



ORA

Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

<http://ora.ca.gov>

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

May 2, 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 Revised Straw Proposal and presentation on April 18, 2018.

1. Clarify Difference Between Fifteen-minute and Five-minute Requirements

CAISO proposes to have an upward and downward fifteen-minute product for imbalance reserves that will be procured based on a regional requirement.¹ CAISO also proposes to use sub-regional requirements to procure imbalance reserves from five-minute dispatchable resources.² However, CAISO states that it will not have a five-minute product.³ CAISO should clarify what it means by "product" and explain how the sub-regional requirement, which will lead to procurement of only five-minute imbalance reserves, does not create a de-facto "product." CAISO's explanation should also address why it proposes a five-minute flexible resource adequacy (RA) capacity product in the Flexible Resource Adequacy Criteria and Must Offer Obligations 2 (FRACMOO2) stakeholder initiative while stating that it is not proposing a "product" for five-minute resources in this initiative. CAISO should also define "regions" and "sub-regions" and provide the basis for the definitions so stakeholders can understand the impact of CAISO's proposal.

2. Address Impact of Bidding Requirements that Differ from Current Contracts

CAISO proposes that bidding for imbalance reserves would replace the current residual unit commitment (RUC) availability bids.⁴ Under the current CAISO tariff, "Resource Adequacy Capacity participating in RUC will be optimized using a zero dollar (\$0/MW-hour)

¹ Day Ahead Market Enhancements Revised Straw Proposal, April 11, 2018, p. 22.

² Ibid.

³ Day Ahead Market Enhancements Stakeholder Meeting, April 18, 2018.

⁴ Day Ahead Market Enhancements Revised Straw Proposal, April 11, 2018, p. 20.

RUC Availability Bid” and “[c]apacity from Resource Adequacy Resources selected in RUC will not be eligible to receive a RUC Availability Payment.”⁵ Based on these requirements, current RA contracts have already incorporated the cost of potential RUC dispatch. However, CAISO proposes that RA resources will not be required to bid \$0 for providing imbalance reserves.⁶ If RA resources offer a non-zero bid for imbalance reserves and are dispatched, they could earn a double payment from providing imbalance reserves and the existing RA capacity costs.

CAISO states that its proposal addresses the fact that participation in the Energy Imbalance Market (EIM) is voluntary. When the DA market is extended to EIM entities, “it would be inappropriate to require CAISO RA resources to bid in for imbalance reserves at a price of \$0.00 while other EIM entities would not have a similar requirement given the voluntary nature.”⁷ CAISO also states that “(s)imilar to the flexible ramping product in the real-time market, imbalance reserves will be able to be met by resources in the EIM footprint not solely those located in a given balancing authority area.” CAISO should first clarify how it proposes to define the “region” for applying imbalance reserve requirements. If CAISO’s definition of “region” differentiates between the CAISO and other EIM balancing authority areas, it is not clear how imbalance reserves in one area would count towards meeting the requirements of another area. Additionally, if the CAISO applies separate imbalance reserve requirements for the CAISO and other EIM balancing authority areas, and resources in one area could provide imbalance reserves for another area, then CAISO should address the potential for resources to provide different bids for different areas. If CAISO retains the requirement for RA resources to bid in \$0 to provide imbalance reserves in the CAISO area but allows non-zero bids to provide imbalance reserves in the other EIM areas, the RA resources would not receive a double payment.

CAISO also proposes that a “resource without an imbalance reserve award can elect not to bid into the real-time market” but offers no explanation for the proposal. This proposal contrasts with the current must-offer obligation for flexible RA to bid into the DA and real-time markets.⁸ Existing RA contracts have incorporated the cost of the negative impact on facilities from additional dispatches for flexibility. Eliminating the obligation for these RA resources to bid into the real-time market for potential dispatch means ratepayers would pay for services the resources would no longer be obligated to provide. CAISO should provide an explanation for their proposal and address the issue of excess ratepayer costs.

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

⁵ CAISO Electronic Tariff, Sections 40.6.1(4) and 40.6.1(5).

⁶ Day Ahead Market Enhancements Revised Straw Proposal, April 11, 2018, p. 20.

⁷ Ibid.

⁸ 2018 Final RA Guide, September 26, 2017, p.13. Available at: <http://www.cpuc.ca.gov/General.aspx?id=6311>