



## Stakeholder Comments Template

### Day-Ahead Market Enhancements

This template has been created for submission of comments on proposed market design options discussed with stakeholders during the June 20, 2019 Day-Ahead Market Enhancements workshop. Information related to this initiative is available on the initiative webpage at: <http://www.caiso.com/informed/Pages/StakeholderProcesses/Day-AheadMarketEnhancements.aspx>.

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com). Submissions are requested by close of business on July 11, 2019.

Submitted by	Organization	Date Submitted
<i>Joe Greco</i>	<i>Middle River Power</i>	<i>July 11, 2019</i>

Please provide comments on the proposed formulation options described below. In your comments, please explain your rationale and include examples if applicable. Also, recommend any analysis and data that your organization believes would be helpful to review on these option. Include details and explain your reasoning for the type of analysis and data that you suggest.

1. At this time, does your organization support moving forward with **Option 1: Sequential Integrated Forward Market followed by an after-market Reliability and Deliverability Assessment (Sequential IFM-RDA)**, **Option 2: Integrated IFM and Residual Unit Commitment (Integrated IFM-RUC)**, 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><b><u>Option 1:</u></b></p> <p><input type="checkbox"/> Support</p> <p><input type="checkbox"/> Support with caveats</p> <p><input type="checkbox"/> Oppose</p> <p><input checked="" type="checkbox"/> Uncdecided</p>	<p><b><u>Option 2:</u></b></p> <p><input type="checkbox"/> Support</p> <p><input type="checkbox"/> Support with caveats</p> <p><input type="checkbox"/> Oppose</p> <p><input checked="" type="checkbox"/> Uncdecided</p>
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### Option 1: Sequential IFM-RDA

#### **Please provide comments to explain your position on Option 1:**

At this time Middle River Power (“MRP”) supports the CAISO using Option 1 as a starting point; however, has concerns about replacing the residual unit commitment (“RUC”) with a day-ahead exceptional dispatch process and looks forward to the CAISO providing additional details in the next draft. MRP strongly supports the CAISO developing a workable flexible ramping product (or imbalance product) for the day-ahead market that ensures sufficient flexible capability is offered into the real-time market. MRP observes that most of the RUC biasing to increase day-ahead capacity was due to operator concerns about having sufficient flexibility in real-time due to renewable or load forecast error. This does not point to a systemic issue with the day-ahead market process, but instead indicates a lack of a day-ahead product that captures the CAISO’s increasing real-time uncertainty.

MRP asks the CAISO to prioritize implementing a day-ahead imbalance product as part of the current day-ahead market process.

### Option 2: Integrated IFM-RUC

#### **Please provide comments to explain your position on Option 1:**

MRP does not support the integrated IFM-RUC process for the following reasons:

- a. The integrated process changes the meaning and usefulness of the day-ahead price. The new day-ahead LMP would no longer represent the marginal cost of providing energy at a location. A resource would be made whole between the energy payment and the payment for reliability capacity. This blurs the line between financial and physical products in a way that would make it extremely challenging to hedge or sign a bilateral contract for energy moving forward. It is unclear to MRP what an offer to provide energy in the day-ahead market means (especially in relation to virtual offers) if the LMP no longer is ensured to be at least as high as MRP’s last accepted MW offer.

The day-ahead price is used in CRR settlements, bilateral hedging, and bilateral contracting. A day-ahead market price under the integrated process disrupts each of these important processes as well reduces the signal to the market as to where energy and transmission is most needed.

- b. The CAISO should focus its efforts on more needed improvements, particularly in real-time. MRP believes designing and implementing the integrated IFM-RUC will be extremely complex and take time away from other valuable efforts. The CAISO’s first priority should be to reduce operator interventions in real-time and explore why the real-time price is systematically lower than the day-ahead price. A low real-time price will not incent the needed flexibility and the high amounts of operator interventions point to a dysfunction *real-time* flexible ramping product design. If the real-time flexible ramping product was working as intended, MRP believes that more flexible generators would be seeing value in flexibility and that operators would not be relying so heavily on the interties.

The CAISO states that the need for the day-ahead market enhancements in real-time uncertainty – but there are obvious and needed fixes that should be done first in the *real-time market* to handle *real-time uncertainty*. If the CAISO has additional availability then it should focus on developing and implementing a day-ahead flexible ramping product that eliminates the need for the majority of RUC commitments and operator day-ahead load biasing.

2. Please identify any specific data analysis that your organization recommends. Indicate the data request(s), the purpose of the request(s), and how the request(s) will advise the determination of the day-ahead market formulation or will assist with determining the procurement target for the new day-ahead product.

**Comments:**

MRP asks for the following data:

- 2018 & 2019 RUC operator adjustments by month, by hour, and by reason – this data will determine whether and when operators are biasing the load. Large amounts of systematic biasing indicate that the IFM is missing a product that could capture these systemic needs in the market.
  - 2018 & 2019 RUC average volumes by monthly, by hour, broken into long-start and short-start resources and whether the capacity is RA or not. This will indicate whether RUC is paying for additional non-RA capacity or whether it is working as intended and simply ensuring RA capacity is available in real-time.
  - Raw data for 2018 & 2019 of real-time flexible ramping product volumes, operator load bias, volumes of offered capacity by self-schedule and economic offers. This will indicate whether the real-time issues are arising from insufficient flexible capability being offered into real-time OR from a flawed flexible ramping product design. Without demonstrating whether there is insufficient flexible capability being offered into the real-time market, it is impossible for the CAISO or stakeholders to determine what exactly in the day-ahead market needs to be enhanced.
3. Please offer any other feedback your organization would like to provide on presentation materials and discussion for the June 20, 2019 Day-Ahead Market Enhancements stakeholder workshop.

**Comments:**

MRP asks the CAISO to take a step back and evaluate the issues it is trying to solve before moving forward with either proposal. The CAISO has stated the day-ahead market enhancements are needed for (1) ramping needs, (2) net load uncertainty, and (3) deliverability concerns. However, these are observations, not evidence of needing a new day-ahead market paradigm. For example, additional ramping needs is a fact and an expected outcome of increased renewable penetration. MRP asks the CAISO to evaluate what is the problem that is occurring due to additional ramping needs. Here are some

questions that occur to MRP when the CAISO states that there are additional ramping needs:

- Are the ramping needs so high that the flexible RA program is not ensuring sufficient economic offers in real-time?
- Are entities self-scheduling between day-ahead and real-time?
- Is the day-ahead market over-committing resources and the real-time market unable to shut them down?
- Is the day-ahead market committing resources to the wrong configuration or level so that they cannot access their fast-ramping capability when needed?

Without doing a deep-dive into what is going on with the real-time resource fleet, MRP does not believe the CAISO will be able to effectively assess which day-ahead enhancements are needed.

MRP thanks the CAISO for both the very informative working group and for consideration of the above comments and questions.