



# ORA

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## THE OFFICE OF RATEPAYER ADVOCATES' COMMENTS ON THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR (CAISO) DAY-AHEAD MARKET ENHANCEMENTS UPDATES TO REVISED STRAW PROPOSAL

July 10, 2018

The Office of Ratepayer Advocates (ORA) is the state's independent consumer advocate with a mandate to obtain the lowest possible rates for utility services, consistent with reliable and safe service levels and the state's environmental goals.

ORA submits the following comments on the CAISO's Day-Ahead (DA) Market Enhancements Updates to Revised Straw Proposal presentations on June 19, 2018 and July 2, 2018.

### **1. CAISO should release another written iteration of the proposal before the draft final proposal**

Currently, CAISO has only scheduled the issuance of a draft final proposal before the initiative is presented for the CAISO Board of Governors' consideration in November.<sup>1</sup> However, CAISO's most recent proposal for the DA Market Enhancements initiative does not provide sufficient explanation or detailed information to support some of its proposed changes. CAISO should not wait until the draft final proposal to present new aspects of its proposal. Instead, CAISO should address these issues in another written iteration of its proposal before presenting a draft final proposal to allow parties sufficient time to review and comment on a complete and detailed proposal. ORA highlights some issues that CAISO should address below.

### **2. CAISO should explain the additional benefit of DA Flexible Ramping Products (FRP)**

CAISO's current proposal to change the DA market to 15-minute scheduling granularity would allow commitment of resources that more closely aligns with real-time conditions and mitigate granularity differences between the DA market and real-time (RT) market.<sup>2</sup> This change should sufficiently decrease the uncertainty that occurs between the DA and RT markets, so it is unclear what additional value new DA Flexible Ramping Products would provide. CAISO states its proposed FRP would require changes in energy settlements and cost allocation in the DA and RT markets.<sup>3</sup> However, CAISO has not shown whether any benefits of adopting a DA FRP justify such changes to the DA and RT markets.

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<sup>1</sup> Day Ahead Market Enhancements: Updates to Revised Straw Proposal Presentation, June 19, 2018, slide 72.

<sup>2</sup> Day Ahead Market Enhancements Revised Straw Proposal, April 11, 2018, p. 4.

<sup>3</sup> Day Ahead Market Enhancements: Updates to Revised Straw Proposal Presentation, June 19, 2018, slide 14.

CAISO's proposal to move to 15-minute scheduling granularity does not depend on its proposals to introduce DA FRP and combining the Integrated Forward Market (IFM) and Residual Unit Commitment (RUC) processes. Stakeholders have expressed serious concerns with the latter proposals that will require more time and discussions to resolve. CAISO should consider separately seeking board approval of its proposal for 15-minute scheduling granularity rather than waiting for resolution of its proposals to introduce DA FRP and to combine the IFM and RUC processes.

### **3. CAISO should provide its proposed demand curve for the DA FRP in a revised proposal before the draft final proposal**

CAISO proposes to procure DA FRP using a demand curve that is consistent with the current RT FRP procurement but has not presented any details on the proposed demand curve.<sup>4</sup> The demand curve is a key component of the proposal that stakeholders should have the opportunity to review and comment on before it is finalized in a draft final proposal.

### **4. CAISO should discuss the impact of its proposed changes on the DA and RT markets**

CAISO proposes to combine its IFM and RUC processes and settle energy and FRP in the DA market.<sup>5</sup> Currently, the RT FRP settles forecasted movement and uncertainty awards, not energy.<sup>6</sup> To align with the proposed DA FRP, CAISO proposes to settle for scheduled energy and uncertainty awards. This leads to bundling of energy and FRP settlement in every market.<sup>7</sup> CAISO should address why it proposes such bundling and the impact it may have on prices in the markets.

### **5. CAISO should define its proposed sub-regional constraints**

CAISO states that sub-regional power balance constraints at the Transmission Access Charge (TAC) level will address concerns regarding deliverability in those areas.<sup>8</sup> However, CAISO has not fully defined the constraints. It is not clear how the constraints would apply to the DA FRP or RT FRP demand curves. CAISO should also explain the impact of such constraints on energy prices since it also proposes to bundle energy with FRP. Additionally, CAISO should address the need for market power mitigation for FRP in the sub-regions.

If you have any questions on this submittal, please contact Cindy Li at XL2@cpuc.ca.gov or (415) 703-1546.

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<sup>4</sup> Day Ahead Market Enhancements: Updates to Revised Straw Proposal Presentation, June 19, 2018, slide 26.

<sup>5</sup> Day Ahead Market Enhancements: Updates to Revised Straw Proposal Presentation, June 19, 2018, slide 6.

<sup>6</sup> Day Ahead Market Enhancements: Updates to Revised Straw Proposal Presentation, June 19, 2018, slide 7.

<sup>7</sup> Day Ahead Market Enhancements: Updates to Revised Straw Proposal Presentation, June 19, 2018, slide 14.

<sup>8</sup> Day Ahead Market Enhancements: Updates to Revised Straw Proposal Presentation, June 19, 2018, slides 27-28.