

## Background:

This document provides an opportunity for interested stakeholders to submit informal comments and perspectives on various topics discussed during the working group process. There is recognition that additional details are needed on these topics that will be developed throughout the initiative, and stakeholders will have opportunities to provide more comprehensive and formalized comments on these topics to the extent these become part of a formal proposal. Please be brief in any written responses to facilitate review, recognizing these represent informal reactions at this early stage.

Please submit your comments using this template to [ISOStakeholderAffairs@caiso.com](mailto:ISOStakeholderAffairs@caiso.com) by end of day March 15<sup>th</sup>, 2022.

## Question:

For each question please provide your perspectives on the concepts based on the information discussed in the working groups to date, recognizing that additional detail will be provided through the straw proposal that will allow you to consider the concepts in a more complete light. If desired, please provide additional context and/or identify additional aspects for consideration.

1. Please share your organizations perspective on the need for, and value of, a month ahead (45-day) advisory submission of a general resource plan by the EDAM Entity to provide some level of confidence in meeting day-ahead resource sufficiency throughout the month. (discussed 1.5 & 1.10)

SCE supports an advisory resource showing 45-days before the start of the delivery month. The showing should prove helpful in maintaining both reliability and smooth market operations within the EDAM footprint. The showings should be submitted to the CAISO and kept confidential. Advanced showings provide the CAISO with information to determine the overall level of resource sufficiency in the EDAM footprint. Moreover, the CAISO has time to reach out to specific BAAs, or to the market at large, if the CAISO identifies problems in showings (such as multiple BAAs simultaneously relying on the same resource). If the CAISO does reach out, participants will have time to assure themselves they are in fact sufficient, and if not, they have time to secure additional resources prior to the month. All of which should improve real-time reliability and market operations.

2. Please share your organizations perspective on the nature of the consequences for failing to pass the Day Ahead resource sufficiency evaluation. Should the consequence be physical freezing of transfers, or a form of financial consequence? (discussed 2.23)

The CAISO should consider additional alternatives. SCE suggests two items to explore:

- i) Securing the deficit capacity through RUC or other IFM mechanisms and billing the deficit BA for the costs, perhaps with a penalty (e.g., 3X market cost).
- ii) Implement market rules that require the failing BA to carry additional reserves – available at the request of the CAISO - to cover the RSE deficit (instead of physical freezing).

Since the RSE is intended to prevent “leaning”, other rules that address “leaning” need to be simultaneously discussed so that, collectively, the market rules address the issue. For example, relaxing “physical freezing” might be acceptable if any transfers beyond the RSE amount are “less firm” than transfers to BAs that passed the RSE test. In addition, the treatment of CA RA resources, and actions used to properly protect RA resources, could also influence the rules for failing the RSE test (e.g., making it easier to relax physical freezing).

3. Please share your organizations perspective on whether there is merit to creating a platform to facilitate intra-day, before the day-ahead market is run, trading of bid range and imbalance reserve capacity with between EDAM BAAs. (discussed 2.23)

SCE notes that “imbalance reserve capacity” is the subject of the DAME process, not the EDAM process. Imbalance reserve capacity currently does not exist and may never exist, and certainly exploring enhancements here to a product that doesn’t even exist is procedurally mistimed. If imbalance reserve is needed for the EDAM, the CAISO should end the current DAME process, and instead propose imbalance reserves as part of the EDAM straw proposal in the upcoming April CAISO draft.

4. Please share your organizations perspective on whether a penalty structure needs to be developed to incent performance of firm energy contracts supporting imports (i.e., WSPP Schedule C arrangements) utilized to demonstrate resource sufficiency and sources from non-EDAM BAAs. (discussed 2.23)

SCE understands WSPP Schedule C Firm contracts to be extremely reliable. They are currently part of the CA RA program and should be honored as part of the RSE.

5. Please share your organizations perspective on the Residual Unit Commitment (RUC) as an integral component of the EDAM framework based on the working group discussions to date. Should RUC be part of the EDAM? (discussed 2.25, 2.28)

RUC is currently part of the CAISO market and will need to continue in the EDAM, at a minimum for the CAISO. The exact formulation, as well as the role RUC performs in EDAM needs additional discussion. For example, should RUC be fully optimized over the entire EDAM footprint or should a separate RUC process be run for each EDAM BAA? If RUC is done over the entire footprint, should there be additional constraints that first attempts to secure capacity from within the BAA? For example, if RUC is used to cure RSE deficiencies (see response to Q2) should the capacity be required to come from the failing BAA rather than the footprint at-large? Moreover, if the RUC process is a single “pool”, the CAISO should consider if additional local constraints (e.g., requiring at least X% of the RUC capacity to be secured within the local BAA) would provide a more reliable and dependable market resource pool.

6. Please share your organizations perspectives on convergence bidding (virtual bidding) as a feature of the EDAM based on the working group discussions to date. Should convergence bidding be a feature of the market, Day 1, at the start of EDAM? (discussed 2.25, 2.28)

Virtual bidding (VB) will remain within the CAISO’s footprint. Additional discussions on if any modifications to current VB rules are needed for the CAISO should be revisited once the EDAM’s market rules are solidified. This should include a discussion on if the CAISO needs any additional tariff authority to “turn of virtual bids in the CAISO” if EDAM creates problems with virtual bids, or if virtual bids create problems with EDAM. In addition, the allocation of virtual bid uplift should be considered to see if there are any conditions in which uplifts should be allocated to EDAM entities.

SCE prefers not having VB on day-one of EDAM for other BAAs, but would support introducing it as a second phase. If/when it is introduced, it should be up to each BAA on if they support it or not within their footprint.

Of note, any BAA that supports VB must have some form of RUC process to replace virtual supply with physical capacity. In addition, there may need to be additional “minimum market clearing rules” for BAAs that do not have virtual bidding. CAISO has minimum procurement rules prior to the introduction of VB, and similar rules should be discussed for BAAs that do not have virtual bidding.

7. Please share your organizations perspective on the topic of dependability of EDAM transfers. What is the level of confidence and/or priority that should be afforded to EDAM transfers relative to other transactions? (discussed in upcoming 3.9 meeting)

This issue is interwound with “what rules are needed to protect CA RA resources during tight conditions”. There are several options that the CAISO should explore further. Specifically, participants should explore having different levels of “firmness” for EDAM transfers based on the type of available capacity available to support the transfers, and/or treating those EDAM transfers as Low Priority Exports (LPT Exports).

For example, today the CAISO does not allow parties to tag exports (Day-ahead) unless RUC clears with sufficient capacity or if the exporter has a Priority Schedule that references a non-RA resource. This allows the CAISO to “protect” CA RA capacity.

Similarly, EDAM may need to have different levels of firmness depending on the capacity available to support the transaction. This could result in both “Firm” transfers that are fully backed by capacity (and operating reserves), or if there is the need to preserve capacity for a native BAA, there could be a second form of Firm such as “Firm Except During Emergencies” (Firm EDE). The CAISO would curtail Firm EDE transfers only if, for example, the only other option available to the CAISO was to curtail firm load within its BAA. Knowing these rules, the market could bid and price these “Firm EDE” and “Firm” transfers differently, and the receiving BAAs could take whatever actions they deemed necessary to backstop the “Firm EDE” transfers knowing the CAISO could curtail these to prevent CA load drop. The receiving BAA could even have their own rules as to whether they would allow participants to bid for Firm EDE, or if they would only allow bids for fully Firm EDAM transfers.