

**Stakeholder Comments Template
Day-Ahead Market Enhancements Initiative**

This template has been created for submission of comments on proposed market design options discussed with stakeholders during the August 13, 2019 Day-Ahead Market Enhancements working group meeting. Information related to this initiative is available on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/Day-AheadMarketEnhancements.aspx>.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on August 27, 2019.

Submitted by	Organization	Date Submitted
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Please provide comments on the preferred market structures that were discussed during the August 13, 2019 working group meeting. Include the pros and cons for each option.

- At this time, does your organization support moving forward with **Option 1: Financial**, **Option 2: Financial + Forecast**, or **undecided**. Provide supportive comments (in favor of, or in opposition to) below.

Please double click on check box below to select your position:

<p><u>Option 1:</u></p> <p><input type="checkbox"/> Support</p> <p><input type="checkbox"/> Support with caveats</p> <p><input checked="" type="checkbox"/> Oppose</p> <p><input type="checkbox"/> Undecided</p>	<p><u>Option 2:</u></p> <p><input type="checkbox"/> Support</p> <p><input type="checkbox"/> Support with caveats</p> <p><input checked="" type="checkbox"/> Oppose</p> <p><input type="checkbox"/> Undecided</p>
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Option 1: Financial

- Co-optimizes bid-in demand, ancillary services and imbalance reserves
- Imbalance reserves cover historical uncertainty between IFM cleared net load and FMM net load
- Exceptional dispatch if IFM clears inconsistent with operational needs

Please provide comments to explain your position on option #1:

Middle River Power (“MRP”) is undecided on Option 1 as a starting point and has concerns about relying on a day-ahead exceptional dispatch process to meet the CAISO’s demand forecast and other operating needs. It remains unclear how extensive the exceptional dispatch will be and therefore unclear how it will impact the overall market. Additional study should be considered to determine the impacts.

MRP continues to strongly support the CAISO developing a fully deliverable flexible ramping product (or imbalance product) for the day-ahead market that ensures sufficient flexible capability is offered into the real-time market. MRP believes that there is not a significant issue with the day-ahead process other than there is no day-ahead product that captures the CAISO’s real time uncertainty. A flexible ramping product would resolve CAISO’s uncertainty concerns since most of the RUC biasing to increase day-ahead capacity was due to operator concerns about having sufficient flexibility in real-time due to renewable or load forecast error.

MRP suggests the CAISO prioritize implementing a day-ahead imbalance product as part of the current day-ahead market process.

Pros of option #1:

- Obtaining imbalance reserves/flexible ramping products in the day-ahead market will resolve issues identified in the uncertainty envelope.

Cons of option #1:

- It is unclear to MRP how depending on exceptional dispatch to position units to meet the CAISO’s demand forecast will impact the market and if it will meet the CAISO’s overall operational needs.
- Exceptional dispatch may create out-of-market solutions which are unfavorable and negatively impact the market. Further, exceptional dispatch designations may cause selections of facilities that create a less economic solution than the market can provide with development of a day ahead flexible ramping product.

Option 2: Financial + Forecast

- Co-optimizes bid-in demand, ISO reliability capacity, ancillary services and imbalance reserves

- Imbalance reserves cover historical uncertainty between ISO's day-ahead net load forecast and FMM net load
- Reliability capacity covers differences between ISO net load and cleared net load
- Exceptional dispatch if IFM/RUC clears inconsistent with operational needs

Please provide comments to explain your position on option #2:

As noted above MRP supports both the development of fully deliverable imbalance reserves/flexible ramping products in the day-ahead market. MRP remains concerned that Option 2 as suggested may have unintended consequences. By combining the procurement of market-based reliability capacity to meet forecast demand and bid-in demand clearing price the CAISO will introduce uncertainty in the financial markets. The design inherently decouples the virtual and physical supply prices and may further diverge the day-ahead and real time markets. Lastly, MRP opposes clearing the market at the CAISO demand forecast.

Once again, MRP suggest the CAISO focuses on implementing a day-ahead imbalance product as part of the current day-ahead market process.

Pros of option #2:

- Obtaining imbalance reserves/flexible ramping products in the day-ahead market will resolve issues identified in the uncertainty envelope.

Cons of option #2:

- MRP believes designing and implementing the integrated IFM-RUC will be extremely complex and take time away from other valuable efforts. The CAISO's priority should be to reduce operator interventions in real-time and explore why the real-time price is systematically lower than the day-ahead price. It is our concern that lower real-time prices will not incent the needed flexibility and the high amounts of operator interventions point to a dysfunction real-time flexible ramping product design. The CAISO should focus on developing and implementing a day-ahead flexible ramping product that eliminates the need for the majority of RUC commitments and operator day-ahead load biasing.
- MRP is concerned by clearing the day-ahead energy market at the CAISO's demand forecast it would further decouple a) day-ahead and real-time prices and b) physical supply and virtual supply prices. This divergence would create negative impacts that have not yet been fully evaluated by the CAISO.

Please offer any other feedback your organization would like to provide on presentation materials and discussion for August 13, 2019 Day-Ahead Market Enhancements stakeholder working group meeting.

Comments:

MRP asks the CAISO to reevaluate and study the issues it is trying to solve before moving forward with either proposal. MRP believes improvement in the real-time market design as well as adding a fully deliverable flexible ramping product in the day-ahead market would provide the enhancements necessary to resolve uncertainty. A new day-ahead market is not needed to address the CAISO's stated concerns which include (1) ramping needs, (2) net load uncertainty, and (3) deliverability concerns. Since there are many changes in play currently, the CAISO should consider MRP's suggestion of including a flexible ramping day-ahead product with enhancements to the real-time flexible market prior to making a wholesale change to the day-ahead market. MRP strongly believes a phased in approach will yield a better result with limited disruptions.

MRP thanks the CAISO for both the very informative working group and for consideration of the above comments. Further, MRP suggest the CAISO review several questions raised by MRP in the prior comments.