



## Stakeholder Comments Template

### Day-Ahead Market Enhancements Phase 1 Initiative

This template has been created for submission of stakeholder comments on the straw proposal that was published on February 7, 2020. The proposal, February 10, 2020 Stakeholder meeting presentation, March 5, 2020 Stakeholder call presentation, and other information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/StakeholderProcesses/Day-ahead-market-enhancements>

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on March 26, 2019.

Submitted by	Organization	Date Submitted
<i>Jim Shetler, General Manager</i>	<i>Balancing Authority of Northern California</i>	<i>March 26, 2020</i>

The Balancing Authority of Northern California (“BANC”) appreciates the opportunity to submit these general comments on the Day Ahead Market Enhancements (“DAME”) Phase 1 initiative. These comments address themes that cut across the various work products in this initiative, and in particular the Straw Proposal and Supplemental Presentation.

BANC is a joint powers authority established pursuant to Section 6500 *et seq.* of the California Government Code. BANC operates as a public agency and is governed by the BANC Commission, currently made up of an executive representative from each of its members. BANC’s members include the Cities of Redding, Roseville, and Shasta Lake, the Modesto Irrigation District, the Sacramento Municipal Utility District, and the Trinity Public Utilities District. While the Western Area Power Administration – Sierra Nevada Region (“WAPA”) is not a formal member of BANC, WAPA operates within the BANC Balancing Authority Area (“BAA”) and participates in BANC processes. BANC is a registered Balancing Authority with the North American Electric Reliability Corporation and operates as a neighboring BAA to the CAISO BAA.

BANC does not regularly provide comments on stakeholder initiatives related to the operation of the CAISO markets. However, certain aspects of the DAME initiative reflect problems BANC members are seeing in broader markets generally. Most notably, we see a simultaneous tightening of capacity in the Western Interconnection generally as resources retire, which is exacerbated by state regulatory uncertainty with respect to

several elements of the Resource Adequacy paradigm.<sup>1</sup> Both factors have led to tightening of capacity markets, rising prices, or the flat-out inability for numerous load serving entities to obtain certain capacity products, leading to several waiver requests at the CPUC.

BANC's primary role is to operate a BAA in conformance with applicable reliability standards. As such, we are most concerned about the impact of the DAME initiative on grid reliability. It is clear that changes are needed to respond to changed operational circumstances and the operation of the grid, given the large and increasing penetration of renewable resources.

Given these changed circumstances and the current challenges of operating the market, we cannot envision how properly structured market rules can count supply that is admittedly "virtual," nor supply that cannot be verified as physical and available for the market optimization, as fulfilling reliability metrics when determining the market solution. BANC is fully supportive of financial instruments and markets that serve as energy price risk management tools. This is not the same as not fully verifying the physical existence and availability of supply to ensure the market solution will support grid reliability.

BANC also recognizes that there are commercial considerations, including: (1) how market changes affect supplier/load obligations under current power purchase agreements; (2) concerns that rules regarding system market power mitigation may lag development of Day Ahead market changes; and (3) a lack of understanding of how, for example, transmission would be made available to support a firm delivery obligation and how it relates to the Maximum Import Capability rules. These are valid concerns, but they are also concerns that should be solvable and not unlike similar issues that have been resolved when the CAISO makes design modifications. These concerns should not be barriers to the CAISO adopting rules to ensure a secure and reliable Day Ahead market solution, while additional market functionality is developed to ensure just and reasonable market outcomes.

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<sup>1</sup> See e.g., CPUC R. 17-09-020, Order Granting Limited Rehearing of Decision D.19-10-020, [https://www.nwpp.org/private-media/documents/2020.02.07\\_RAP-PW\\_-\\_FINAL6\\_-\\_Read-Only.pdf](https://www.nwpp.org/private-media/documents/2020.02.07_RAP-PW_-_FINAL6_-_Read-Only.pdf).