when a balancing area's power balance shadow price exceeds the CAISO's, and that

⁷ Compliance Filing, p 15

balancing area fails the competitiveness test, then all resources within that balancing area will be subject to market power mitigation procedures. The CAISO has confirmed this understanding in the Compliance Filing.⁸

DMM supports the CAISO's proposed clarification of balancing area-level mitigation in the WEIM under the power balance constraint framework to be adopted with the EDAM implementation. DMM supports the similar explanation the CAISO has proposed to include in the tariff sections describing market power mitigation in the residual commitment process and integrated forward market for EDAM balancing areas.⁹

II. CONCLUSION

DMM supports the CAISO's proposed clarifications in the Compliance Filing. DMM respectfully requests that the Commission afford due consideration to these comments as it evaluates the proposed tariff provisions before it.

⁸ Ibid, p 8-9

⁹ Ibid, pp 25-26

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, 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 7th day of March, 2024.

/s/ Aprille Girardot
Aprille Girardot