

Seattle City Light's Comments on CAISO's June and July 2018 meetings regarding
Day-Ahead Market Enhancements
July 10, 2018

About Seattle City Light

Seattle City Light (Seattle) is the tenth largest consumer owned electric utility in the nation, providing electrical service to more than 415,000 residential, commercial, and industrial customers in the City of Seattle, Washington and six adjacent cities. Seattle owns and operates resources with approximately 2,000 MW of flexible, fast-ramping, hydroelectric capacity. We regularly transact in the wholesale energy and transmission markets. Seattle executed an Implementation Agreement with the California Independent System Operator (CAISO) and intends to begin participating in the Energy Imbalance Market (EIM) in April 2020.

Comment summary

Seattle thanks CAISO for the opportunity to provide comments on the Day-Ahead Market Enhancements initiative and looks forward to continuing to work with all stakeholders throughout this process. These comments focus on the current proposal's day-ahead flexible ramping product procurement amount and this initiative's timing. Specifically, Seattle encourages CAISO to design the day-ahead flexible ramping product so that it procures a sufficient amount to cover the BAA's load forecast, and includes mechanisms that ensure resources with day-ahead awards show up in real time. Further, Seattle requests that CAISO extending the amount of time available for this initiative.

Day-ahead flexible ramping product procurement amount

Seattle recommends that the day-ahead flexible ramping product procure sufficient capacity to meet CAISO's forecasted load and uncertainty, and that mechanisms ensure that resources with awards perform as instructed in real-time.

CAISO now proposes to clear the day-ahead flexible ramping product against a demand curve, while its earlier proposal cleared against CAISO's day-ahead load forecast plus uncertainty. Clearing this product against the day-ahead load forecast ensures that the CAISO BAA, and eventually other EDAM BAAs, procure enough capacity to meet their forecasted need. Seattle is concerned that the current proposal does not ensure that CAISO will procure enough capacity to meet its forecasted load and ramping needs. This could produce the situation where a BAA leans on the real-time market, and other EIM entities, for capacity and ramping needs. Seattle recommends that CAISO design the day-ahead flexible ramping product to ensure that its BAA, and eventually other EDAM BAAs, procure enough capacity to meet their forecasted need. This does not foreclose upon the use of a demand curve, but the demand curve discussed in the last two stakeholder meetings does not guarantee that CAISO will procure enough capacity to meet its forecasted load and ramping needs.

Seattle believes that CAISO should design its market to ensure that day-ahead energy and flexible ramping product awards perform as instructed in real-time. Rather than designing the

flexible ramping product procurement target to compensate for “conventional generators that are unable to meet their IFM schedule,” and “imports that don’t tag their IFM schedule,”¹ Seattle supports the exploration of mechanisms to require day-ahead market awards to show up in real-time. Such mechanisms could include disqualification of resources, penalties, payment claw-backs, and, for intertie awards, a day-ahead tagging or resource identification requirement. Seattle encourages CAISO to select mechanisms that will ensure day-ahead awards show up in real time, instead of over-procuring to account for day-ahead awards that fail to perform.

Stakeholder process timeline

Seattle suggests that CAISO expand the amount of time available for this initiative. This stakeholder process encompasses a significant redesign of CAISO’s day-ahead market and has many implications for the real-time market. The details of any major redesign of the market, especially one that includes the introduction of a new market product, should be fully vetted by stakeholders and carefully thought out. Multiple iterations of the proposal, followed by ample time for stakeholder discussion, are necessary to successfully implement this significant market change. Accordingly, Seattle recommends that CAISO allow for multiple additional written proposals, stakeholder meetings, and opportunities for comment before concluding this initiative.

Conclusion

Seattle thanks CAISO for the opportunity to provide these comments and looks forward to reviewing the next iteration of its proposal. If you have any questions about these comments, please contact Yochi Zakai at yochanan.zakai@seattle.gov or 206-684-3534.

¹ *Day Ahead Market Enhancements Revised Straw Proposal*, page 18 (April 11, 2018), available at <http://www.caiso.com/Documents/RevisedStrawProposal-DayAheadMarketEnhancements.pdf>.