



Department of Energy

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CAISO Day Ahead Market Enhancements Stakeholder Initiative Bonneville Power Administration Comments

Submitted by	Company	Date Submitted
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Bonneville Power Administration (Bonneville) appreciates the opportunity to provide California Independent System Operator (CAISO) comments on its Day-Ahead Market Enhancements Updates to Revised Straw Proposal Workshop (06/19/2018) and the Flexible Ramping Product Requirements Stakeholder call (07/02/2018). Bonneville continues to support CAISO's proposal to establish a day-ahead capacity market and looks forward to working with CAISO on this initiative.

Bonneville is a federal power marketing administration within the U.S. Department of Energy that markets electric power from 31 federal hydroelectric projects and some non-federal projects in the Pacific Northwest with a nameplate capacity of 22,500 MW. Bonneville currently supplies 30 percent of the power consumed in the Northwest. Bonneville also operates 15,000 miles of high voltage transmission that interconnects most of the other transmission systems in the Northwest with Canada and California. Bonneville is obligated by statute to serve Northwest municipalities, public utility districts, cooperatives and then other regional entities prior to selling power out of the region.

Bonneville respectfully submits the following comments:

- Timeline
CAISO presented at the workshop some significant modifications to the proposal, namely a shift *away* from the Imbalance Reserve Product procured to target requirements and *toward* the Day-Ahead Flexible Ramping Product procured based on a demand curve. The design details of the day-ahead market enhancements present broader implications for regional stakeholders with the possibility of extending the day-ahead market to EIM entities. Given the importance of this initiative, Bonneville strongly encourages CAISO to issue a third straw proposal with more details than provided in the power point presented at the June 19 Workshop. This would allow market participants to fully assess the impacts of the new design, with updates, prior to the release of a final proposal.

- Bidding
Bonneville encourages the CAISO to recognize that resource opportunity costs and availability may differ significantly across products and resources. Therefore, Bonneville supports the development of the Day-Ahead Flexible Ramping Product as a separate biddable product in the day-ahead market with the ability to fully specify multiple price/quantity pairs for each of the FRP Up and FRP Down products that are expressly for the Day-Ahead Flexible Ramping Product and separate from Ancillary Service bids. Bonneville believes that allowing full expression of the opportunity cost of providing varying quantities of flexible resources will incent more active external resource participation in the proposed market, and by extension, limit the number of market intervals wherein FRP procurement is limited by the proposed demand curve. Bonneville disagrees with the CAISO's proposal to base intertie/external resource quantity available for the DAME on the intertie resources' Masterfile. The Masterfile provides no means to limit availability for reasons other than forced/planned outages or force majeure.
- Demonstration of deliverability for intertie resources providing the flexible ramping product
Bonneville reiterates its recommendation that the CAISO consider requiring intertie bids associated with the new day-ahead imbalance reserves to be tagged after the capacity is awarded in the day-ahead window. Assurance of deliverability should be quid pro quo with the CAISO's provision of a capacity payment to awardees. If the CAISO is using the day-ahead imbalance reserve awards to meet its own Resource Sufficiency requirements, there could be reliability implications for the CAISO resulting in leaning on either the EIM and/or neighboring BAs if tagging is delayed until real-time, due to the risk of delivery on non-firm transmission. These concerns are exacerbated if the CAISO plans to propose extending the day-ahead market enhancements to EIM entities. Additionally, there are operational advantages for the source and sink BAAs and path operator when transactions are tagged in the day-ahead window; BAAs will have greater certainty and visibility of available transmission.

Bonneville understands the goals of the Day-Ahead Market Enhancements initiative are to address liquidity and uncertainty concerns in the day-ahead window. Bonneville is generally supportive of these goals in principle. Bonneville recognizes that the effectiveness of the initiative in achieving greater market participation and increased reliability will be significantly influenced by specific design details. Bonneville's current understanding of the new proposal is limited by the lack of sufficient detail in the materials presented to date, and strongly encourages the CAISO to provide additional opportunities for stakeholder deliberation along with additional details in a third written draft proposal prior to a final proposal.