

Stakeholder Comments Template

Extended Day-Ahead Market Issue Paper

This template has been created for submission of stakeholder comments on the **Extended Day-Ahead Market (EDAM) issue paper** that was posted on October 10, 2019. Information related to this initiative may be found on the initiative webpage at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/ExtendedDay-AheadMarket.aspx>.

Upon completion of this template, please submit it to initiativecomments@caiso.com by close of business on November 22, 2019.

Submitted by	Organization	Date Submitted
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Chelan County PUD, a consumer-owned utility in Washington, is an active participant in the bilateral, wholesale power markets in the West and a NERC-registered balancing authority. Chelan operates three FERC-licensed hydropower projects generating approximately 10 million megawatt hours of clean, renewable, low-cost electricity annually. Chelan submits these comments in response to CAISO's "Extending the Day-Ahead Market to EIM Entities" issue paper.

To start, Chelan acknowledges the significant complexity involved with CAISO extending its day-ahead market to a regional footprint. Chelan also acknowledges the significant societal benefits that *could* be gained across the West—from a reliability and economic efficiency perspective—by expanding the size of the organized electricity market trading footprint and increasing the frequency of dispatch. However, equitable sharing of those benefits among buyers, sellers and ultimately ratepayers across that footprint will only occur if both the technical market design and the market governance are structured fairly.

Chelan understands that EDAM governance will be addressed in a parallel stakeholder initiative led by the Governance Review Committee. Chelan urges CAISO and EDAM stakeholders to not lose sight of the interdependency between technical market design and market governance. No matter the rules established initially, change will come rapidly to energy markets, and hence market rules will evolve. Absent a sufficiently independent, representative market governance framework, market participants and ratepayers West-wide could be exposed to market rule changes that offset the equitable sharing of benefits mentioned above.

With respect to the issues identified in CAISO's issue paper, Chelan largely supports the way in which CAISO framed the scope of the EDAM initiative and delineated the different technical market design considerations. Chelan directs CAISO to the Public Generating Pool's and Public Power Council's comments for more detailed feedback on each market design consideration. Chelan worked alongside numerous Northwest public power entities to develop common day-ahead market design interests, included below, that will guide Chelan's evaluation of EDAM as the initiative progresses.

NW Public Power Market Design Interests

Fair Compensation for Services and Transparent Price Formation

- The market solution co-optimizes the procurement of energy, capacity, flexibility, and ancillary services (if included in design) needed to meet reliability needs through the market and minimizes the need for out of market actions
- Bidding rules allow resources to reflect true costs of dispatching units, including opportunity costs
- Market rules send proper price signals for the attributes and/or products required to meet reliability needs
- Products and price formation recognize and appropriately compensate resources for the attributes supplied to the market
- Market prices accurately reflect shortages and scarcity conditions

Resource Sufficiency Promotes Reliability, Ensures Equity and is Applied Consistently

- Requirements ensure sufficient resources and flexibility to meet a wide range of potential real-time conditions with a high level of confidence to ensure reliable operation of the system
- Counting rules appropriately account for the capacity, energy, and flexibility that different resources contribute towards meeting requirements
- Requirements assure resources are deliverable to load
- Effectively prevents entities from leaning on the market for energy, capacity, and flexibility needs
- Enforcement measures do not allow Resource Sufficiency compliance to be a discretionary economic alternative
- Requirements and counting rules are applied consistently to all entities subject to the test and avoid double-counting of transactions
- Timelines allow continued participation in bilateral markets

External Resources are able to participate and treated comparably

- Market rules provide external resources the ability to economically participate in the day-ahead market and be treated comparably to internal resources

Transmission Framework meets Open Access Principles and Minimizes Cost Shifts

- Open access and reservation priority principles are upheld
- Transmission framework minimizes cost shifts to load and results in no adverse impacts to existing transmission rights

- Transmission Owners and Service Providers receive sufficient compensation to cover the costs of existing transmission and those costs are appropriately assigned to users based on cost causation.
- Transmission rights holders are ensured congestion/financial rights to mitigate congestion costs

Market Power Mitigation recognizes the unique attributes of resources

- Mitigation methods accept and provide for the complex and dynamic nature of hydropower planning, operational constraints, and opportunity costs. Therefore, opportunity costs for hydropower should recognize the trade-off between producing energy today instead of producing energy in the future, as well as the opportunity costs of alternative real-time bilateral market transactions
- Market Power Mitigation should only occur where the opportunity to exercise market power exists
- Market Power Mitigation methodology should consider the unique aspects of a voluntary market which includes choices surrounding the nature of a voluntary market (access to other opportunities, opportunity costs, the cost of water in various time increments, etc.)

Greenhouse Gas Accounting Accurately accounts GHG attributes of resources

- Accurately accounts for and values the GHG attribution of resources being dispatched to serve load in a carbon-regulated state and credits those resources accordingly
- Methodology is compatible with carbon and clean energy legislation of all states that impact day-ahead market participants

Respects Existing Laws, Statutory Obligations, Regulations, and Local Regulatory Authorities

- Organized markets with different kinds of participants (e.g. IOUs, POU, PMAs, etc.) must respect existing laws, statutory obligations, regulation, and local regulatory authorities
- Resource Sufficiency requirements do not supplant local regulatory decision authority for resource procurement

Proper Market Function is Assured

- An independent market expert provides routine review and reporting, evaluating the market design and function relative to fair and competitive market principles
- Mechanisms are in place to signal when the resource sufficiency framework is not functioning properly
- Mechanisms are in place to evaluate proper price formation relative to costs of energy, capacity and flexibility
- Mechanisms are in place to assure proper GHG accounting and compensation