



## Stakeholder Comments Template

### Extended Day-Ahead Market Issue Paper

This template has been created for submission of stakeholder comments on the **Extended Day-Ahead Market (EDAM) issue paper** that was posted on October 10, 2019. Information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/ExtendedDay-AheadMarket.aspx>.

Upon completion of this template, please submit it to [initiativecomments@caiso.com](mailto:initiativecomments@caiso.com) by close of business on November 22, 2019.

| Submitted by                           | Organization                    | Date Submitted    |
|--|---------------------------------|-------------------|
| Lina Khoury<br>Lina.Khoury@cpuc.ca.gov | Public Advocates Office<br>CPUC | November 22, 2019 |

For the topics below described in the issue paper, please provide your organization’s comments on whether the item is within the scope of this initiative. If so, suggestions for how to address the issue. Also, include suggestions for additional topics to be added to the scope of this initiative. Include detailed examples to support your organization’s comments.

**Please note**, the EIM Governing Body and the ISO Board of Governors have jointly established an EIM Governance Review Committee (GRC) that is charged with leading a public process, separate from this initiative, to develop proposed refinements to the current EIM governance. The GRC’s role includes considering and developing any proposed changes to EIM governance that may be necessary for EDAM. Comments related to the governance topic should be provided in that process and not in the EDAM initiative.

#### 1. Transmission Provision

The Public Advocates Office agrees that development of a mechanism to provide transmission to support EDAM energy transfers between balancing authority areas is within the scope of this initiative. The CAISO offers five transmission mechanism options.<sup>1</sup> These options should be explored and their potential impacts on ratepayers should be thoroughly explained in the straw proposal. Furthermore, the CAISO should

<sup>1</sup> 1) Transmission for bilateral contracts, 2) transmission to capture downward/upward diversity benefits, 3) transmission for congestion rents on EIM transfers, 4) transmission for a that customers provide and 5) transmission for service providers.

provide stakeholders with detailed information on how the potential transmission mechanisms for the EDAM would impact the Energy Imbalance Market (EIM) participants since the current Real Time Market (RTM) EIM does not have any associated transmission or wheeling access charges. Since the EDAM and Real Time EIM may be operated simultaneously, there is a potential for the pancaking of the transmission charges,<sup>2</sup> which could diminish EIM benefits for ratepayers. Therefore, the CAISO should identify the appropriate EIM wheeling access charge tariffs that will be used for the EDAM transactions.

In developing the potential transmission charge approaches, the Public Advocates Office urges the CAISO to consider the following criteria:

1. Ensure that any differences between the transmission charges for the EDAM versus the RTM EIM do not create skewed incentives for participation in one market versus the other.
2. Ensure that transmission made available for the EDAM cannot be recalled after it has been committed for a given interval.
3. Facilitate efficient dispatch of generation throughout the EDAM footprint.

## 2. **Distribution of congestion rents**

In Section 5 of the issue paper, the CAISO discusses the possibility of distributing congestion rents to EIM entities via access to congestion revenue rights (CRRs).<sup>3</sup> However, the CAISO gives minimal explanation about how, or which “elements of CRR market design”<sup>4</sup> it plans to incorporate. For example, it is unclear from the information given which pairs of CRRs will be made available to EIM entities. It is also unclear whether EIM entities will be allowed to participate in the CRR annual or auction processes, whether the CRRs available to EIM entities will be subject to ex-post partial funding, or whether EIM entities will be compensated from the CRR balancing account in the event of a surplus, as measured demand currently is.<sup>5</sup> Furthermore, although the CAISO is not proposing the alignment of the EIM transmission interties with transmission congestion rents, it is not clear how the CAISO proposes to calculate congestion rents for the EDAM. The CAISO should provide detailed information on how congestion rents will be estimated for EDAM and how the charges would be passed to the ratepayers. The CAISO should define the relationships between transmission interties and EIM and should ensure that the allocation of any charges to participants in the EIM are fair and transparent. Accordingly, the Public Advocates Office requests that the CAISO specify which “elements of CRR market design”<sup>6</sup> it proposes to incorporate into the offerings for EIM

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<sup>2</sup> Pancaking of transmission charges means multiple transmission and wheeling access charges to ratepayers

<sup>3</sup> EDAM Issue Paper, p. 10

<sup>4</sup> EDAM Issue Paper, p. 10

<sup>5</sup> *Congestion Revenue Rights Auction Efficiency Track 1B Draft Final Proposal Second Addendum*, CAISO, June 11, 2018, p. 33

<sup>6</sup> EDAM Issue Paper, p. 10

entities, and from what account they might theoretically be compensated, in its forthcoming straw proposal.

The CAISO should describe how non-EDAM intertie schedules and settlements will be affected or influence by EDAM schedules and settlements. The CAISO should ensure that the allocation of any charges to participants in the CAISO's Day-Ahead Market (DAM), RTM and EDAM EIM are fair and transparent.

**3. Resource sufficiency evaluation (including forward planning and procurement; trading imbalance reserves and capacity; EIM resource sufficiency evaluation)**

The RTM EIM currently does not require resource adequacy (RA) as a prerequisite or an obligation for resources to submit bids.<sup>7</sup> Consequently, the CAISO performs a series of resource sufficiency tests<sup>8</sup> that consists of resource balancing test, capacity test, and flexible ramping prior to EIM transactions in the real-time market. These sufficiency tests include consideration of resources outside of the EIM participants' balancing authority areas (BAA). Testing for resource sufficiency for the DAM and EIM is extremely important and merits significant attention so that all participants can be confident that parties are not leaning on each other. The pros and cons of BAA self-tests should be weighed against alternative approaches for determining sufficiency. The Public Advocates Office recommends that sufficiency test should continue to be required as part of the EDAM EIM implementation.

**4. Ancillary services**

The Public Advocates Office has no comments on this issue at this time.

**5. Modeling of non-EDAM imports and exports**

The Public Advocates Office has no comments on this issue at this time.

**6. External participation**

The Public Advocates Office has no comments on this issue at this time.

<sup>7</sup> BPM\_for\_Energy Imbalance Market\_V17, page 49, 11.3.2

<sup>8</sup> The resource sufficiency test is intended to determine if there are adequate economic bids to enable the market to meet imbalance needs of each BAA.

## 7. Accounting for greenhouse gas costs

The CAISO currently includes greenhouse gas (GHG) costs and revenues in the RTM EIM net benefits calculations, including the GHG emissions in other BAAs that result from serving California.<sup>9</sup> The EDAM issue paper correctly notes that the current accounting system relies on the base schedule of EIM resources, which will be absent from the EDAM. The Public Advocates Office agrees that continued collaboration with the California Air Resources Board will be necessary to devise an appropriate GHG accounting mechanism for the EDAM emission objectives, consistent with the California Senate Bill 350 Renewable Portfolio Standard (RPS) goals.<sup>10</sup>

## 8. Convergence bidding

The Public Advocates Office staff recommends that the CAISO implement protections or enhance current ones, such as virtual bid flags, price caps, spatial granularity,<sup>11</sup> load distribution factors,<sup>12</sup> bid price-quantity pairs, and collateral to prevent gaming of the market as more participants bid into the DAM/EDAM. The CAISO should explain how potential virtual bidding within individual EDAM BAAs will not lead to the inertia settlements problems that arose when inertia virtual bidding was allowed in the CAISO DAM.

## 9. Price formation

The CAISO should provide a detailed market simulation and assessment of how price formation would be determined in the EDAM and should strive for consistency with EIM price formation. The increase in supply of resources in the EDAM could reduce energy prices for ratepayers or result in more reasonable prices during seasonal changes and system dynamics. The Public Advocates Office concludes that it is important to consider whether applying the demand curve for imbalance reserves or other relaxation parameters when meeting energy demand is a higher priority than holding imbalance reserves.

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<sup>9</sup> BPM\_for\_Energy Imbalance Market\_V17, page 17, 11.3.3.2.

<sup>10</sup> SB 350 increases California's renewable electricity procurement goal from 33 percent by 2020 to 50 percent by 2030. It also establishes clean energy, clean air, and GHG reduction goals including reducing GHG to 40 percent by 2030 and to 80 percent by 2050. Senate Bill (SB) 350, De León. Clean Energy and Pollution Reduction Act of 2015.

<sup>11</sup> Examples of spatial granularity are node, zones, and hubs.

<sup>12</sup> Load distribution factor is a measure of the utilization rate, or efficiency of electrical energy usage.

**10. EDAM administrative fee**

The CAISO currently charges participants to participate in the DAM. The revenues from these charges are used by the CAISO to pay for the cost of administering the Day-Ahead market. Therefore, to mitigate the ratepayer costs for the CAISO to administer the EDAM in EIM, the Public Advocate Office recommends that the CAISO establish an administrative fee for participation in the EDAM in the EIM. In addition, the CAISO receives the benefits of the integrated forward market; therefore, it seems likely that the primary beneficiaries of the EDAM will be non-CAISO entities. It would be reasonable for these entities to fund investigation and development of the EDAM.

**11. Review of day-ahead settlement charge codes**

The Public Advocates Office has no comments on this issue at this time.

**12. Miscellaneous (inter SC trades)**

The Public Advocates Office has no comments on this issue at this time.

**13. EIM Governing Body classification**

The Public Advocates Office has no comments on this issue at this time.

**14. Additional items to be added to scope:**

The CAISO should provide detailed information on the potential costs to ratepayers to implement the EDAM in the EIM, and those costs should be compared to the expected benefits.

The schedule for this initiative is extremely aggressive, given the breadth of issues that need to be addressed. The Public Advocates Office recommends that stakeholders work with the CAISO to prioritize the issues that are essential for ensuring success, and to identify any potential flaws early in the process. Lower priority issues should be set aside to be addressed later. Even if this prioritization process results in a narrower set of issues, it seems likely that the schedule will need to be extended. The CAISO should not let the EDAM efforts slow down or derail the needed changes being pursued in the Day Ahead Market Enhancements Initiative.