

Comments on CAISO's June 19, 2018 Day Ahead Market Enhancements (DAME) Working Group Meeting

July 10, 2018

CDWR would like to submit the following comments:

1. CDWR would like to see continued exemption for use limited resources such as hydro generating units and participating loads (PLs) from Day Ahead (DA) Flexible Ramping Product (FRP) must offer. The CAISO is proposing to require Resource Adequacy (RA) resources to submit a zero dollar bid (\$0/MWh) for the DA FRP during a transition period.¹ Currently, hydroelectric generating units and pumping loads are not required to bid in Residual Unit Commitment (RUC).² Because RUC is being replaced by the single Integrated Forward market (IFM)/RUC process to procure the DA FRP, CDWR would like to ensure that hydroelectric generating units and PLs continue to be exempt from DA FRP must offer as well as DA FRP bidding requirements.

It is not clear whether the DA FRP must offer applies to all types of RA capacities or just flexible RA capacities. CDWR requests CAISO to clarify whether the DA FRP must offer requirement applies to just the flexible RA capacity or is it applicable to generic RA as well.

Specific to a PL resource, CAISO model limitation may not allow offering DA FRP. DWR's participating load utilizes CAISO's extended non-participating load model which has two resource IDs; one for load and the other for pseudo-gen. A PL can only offer non-spin to meet its RA obligation when there is an underlying load. If there is no load in an hour, it cannot offer non-spin in the DA market in that hour. If DA FRP up is required from such resource, it would be impossible as there would be no load in that hour and DA FRP bid insertion may be problematic. By offering non-spin with a contingency flag in the DA market and an energy bid in the real-time market to support the DA market AS non-spin award, PL meets the RA obligation for its designated RA capacity. This specific model is not feasible for offering DA FRP, as it only allows non-spin with a contingency flag in the DA Market. Therefore, PL should be exempt from any DA FRP requirement and DA FRP bid insertion, as today it is exempt from RUC must offer and RUC bid insertion. DAME design considerations should not change how a participating load currently meets its RA obligation.

2. It is unclear to CDWR why the costs related to the new "scheduled energy"³ or "scheduled movement"⁴ of the combined DA and real-time (RT) FRP is only being allocated to metered demand. This seems to deviate from CAISO's cost allocation principles⁵, which were followed in the original RT FRP, and CAISO emphasized that it would follow in the DAME revised straw proposal.⁶ It would be helpful if CAISO clarifies this issue.

¹ CAISO Presentation (6/19/18), Page 35, <http://www.aiso.com/Documents/Agenda-Presentation-Day-AheadMarketEnhancements-Jun19-2018-Updated.pdf>

² CAISO Tariff, section 40.6.4.3.2(2)

³ CAISO Presentation (6/19/18), Page 17

⁴ CAISO Settlement example, cell A41, <http://www.aiso.com/Documents/SettlementsExample-Day-AheadMarketEnhancements.xlsx>

⁵ <http://www.aiso.com/Documents/DraftFinalProposal-CostAllocationGuidingPrinciples.pdf>

⁶ <http://www.aiso.com/Documents/RevisedStrawProposal-DayAheadMarketEnhancements.pdf>, Page 27.

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CAISO noted in its original FERC filing for the RT FRP (ER16-2023-000, 6/24/16)⁷, the “settlement of forecasted movement aligns with cost causation because the costs are charged to supply, inerties, or load that add to the total system movement and the supply, inerties, or load that provide ramping to meet the total system movement receive payments.” All resources could provide forecasted movement between market intervals in both the FMM and RTD. RT forecasted movement was ramping capability reserved through the multi-interval optimization and was directly settled between resources. CAISO compensated a resource whose forecasted movement helped reduce total system movement and charged resources whose movement added to total system movement. A scheduling coordinator’s load could therefore be paid when it’s forecasted movement is opposite system movement – if a pump load is pumping less while overall system load is increasing, the load is helping reduce total system movement.

CAISO noted in its DAME revised straw proposal that the imbalance reserve product cost would be allocated to scheduling coordinators that created inflexibility and required the dispatch of upward or downward imbalance reserves. This applied to metered load, generating resources, exports/imports, and virtual supply/demand. A two-tier cost allocation methodology was proposed, with the first tier allocating to everyone and the second tier allocating to measured demand (metered load and exports). Existing RT FRP cost allocation would remain intact.

CAISO is now proposing, based on the 6/19 meeting, three types of FRP costs to be allocated:

- 1) RUC Up/Down - will be allocated to virtual supply/demand and metered demand
- 2) Uncertainty Up/Down - will be allocated to everyone
- 3) Scheduled Movement - will be allocated only to metered demand

CDWR recognizes that CAISO is eliminating the concept of “forecasted movement”, as presented in the original RT FRP, and is trying to align the existing RT FRP design and new DA FRP design. However, CDWR believes the fundamental idea that all resources are providing ramping capability that either adds to or reduces system movement still exists in the new proposed DA-RT FRP. CDWR therefore believes that CAISO should recognize this and follow its cost allocation principles.

How will the existing FRP charge codes be affected? Will the existing residual forecasted movement allocation concept still apply (Tariff 11.25.1.3)?

3. CDWR requests that CAISO allow pumping loads (both participating load and non-participating load) and hydroelectric generators to submit 15-minute self-schedules in the day-ahead market without requiring a forecast. This will allow CDWR to more accurately communicate its load and generation profile to CAISO which will allow the CAISO to more accurately determine its ramping needs and help to meet the purpose of this initiative. CDWR believes this is equitable treatment and comparable to allowing EIM entities to submit base schedules with 15-minute granularity.⁸ Allowing EIM entities 15-minute base schedules can help better manage their imbalances and over/under scheduling penalties. DWR asks for equitable treatment and notes that a self-schedule is more reliable than a forecast.

⁷ http://www.caiso.com/Documents/Jun242016_TariffAmendment-FlexibleRampingProduct_ER16-2023.pdf

⁸ CAISO Presentation (6/19/18), Page 76, <http://www.caiso.com/Documents/Agenda-Presentation-Day-AheadMarketEnhancements-Jun19-2018-Updated.pdf>