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.

1. 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:

Option 1:	**Option 2:**
☐ Support ☐ Support with caveats ☐ Oppose ☒ Undecided	☐ Support ☒ Support with caveats ☐ Oppose ☐ Undecided

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:

NCPA is still evaluating the Option #1 proposal offered by the CAISO; as such, NCPA does not have any specific comments at this time.

To ensure NCPA fully understands Option #1, NCPA would like CAISO to clarify if RUC will (or will not) continue to be used by CAISO to commit sufficient capacity based on forecasted demand as opposed to bid-in demand.

Pros of option #1:

NCPA is still evaluating Option #1, therefore NCPA has no comments at this time.

Cons of option #1:

NCPA is still evaluating Option #1, therefore NCPA has no comments at this time.

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:

Based on NCPA's current understanding of the Option #2 proposal, NCPA generally supports Option #2 subject to the proposal being adjusted, as may be required, to recognize the unique operating characteristics of a Load-Following Metered Subsystem (LF-MSS), as further discussed below.

Pros of option #2:

Although NCPA believes that many details remain to be filled in, NCPA could conceptually support the concepts behind CAISO's proposal to cooptimize the products required to maintain system reliability, while also achieving a cost effective solution for ratepayers.

Cons of option #2:

NCPA is concerned with potential unintended consequences associated with pricing differentials between physical and virtual awards, between reliability and IRP capacity, and how such pricing differences may encourage behavior that are focused solely on creating financial arbitrage opportunities, rather than focusing on ensuring reliable, cost effective, electric service for ratepayers.

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:

NCPA's support of Option #2 is contingent on CAISO's recognition of the unique operating characteristics of a LF-MSS. NCPA strongly believes that the unique operating characteristics of a LF-MSS are well aligned with the objectives of this initiative. For example, a LF-MSS is required to submit a combination of bids (self-schedules and/or economic bids) into the Day-Ahead Market that are equal to or greater than the LF-MSS's forecasted demand. Based on this requirement, the CAISO's requirement to secure Reliability capacity is reduced. This concept is already recognized in the Tariff. A LF-MSS is currently exempt from cost associated with RUC because a LF-MSS is required to self-provide its reliability needs by ensuring CAISO has access to sufficient capacity to serve a LF-MSS's forecasted demand. Also, a LF-MSS is required to balance its portfolio of supply and demand, within a tight deviation band, during each 5-minute dispatch interval. If a LF-MSS fails to manage its uncertainty and load-following needs, a LF-MSS is subject to significant deviation penalties. The load-following requirements of a LF-MSS are based on the change in load and/or supply measured from the Day-Ahead Market award through final meter; therefore, a LF-MSS self manages its imbalance requirements by load following from the Day-Ahead Market through real-time. This reduces CAISO's requirement to secure imbalance reserves. Therefore, consistent with how costs associated with Flexible Ramping Product are allocated today, a LF-MSS's exposure to costs associated with imbalance reserves should be limited to a LF-MSS's net portfolio deviation (positive or negative), which represents the net amount of energy that is purchased or sold from/to the CAISO in the Real-Time Market.