



California ISO

# Final 2023-2025 Policy Initiatives Roadmap

Market Governance and Strategy

March 29, 2023

# Policy Initiatives Catalog and Roadmap process

- Stakeholders and the ISO regularly identify issues to be considered for a policy initiative in the Catalog
- In the Roadmap process, initiatives are prioritized by
  - Regulatory requirements
  - Reliability and market efficiency needs
  - Stakeholder input
  - Strategic objectives
- The number, size, and timeline of initiatives depends on
  - Regulatory requirements
  - Available resources
  - Regulatory and implementation timelines
  - Interdependencies

# The Draft Roadmap incorporates feedback from stakeholders: price signals

- Stakeholders have expressed concerns about having accurate price signals, in particular during tight supply conditions
- Price Formation Enhancements includes
  - Scarcity pricing
  - Fast start pricing
  - Flex ramp product horizon extension

## The Draft Roadmap incorporates feedback from stakeholders: storage

- The storage community currently represents 5,200 MW of capacity in CA which will double in the next few years
- While there are initiatives targeting storage needs specifically, many changes are being considered in broader initiatives addressing multiple issues
  - Storage Modeling Enhancements
  - Price Formation Enhancements initiatives include
    - Scarcity pricing
    - Storage bid cost recovery changes
    - Multi-interval optimization
  - Variable Energy Resource and Storage Dispatch Enhancements

## The Draft Roadmap incorporates feedback from stakeholders: regional market expansion

- Entities across the western interconnection have expressed a strong desire for more regional markets
- The EDAM initiative extends the economic and reliability benefits of the day-ahead market to WEIM entities
- Day Ahead Market Enhancements policy will support the EDAM effort, in particular by defining an imbalance reserve product
- Other initiatives supporting regional markets:
  - Resource Sufficiency Evaluation Enhancements
  - Transmission services and market scheduling priorities
  - Transmission planning enhancements

## Some stakeholder requested an initiative to address gas resource issues across the western interconnection

- Operational challenges resulting from gas and electricity market timelines
- Need for more options for establishing DEBs for use-limited gas resources
- The ISO plans to establish a stakeholder working group on gas resource issues to better understand the concerns and determine if an initiative and/or other actions are needed

# The ISO received feedback for potential improvements to the Catalog and Roadmap process

- The ISO will conduct a stakeholder engagement effort to solicit and discuss potential changes to the Catalog and Roadmap process
- Early ideas for improvement include
  - Requesting catalog comments on what initiatives can be excluded or grouped together
  - Expanding ISO responses to submitted items
  - Providing opportunities for stakeholder input on prioritization prior to developing draft roadmap
  - Providing a Roadmap document companion to presentation

# Draft 2023-2025 Policy Initiatives Roadmap

- Initiatives on the Roadmap are organized under the Strategic Objective they most directly support
- Implementation timelines are “no earlier than” estimates, and are subject to change. Feedback on these timelines is appreciated
- Not all ongoing or upcoming policy initiatives are captured in the diagrams, but rather we focus here on the larger policy and/or implementation efforts

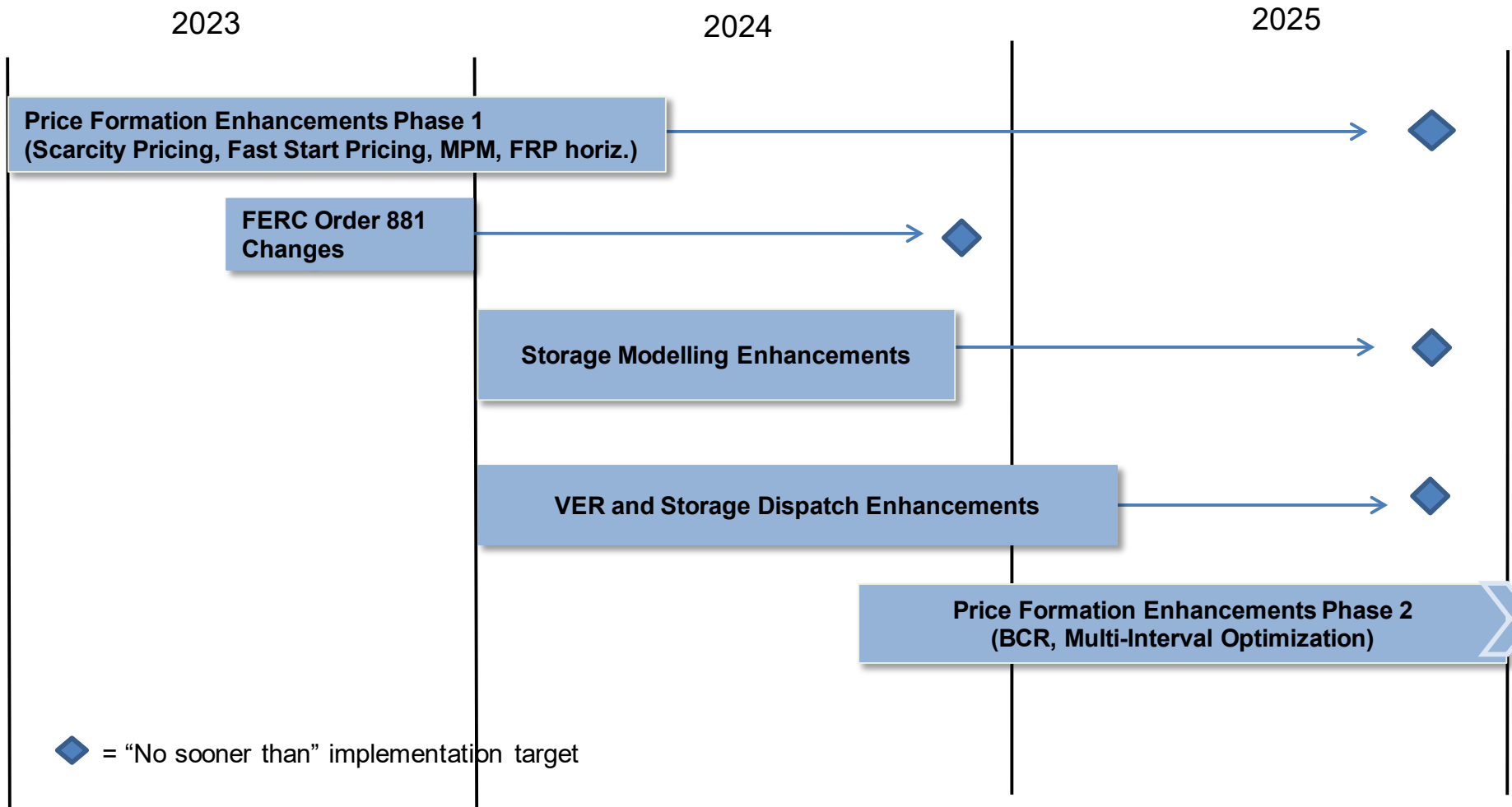


## Reliably and Efficiently Integrate New Resources by Proactively Upgrading Operational Capabilities

- Includes initiatives focused on improving the modeling of resources to better reflect their economic and physical characteristics
- Two phases of Price Formation Enhancements including scarcity pricing, market power mitigation, fast start pricing, bid cost recovery, and multi-interval optimization
- FERC Order 881 changes will require a relatively straightforward policy initiative process, but significant implementation
- VER and Storage Dispatch Enhancements will focus on operational control and tools, especially ramp rate considerations

# Critical Strategic and Tactical Objectives: 1

## Reliably and Efficiently Integrate New Resources by Proactively Upgrading Operational Capabilities



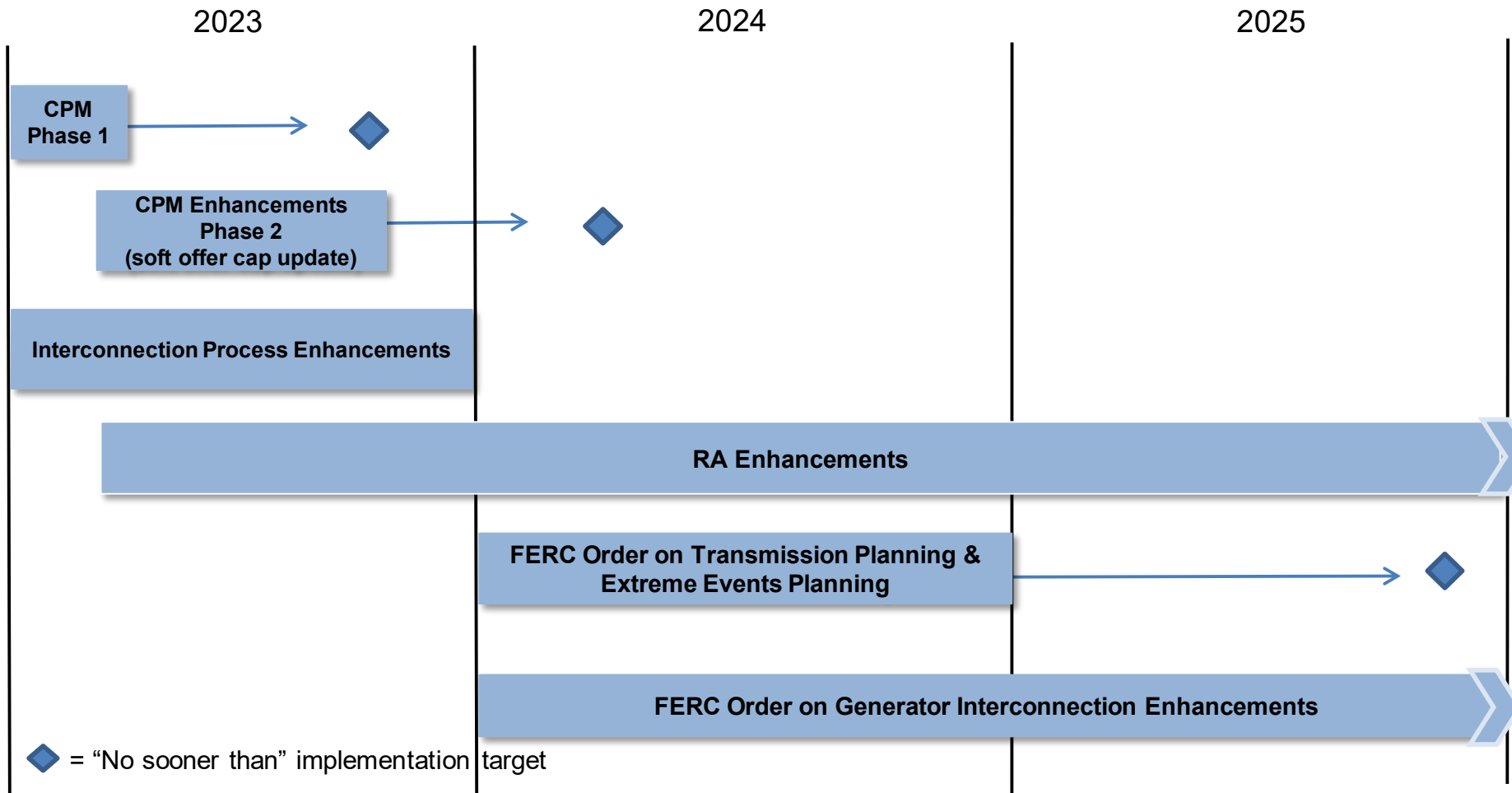
◆ = "No sooner than" implementation target

## Strengthen RA and Meet California's SB100 Goals Through Long-Term Transmission Planning and Effective Coordination with State Agencies

- Resource Adequacy Enhancements initiative will begin upon development of a holistic assessment of CPUC policies and CAISO needs
- Changes to the Capacity Procurement Mechanism soft offer cap required by Tariff
- Initiatives are anticipated in 2024 to respond to FERC orders on transmission planning and extreme events, and generator interconnection enhancements

# Critical Strategic and Tactical Objectives: 2

## Strengthen Resource Adequacy and Meet California's SB100 Goals Through Long-Term Transmission Planning and Effective Coordination with State Agencies

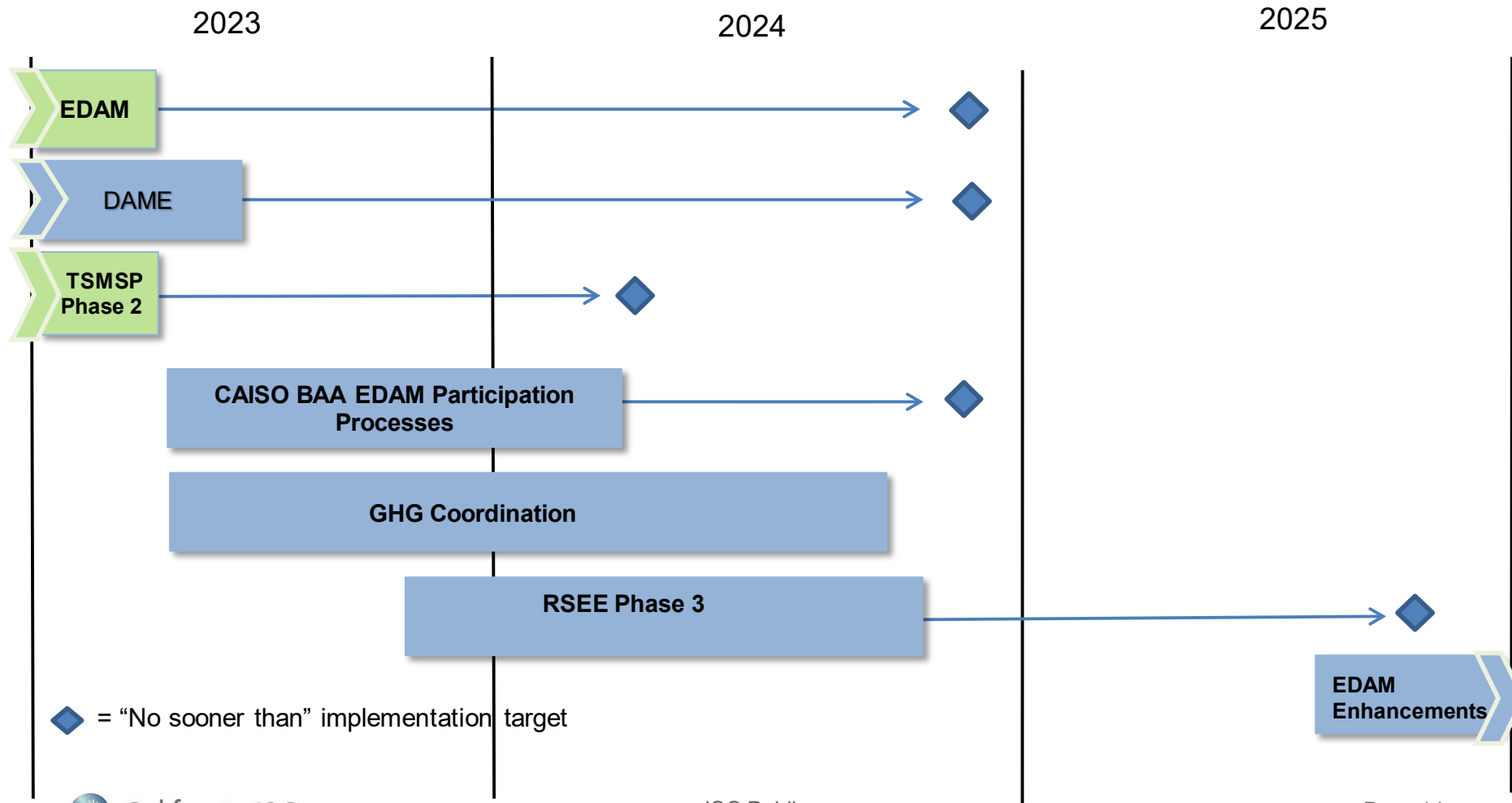


# Build on the Foundation of the Western Energy Imbalance Market to Further Expand Western Market Opportunities

- Initiatives focus on expanding the Day Ahead market and making enhancements to the WEIM are included under this goal
- EDAM, and TSMSP have been approved by the Board and Governing Body but are included here to reflect the significant implementation effort of those changes
- Anticipated initiatives to develop enhancements to EDAM and the EDAM RSE, to establish processes for CAISO BAA participation in EDAM, and to address coordination across GHG areas are included

# Critical Strategic and Tactical Objectives: 3

## Build on the Foundation of the Western Energy Imbalance Market to Further Expand Western Market Opportunities



## Other Initiatives Ongoing and Upcoming

- DER/DSO Action Plan
- Changes to Subscriber PTO Participation Rules
- Enable Western to Sell Transmission Rights
- Rules of Conduct Changes to Address Metering Penalty Issues
- Hybrid Resource Enhancements
- Generator Connectivity Challenges/Enhancements