



Stakeholder Comments Template

Day-Ahead Market Enhancements (DAME) Initiative

This template has been created for submission of stakeholder comments on the revised straw proposal that was published on June 8, 2020. Materials related to this initiative can be found on the ISO website at: <http://www.caiso.com/StakeholderProcesses/Day-ahead-market-enhancements>.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on July 6, 2020.

Submitted by	Organization	Date Submitted
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Please provide your organization's overall position on the DAME revised straw proposal:

- Support
- Support w/ caveats
- Oppose
- Oppose w/ caveats
- No position

AWEA-California looks forward to continued discussion on the overall structure of DAME, including the market formulation and appropriate products. At this time, we take no position on the overall proposal, but urge CAISO to modify the method by which VERs would be able to participate in the day-ahead market, should the proposal move forward.

Please provide written comments on each of the revised straw proposal topics listed below:

1. Updated market formulation:

2. Accounting for energy offer cost in upward capacity procurement:

3. Variable energy resources:

In the latest Revised DAME Straw Proposal, CAISO has made changes which would prevent Variable Energy Resources' (VERs) from providing Imbalance Reserve Up and Reliability Capacity Up. But, in the paper and in stakeholder discussions, CAISO has indicated a willingness to explore modifications that would allow VERs to provide Imbalance Reserve Up and Reliability Capacity Up. AWEA-California urges CAISO to modify the DAME proposal to ensure VERs have the option to provide these products going forward. It would be short-sighted to overhaul the day-ahead market without providing new methods for VERs to participate in that market. Different, more flexible, methods of market participation for VERs will become increasingly important as the penetration of VERs increase. CAISO itself has participated in two studies (one for a solar resource and another for a wind resource) demonstrating the capabilities of VERs to provide headroom related services similar to the provision of Reliability Capacity Up and Imbalance Reserves Up.¹ To exclude VERs from providing these services in the new day-ahead market is inconsistent with those studies and with operational needs of a future grid comprised primarily of VERs and, thus, we appreciate that CAISO has indicated a willingness to correct this inconsistency and modify the proposal to allow VERs to provide these upward services. As discussed below, AWEA-California suggests that the CAISO create two categories of VERs with different rules for market participation, such that one category of VERs would be eligible to provide the new day-ahead products in the upward direction.

When DAME is implemented, many VERs will want to continue to participate in the day-ahead market as they historically have. It is important to provide an option for them to continue to do so. In order to provide this option, while still providing another option for VERs to participate in a new way, CAISO should create two types of VERs, with the designation of VER "type" included in the master file. Resources under the "type 1 VER" designation would not have any restrictions on how they bid into the day-ahead market. But, "type 1 VERs" would (as currently outlined in the Revised Straw Proposal) be **ineligible** to provide Imbalance Reserves Up or Reliability Capability Up.

There should also be a new category of VERs ("type 2 VERs"), which **would be eligible** to provide Imbalance Reserves Up and Reliability Capability Up. These VERs would have restriction on their ability to bid into the day-ahead market and would not be able to bid above the CAISO's day-ahead forecast. The benefit of allowing VERs to participate in the day-ahead market in this way is that they will be able to provide "headroom" (or intentionally withhold) in order to provide Reliability

¹ See study of solar provision of essential reliability services here: <https://www.nrel.gov/docs/fy17osti/67799.pdf> and study of wind provision of essential reliability services here: <http://www.caiso.com/Documents/WindPowerPlantTestResults.pdf>

Capacity and Imbalance Reserves Up. This type of market participation by VERs will become increasingly necessary as their penetration increases.²

“Type 2” VER market participation will require different contracting provisions than have historically existed. While consideration of new contracting provisions takes place, it will be critical that CAISO’s market structure is flexible enough to accommodate this type of VER participation. Therefore, it will be critical for CAISO to establish two different options for VER participation in the day-ahead market going forward in order to ensure the overhauled day-ahead market is flexible enough to accommodate VERs at levels high enough to meet the State’s clean energy goals.

AWEA-California appreciates that CAISO has indicated a willingness to accommodate this type of market participation and looks forward to its inclusion in a future DAME proposal

4. Market power mitigation for reliability capacity and imbalance reserves:

5. Please include additional comments including considerations for other possible solutions or concerns to any of the above topics:

² Note that this type of market participation by VERs has been explored in various papers, including an assessment performed by First Solar and E3: “Grid Flexible Solar”, study available here: <https://www.ethree.com/wp-content/uploads/2018/10/Investigating-the-Economic-Value-of-Flexible-Solar-Power-Plant-Operation.pdf>.