

**Comments of Powerex Corp. on
2018 Policy Initiatives Draft Roadmap**

Submitted by	Company	Date Submitted
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Powerex appreciates the opportunity to provide comments on CAISO's 2018 Policy Initiatives Draft Roadmap ("Draft Roadmap") presented at the December 14, 2017 stakeholder meeting. These comments also address changes to the Draft Policy Initiatives Catalog.

With One Exception, Powerex Generally Supports CAISO's Prioritization of Policy Initiatives

Powerex recognizes that the pursuit of market improvements is necessarily limited by the availability of time and resources, not only for CAISO but also for stakeholders. For this reason, it is necessary to prioritize the multiple initiatives under consideration. For the 2018 Draft Roadmap, CAISO proposes to prioritize those initiatives that support certain key strategic objectives. More specifically, CAISO proposes to pursue initiatives related to (1) day-ahead enhancements to better manage net load changes in real-time; (2) extension of the day-ahead market to EIM entities; (3) reform of the Resource Adequacy (RA) program; and (4) continued reduction of barriers to Distributed Energy Resources (DERs).¹

Powerex generally supports the approach of articulating broad policy objectives, and prioritizing the stakeholder processes necessary to support those objectives. This approach is particularly useful when a policy objective entails multiple interrelated aspects of the broader CAISO market design, and hence may require multiple stakeholder processes to be pursued in parallel. CAISO's policy initiative process appears to provide for a more coordinated approach than the now-retired priority ranking process, in which each proposed initiative was typically considered on a stand-alone basis.

Powerex specifically supports CAISO's identification and prioritization of initiatives that can enhance CAISO's ability to manage evolving real-time conditions, as well as initiatives intended to secure sufficient capacity and flexibility committed on a forward basis to ensure reliability.

¹ CAISO December 14 Presentation, at 5. Available at: <http://www.caiso.com/Documents/Agenda-Presentation-2018DraftPolicyInitiativesRoadmap.pdf>

The safe and reliable operation of the grid is the CAISO's most important responsibility, and Powerex supports pursuing a suite of market enhancements in support of this objective.

Powerex Objects to the Exclusion of a Fourth DEB Option from the Draft Roadmap

The Draft Roadmap fails to include the proposed stakeholder initiative on a fourth Default Energy Bid ("DEB") option. It is not clear to Powerex whether this omission was simply an oversight or reflects a deliberate prioritization decision by CAISO staff. If it is the latter, Powerex strongly disagrees and requests that CAISO staff reconsider this prioritization, particularly in light of the support expressed by current, planned and potential EIM participants.

Powerex believes that a fourth DEB option is critically important to both the voluntary participation and efficient market dispatch of energy-limited resources located outside the CAISO balancing authority area (BAA). As explained in Powerex's earlier comments, the existing options for calculating DEBs under the Tariff are poorly suited—and in some circumstances, may be completely unworkable—for energy-limited resources located outside of the CAISO BAA. In short, Powerex believes that the existing DEB options under the CAISO Tariff need to be expanded, as they were developed within a full ISO/RTO context, and prior to the development of the EIM and the voluntary participation of external resources.

Comments supporting a stakeholder initiative to develop a fourth DEB option were submitted by Arizona Public Service Co., Bonneville Power Administration, Chelan County Public Utility District, Idaho Power Company, PacifiCorp, Public Generating Pool, Portland General Electric, and Seattle City Light. Notably, this initiative was supported by virtually every major entity that engages in wholesale sales sourced from energy-limited storage hydro systems in the Northwest. In light of the clear need expressed by these entities for the development of a new DEB option (and/or revised local market power mitigation measures) that are more appropriate to their circumstances, the Draft Roadmap's failure to include such an initiative is a glaring omission. Moreover, developing a more appropriate bid mitigation framework appears to be integral to the success of many of the initiatives that CAISO *has* prioritized, including those initiatives that expand the types of products that CAISO will seek to procure from resources voluntarily offered into the market.

For these reasons, Powerex urges CAISO to include initiative 6.1.1 from the Policy Initiatives Catalog in the 2018 Draft Roadmap.

Powerex Supports the Additions to the Policy Initiatives Catalog

The December 7, 2017 revised Policy Initiatives Catalog includes a group of new initiatives under the heading *6.1.12 Extend Day-Ahead Markets to EIM Entities*. Within this grouping are initiatives related to aligning transmission charges (6.1.12.1), developing a day-ahead resource sufficiency evaluation (6.1.12.2), transferring bid range (6.1.12.3), developing an appropriate methodology for attributing greenhouse gas emissions in the day-ahead market (6.1.12.4), and

the potential design of day-ahead congestion revenue rights over the expanded participating footprint (6.1.12.5).

Powerex is generally supportive of CAISO and stakeholders *exploring* extending the day-ahead market to a broader geographic footprint, on a voluntary basis. Just as the EIM extended the CAISO's real-time market processes to BAAs outside of the CAISO, voluntary participation in CAISO's day-ahead market could also be offered. Powerex agrees that the individual topics identified in the revised Policy Initiatives Catalog will need to be addressed as part of any design that extends day-ahead markets beyond the CAISO BAA footprint. However, Powerex believes it is premature to make any determination regarding how each topic should be addressed. For example, it may be premature to conclude that each participating BAA must necessarily issue congestion revenue rights for locations within its area. Rather, Powerex believes the topic should be framed more neutrally as defining access to day-ahead transmission service. Powerex also believes that any extended day-ahead market design may need to address issues beyond those added to the revised Policy Initiatives Catalog, such as enhancements to the current EIM governance framework (and as noted above a fourth DEB option for resources located outside the CAISO BAA). For these reasons, Powerex believes that the stakeholder process for exploring extended day-ahead market participation requires flexibility, and may ultimately entail a different subset of discrete initiatives than those now included in the revised Policy Initiatives Catalog. Finally, Powerex believes it is important to recognize that it is not yet clear that there will be sufficient agreement on key design issues, or that an extended day-ahead market would produce sufficient overall net benefits to potential participants, to move forward with an expanded, voluntary day-ahead market.