



Stakeholder Comments Template Day-Ahead Market Enhancements Initiative

This template has been created for submission of comments on proposed market design options discussed with stakeholders during the August 13, 2019 Day-Ahead Market Enhancements working group meeting. Information related to this initiative is available on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/Day-AheadMarketEnhancements.aspx>.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on August 27, 2019.

Submitted by	Organization	Date Submitted
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Please provide comments on the preferred market structures that were discussed during the August 13, 2019 working group meeting. Include the pros and cons for each option.

SMUD appreciates the opportunity to provide comments on the CAISO's Day-Ahead Market Enhancement (DAME) initiative. We have been actively engaged with this initiative and look forward to continued engagement.

1. At this time, does your organization support moving forward with **Option 1: Financial**, **Option 2: Financial + Forecast**, or **undecided**. Provide supportive comments (in favor of, or in opposition to) below.

Please double click on check box below to select your position:

<u>Option 1:</u>	<u>Option 2:</u>
<input type="checkbox"/> Support	<input type="checkbox"/> Support
<input type="checkbox"/> Support with caveats	x Support with caveats
<input type="checkbox"/> Oppose	<input type="checkbox"/> Oppose
x Undecided	<input type="checkbox"/> Undecided

Option 1: Financial

- Co-optimizes bid-in demand, ancillary services and imbalance reserves
- Imbalance reserves cover historical uncertainty between IFM cleared net load and FMM net load
- Exceptional dispatch if IFM clears inconsistent with operational needs

Please provide comments to explain your position on option #1:

At this time, SMUD is undecided as to Option 1. It is still early in the initiative and the CAISO should keep options open as it continues to refine concepts for imbalance reserve procurement in the day-ahead market. Option 1 may be a viable option if other approaches (including Option 2) do not work.

Pros of option #1:

Cons of option #1:

Option 2: Financial + Forecast

- Co-optimizes bid-in demand, ISO reliability capacity, ancillary services and imbalance reserves
- Imbalance reserves cover historical uncertainty between ISO's day-ahead net load forecast and FMM net load
- Reliability capacity covers differences between ISO net load and cleared net load
- Exceptional dispatch if IFM/RUC clears inconsistent with operational needs

Please provide comments to explain your position on option #2:

In general, Option 2 appears to provide a more robust and efficient optimization process than Option 1.

Pros of option #2:

Option 2 will likely increase reliability of the CAISO system because it bases the CAISO's reserves procurement on its forecasted demand.

Cons of option #2:

- 1) ***While procuring reserves in the day-ahead market will improve reliability, it may cause energy prices to increase which will raise costs for ratepayers.***

- 2) *This DAME construct will introduce new opportunities to game the market, especially from entities bidding at the interties. The CAISO has focused on shoring up problems with intertie entities not delivering consistent with its market award, but the DAME proposal introduces additional opportunities for gaming. The CAISO will rely on the day-ahead market for critical capacity needs, highlighting the importance of ensuring market participants meet their obligations.*
- 3) *The CAISO has improved its forecasting ability over recent years. However, given the rapid market changes, extreme weather events, and operational challenges we are facing in California, the CAISO's historical forecasting capability does not necessarily mean the CAISO will be able to accurately forecast in the future. Operator bias and over-forecasting could cause excess procurement of reserves resulting in additional costs to customers at the benefit of suppliers.*

Please offer any other feedback your organization would like to provide on presentation materials and discussion for August 13, 2019 Day-Ahead Market Enhancements stakeholder working group meeting.

Comments:

We note the CAISO's timeline to implement and launch three major initiatives (DAME, EDAM, and RA Enhancements) together at the same time is a challenge. We therefore question whether there is adequate time to sufficiently stakeholder all of these initiatives by Fall of 2021. In addition, the CAISO appropriately recognizes the interdependence of the three initiatives, but decisions in each initiative may be made at different times which will affect the outcome of the other initiative(s). Specifically, if decisions are made in the DAME and RA Enhancements initiatives before an EDAM initiative, EDAM members may not have sufficient opportunity to provide input and would be forced to accept aspects of the market as-is.