



Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102
Tel: 415-703-1584
www.publicadvocates.cpuc.ca.gov

The Public Advocates Comments on Bundle 1 of the Extended Day-Ahead Market Initiative and Workshop

March 4, 2020

Introduction

The Public Advocates Office is California's independent consumer advocate. Its mandate is to obtain the lowest possible rates for utility services, consistent with safe and reliable service levels, and the state's environmental goals.¹ The Public Advocates Office submits the following comments and recommendations on "Bundle 1" of the California Independent System Operator's (CAISO) Extended Day-Ahead Market (EDAM) initiative, which was presented at the CAISO workshop on February 11 - 12, 2020. At the workshop, the CAISO introduced proposed market design principles for each market element.² The purpose of the proposed principles is to apply them to each market element so that EDAM is more efficient.³ The CAISO seeks comments on the following Bundle 1 market elements: resource sufficiency, transmission provisions, and congestion revenue rights.⁴

Public Advocates Office Comments and Recommendations

Resource Sufficiency

The Public Advocates Office supports the CAISO's proposed principles for Resource Sufficiency (RS)⁵ because they will ensure that the Balancing Authority Areas (BAAs) are adhering to reliability obligations and establish fairness in meeting the RS requirement among BAAs. The CAISO proposed the following five principles for RS: 1) ensure all BAAs can individually meet their capacity, flexibility and transmission needs, 2) provide incentives to ensure that transmission resources and their bid ranges are available for optimal and efficient scheduling, 3) enable forward market trading of capacity and flexibility resources, while accurately accounting for resources, 4) apply transparent testing across EDAM and the Energy Imbalance Market (EIM) footprint equally,

¹ Public Utilities Code Section 309.5.

² The market elements for "Bundle 1" are resource sufficiency, transmission provision, and congestion revenue rights. CAISO EDAM workshop presentation, February 11-12, 2020, p. 6.

³ IssuePaper-ExtendedDayAheadMarket.pdf.

⁴ CAISO EDAM workshop presentation, February 11-12, 2020.

⁵ The resource sufficiency principles set forth the expectation that each EIM entity will adequately balance its supply and demand prior to participating in the energy imbalance market.

and 5) ensure each BAA remains responsible for its reliability and resource adequacy while securing feasible day-ahead schedules.⁶

The EIM Entities observed that there could be diversity benefits through the EDAM because resource units would be committed and scheduled more optimally in the day-ahead market (DAM)⁷ across a larger footprint.⁸ Thus, the EIM Entities assert that “diversity credit [from EDAM] can be allocated to reduce each BAA’s RS requirement.”⁹ The EIM Entities propose that expected diversity benefits should be used to lower EDAM RS requirements.¹⁰

The Public Advocates Office does not support the EIM Entities’ proposal to reduce RS requirements based on anticipated diversity benefits. The RS requirement is needed to ensure that each BAA has sufficient resources to serve its own load before the DAM is run. Under this requirement, a BAA would be responsible for ensuring reliability within its own area and not allowed to shift that responsibility to other BAAs (which is referred to as “resource leaning”). Diversity benefits that result from co-optimizing resources across the EDAM should not be used to reduce a RS requirement for an individual BAA since this could encourage resource leaning.

The Public Advocates Office recommends that the CAISO address the following questions in the straw proposal for this initiative:

- 1) What is the source of the EDAM diversity benefits?
- 2) How will EDAM diversity benefits be identified and calculated for BAAs?
- 3) How will the benefits be reported?
- 4) Will the EDAM benefits impact the current real time EIM benefits? If so, how?

Transmission Provision

The CAISO proposes the following five principles for the Transmission Provision (TP):¹¹ 1) maximize transmission system usage, 2) encourage efficient transmission investment, 3) incentivize voluntary transmission availability, 4) maximize efficient energy and reserves scheduling, and 5) implement complementary bilateral trading and transparency to improve forward resource¹² planning.¹³

⁶ CAISO EDAM workshop presentation, February 11, 2020, slide 11.

⁷ DAM is planned for ahead of time based on forecasts of the load and available energy. The prices are agreed upon in a contract.

⁸ CAISO Extended day ahead market workshop presentation, February 11, 2020, slide 9.

⁹ EIM Entities Presentation on EDAM Resource Sufficiency Design, February 11, 2020, slide 7.

¹⁰ EIM Entities Presentation on EDAM Resource Sufficiency Design, slide 8.

¹¹ The transmission provision principles set forth the expectation for the EIM Entities to make transmission available to support EDAM energy transfers between balancing authority areas.

¹² Forward Resource is planning for energy needed and when it is needed.

¹³ CAISO EDAM workshop presentation, February 12, 2020, slide 29.

The Public Advocates Office recommends that the TP ensure reasonable competitive prices to implement the EDAM. Therefore, the CAISO, in the EDAM straw proposal, should address the following questions on proposed TP principles:

- 1) Principle 1: The CAISO should provide detailed information on how it plans to mitigate any transmission congestion to ensure grid reliability and transmission security.
- 2) Principle 2: The CAISO should provide economic justifications regarding any transmission investments, costs, and other impacts on ratepayers.
- 3) Principle 3: The CAISO should provide detailed information on how it plans to prevent market power in the provision of physical transmission and capacity rights.¹⁴ What incentives does the CAISO propose to provide and to whom?
- 4) Principle 4: The CAISO should provide detailed information on how it plans to maximize energy and reserves scheduling and its impact on the EDAM.
- 5) Principle 5: The CAISO should provide detailed information on complementary bilateral trading and its concurrent implementation with EDAM.

Additionally, the Public Advocates Office raises the following questions on the TP for the CAISO to address:

- How will the EDAM transmission charges be identified? How will EDAM transmission charges impact EIM transactions?
- How will the CAISO determine EIM benefits?
- How will the benefits be distributed among each BAA?
- Could California ratepayers pay higher net costs (considering wheeling access charges, congestion revenues, energy and capacity costs, etc.) to serve California load with the EDAM than without it?
- Will there be transmission charges at the interties between BAAs to implement EDAM? What would be the impact of transmission charges on energy transactions between the BAAs?
- How will the transmission access charge (TAC) be determined in the EDAM?
- What amount of transmission capacity will be required to implement the EDAM? What is the process for determining the required amount of transmission capacity?
- How should the cost of transmission be allocated among the users of the transmission network?

¹⁴ The transmission physical right is the transmission owner's right to transmit a certain amount of power for a specified time through a given branch of the transmission network. The transmission capacity right allows power delivery at a fixed price.

Congestion Revenue Rights

The CAISO proposes the following five principles for Congestion Revenue Rights (CRR):¹⁵ 1) allocate revenues to those long term exports and internal transmission customers, 2) distribute revenues equitably, 3) incentivize long-term forward procurement of transmission for resource sufficiency evaluation, 4) respect long term traditional bilateral scheduling rights, and 5) provide accurate accounting for CRR between BAAs in the EDAM.¹⁶ The CAISO should provide more detailed information on the CRR principles and how they will be designed in the EDAM.

Additionally, the Public Advocates Office requests that the CAISO respond to the following questions/issues in its next straw proposal on this initiative: Will there be potential reductions in congestion revenues allocated to CAISO market participants with and without EDAM? And if so, how will the reductions in congestion revenues be calculated? What is its impact on California ratepayers?

The Out-of-Balance Authority Area Load Serving Entities (OBAALSEs)¹⁷ that pay the Wheeling Access Charge¹⁸ are already eligible to receive allocated CRRs.¹⁹ Under the Track 1B changes to the CRR market that went into effect in 2019, overcollections (surpluses) on CRR nodes are re-allocated to measured demand.²⁰ However, under the proposed EDAM, the CAISO has not clarified if surpluses collected on intertie points will now be reallocated to measured demand, because currently surpluses on intertie points are reallocated to market participants.²¹ The CAISO should clarify if the intertie points will be included in auctioned CRRs, and if the surpluses on those intertie points will be reallocated to measured demand under the EDAM.

If you have questions about these comments, please contact Lina Khoury, Regulatory Analyst, at 415-703-1739 or lina.khoury@cpuc.ca.gov.

¹⁵ The congestion revenue rights principles set forth the expectation for the EIM entities to facilitate the distribution of congestion revenues within its BAA.

¹⁶ CAISO EDAM workshop presentation, February 12, 2020, slide 46.

¹⁷ Each CRR Allocation process is based on nominations submitted to CAISO by LSEs or Qualified OBAALSES eligible to receive CRRs. Congestion Revenue Rights Business Practice Manual (BPM), page 11.

¹⁸ Wheeling Access Charge is a transmission access charge that applies on the energy exports.

¹⁹ CAISO Tariff §§ 36.9.2 and 36.9.2.2, and BPM for Congestion Revenue Rights, Version 254, CAISO, Updated January 14, 2020, p. 93.

²⁰ DraftFinalProposalSecondAddendum-CongestionRevenueRightsAuctionEfficiencyTrack1B.pdf, page 34.

²¹ CAISO EDAM workshop presentation, February 12, 2020, slide 51.