

**Stakeholder Comments Template
Day-Ahead Market Enhancements Initiative**

Submitted by	Organization	Date Submitted
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1. At this time, does your organization support moving forward with **Option 1: Financial**, **Option 2: Financial + Forecast**, or **undecided**. Provide supportive comments (in favor of, or in opposition to) below.

Please double click on check box below to select your position:

<p><u>Option 1:</u></p> <p><input type="checkbox"/> Support</p> <p><input type="checkbox"/> Support with caveats</p> <p><input checked="" type="checkbox"/> Oppose</p> <p><input type="checkbox"/> Undecided</p>	<p><u>Option 2:</u></p> <p><input type="checkbox"/> Support</p> <p><input checked="" type="checkbox"/> Support with caveats</p> <p><input type="checkbox"/> Oppose</p> <p><input type="checkbox"/> Undecided</p>
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Option 1: Financial

- Co-optimizes bid-in demand, ancillary services and imbalance reserves
- Imbalance reserves cover historical uncertainty between IFM cleared net load and FMM net load
- Exceptional dispatch if IFM clears inconsistent with operational needs

Please provide comments to explain your position on option #1:

EWEB opposes Option #1. It is our opinion that Option #1 fails to co-optimize capacity, energy, and other reserves products. Further, we believe that Option #1 represents an unacceptable and unworkable starting point for extending the CAISO's Day-Ahead Market to EIM Entities (EDAM).

EWEB believes that maintaining a virtual market in the day-ahead that treats physical and virtual bids in the same manner guarantees inefficient dispatch, price formation, and participant compensation. Further, it fails to ensure procurement of sufficient capacity to ensure reliability, which necessitates out-of-market solutions, load biasing, and exceptional dispatch, all of which are inefficient and sub-optimal market solutions.

Option 2: Financial + Forecast

- Co-optimizes bid-in demand, ISO reliability capacity, ancillary services and imbalance reserves
- Imbalance reserves cover historical uncertainty between ISO's day-ahead net load forecast and FMM net load
- Reliability capacity covers differences between ISO net load and cleared net load
- Exceptional dispatch if IFM/RUC clears inconsistent with operational needs

Please provide comments to explain your position on option #2:

EWEB strongly supports Option #2, with caveats.

EWEB believes that Option #2 strikes the appropriate balance between physical and virtual supply, and in ensuring the procurement of adequate capacity to account for virtual bids, will minimize the need for sub-optimal out-of-market solutions.

EWEB appreciates the progress CAISO has made in further developing Option #2, which represents a significant improvement over the status-quo. However, as we noted in our previous comments, we believe it is essential for any regional day-ahead market to recognize, value, and compensate for the specific attributes of capacity resources.

EWEB continues to believe that a market solution that provides identical capacity compensation for resources with very different capabilities (e.g., variable energy resources and dispatchable hydro, or firm imports and non-firm imports), is per se inefficient and fails to appropriately differentiate between the many forms of regional supply available.

Finally, EWEB continues to believe that more discussion is needed, and that it is essential that any regional integrated day-ahead market distinguishes between supply attributes in a meaningful manner, and that any market solution provides adequate and just compensation for those attributes in accordance with their value.

Please offer any other feedback your organization would like to provide on presentation materials and discussion for August 13, 2019 Day-Ahead Market Enhancements stakeholder working group meeting.

Comments:

EWEB appreciates the continued efforts and engagement of the CAISO throughout this initiative.

As the region continues to consider the implications of the Day-Ahead Market Enhancements Initiative and the possibility of an EDAM, we would encourage CAISO to focus on differentiating between the attributes of various resources, recognizing that

unlike an EIM, non-dispatchable generation cannot be treated the same as firm energy in an integrated day-ahead market.

Additionally, we would encourage CAISO to return to the discussion of setting a day-ahead procurement target for imbalance reserve needs. While some expressed concern that setting a target sufficient to cover a P95 level of uncertainty was “too high”, for a number of NW BAAs that would be deemed inadequate. In sum, any integrated day-ahead solution that fails to improve reliability and ensure minimal exceptional dispatch or out-of-market solutions should not be considered acceptable.