

Western Power Trading Forum on the CAISO's Extended Day-Ahead Market Issue Paper
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The Western Power Trading Forum

The Western Power Trading Forum (WPTF) is a California nonprofit, public benefit corporation. It is a broad-based membership organization dedicated to enhancing competition in Western electric markets while maintaining the current high level of system reliability. WPTF supports uniform rules and transparency to facilitate transactions among market participants. The membership of WPTF and the WPTF CAISO Committee responsible for providing these comments include CAISO and EIM entities, load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities that are active participants in the California market, other regions in the West, and across the country.

Comments

WPTF appreciates the opportunity to provide comments on the Extended Day-Ahead Enhancements Issue Paper posted on October 10, 2019 and the October 17 stakeholder call.

WPTF supports full regionalization as there are market efficiencies that are naturally generated when you increase energy market diversity and the ability to plan for resource adequacy and transmission across a broader footprint. It has been WPTF's understanding that the CAISO shared this goal, and that while there were some high hurdles outside the CAISO's control to move forward, the CAISO still ultimately was striving for full regionalization. WPTF asks the CAISO to provide insight into their plans regarding regionalization and how the extended day-ahead market (EDAM) initiative fits into the larger plan. WPTF is concerned that too many incremental steps toward regionalization will divide the benefits and therefore the West will never be able to make the final push into centralized energy, capacity, and transmission planning and optimization.

Additionally, while WPTF appreciates the CAISO's efforts in identifying the array of areas and topics that need to be discussed, the EDAM Issue Paper lacked any justification for California ratepayers to move forward. Typically issue papers identify issues and describe the benefits or need of the initiative. The EDAM Issue Paper instead focused on design issues and took as a given that EDAM was beneficial to all participants. WPTF is extremely concerned that this is skipping an important step. Not only were the benefits presented at the CAISO Board of Governor's meeting extremely limited in size, the benefit study itself was not made transparent. In order for WPTF to endorse this effort there needs to be transparency on the benefits to California ratepayers – the ones who fund the CAISO and CAISO initiative efforts – as well as transparency on what particular aspects of EDAM are leading to these benefits. It will be

impossible to focus efforts on key aspects of EDAM design without understanding what is causing the benefits.

Finally, WPTF believes an initial primary principal of EDAM should be that the design will be based on competitive market principals and consider all stakeholders across the West, including independent generation, retail choice, and other non-IOU stakeholders.

Transparency of EDAM Assumptions

As part of the CAISO's decision to move forward with the EDAM stakeholder process, a benefits study was conducted. WPTF appreciates that there was a lot of time, effort, and collaboration that went into setting up and conducting the study. Obviously the EIM Entities have had the opportunity to evaluate the study and vet the assumptions; this same opportunity should also be extended to CAISO stakeholders as they too will be impacted by the CAISO's decision to move forward with such a design. Throughout this entire process, it is key that CAISO stakeholders are given equal consideration as EIM entities so they too can provide informed opinions and contribute to robust policy discussions.

Additionally, as with any benefits study, assumptions have to be made and ultimately those assumptions impact the study results. It is imperative that for all the stakeholders to determine if in fact there are incremental benefits in an extended day-ahead market design, those assumptions and sensitivities around those assumptions are shared with all the stakeholders. Additionally, by sharing the study and underlying assumptions, the stakeholders can evaluate which policy aspects are driving the benefits. This then provides stakeholders more assurance that the benefits are not accruing because of one assumption that may be considered overly optimistic and enables identification of which market design aspects should be center to the final design.

Transparency of EDAM Benefits

At the September 18, 2019 Board Meeting, the CAISO reported that the benefits study resulted in \$119 million to \$227 million per year of benefits across 15 EIM participants and the CAISO.¹ These were stated to be production cost benefits, but it was not made transparent where the benefits arose nor whether CAISO would achieve any of these benefits. WPTF first and foremost asks that this study be made transparent so that CAISO stakeholders, like EIM entities, have full information before moving forward with an intensive stakeholder effort. WPTF is unaware of any other ISO or RTO that has moved forward with a significant effort to expand or add significant amounts of services without a publicly vetted benefits study.

WPTF views transparency as a fundamental step needed to move forward. One assumption that was made in the study is that all currently participating EIM Entities and those that have announced intention to participate will also participate in the extended day-ahead market.

¹ <http://www.caiso.com/Documents/Briefing-ExtendedDay-AheadMarketInitiative-Presentation-Sep2019.pdf>

However, these EIM entities have not committed to move forward, only potentially join after the design is done. While WPTF understands they cannot commit to join in advance, EDAM will be an option for the EIM entities; they have the choice of participating or not participating, CAISO participants will not. The CAISO is currently planning on spending a significant amount of time and resources developing a full proposal and then allowing EIM entities to choose whether to participate. It could be the that in the end, certain EIM entities may opt to not participate and thus the benefits don't materialize. It could be the benefits are there for EIM entities, but not CAISO participants. Given this, it's imperative that more discussion is had upfront as to whether and why the CAISO should be spending its time and resources to develop a full proposal.

Design Elements

WPTF understands why it would be natural and for the CAISO to be inclined to base EDAM on the EIM market design. However, WPTF is not certain copying EIM in the extended day-ahead market is the right design decision. There are things in the EIM that still need to be fixed. The CAISO should conduct a review of the EIM and provide transparency around which elements need to be addressed such that those elements can be addressed in both the EIM and extended day-ahead market.

Standardization is a perfect example of a key element that WPTF believes EDAM will need to differ from EIM. It is extremely challenging in the existing EIM for certain market participants to transact due to different rules and accounting. WPTF supports EDAM as a market whereby market participants are held to the same set of rules and accounting across the West. Another example is Oversight. WPTF asks that the CAISO from the onset identify a group will be funded and staffed such that they can provide oversight of the extended day-ahead market. There needs to be assurance that under this market design, the CAISO has the resources available to provide the necessary oversight without having to lean on other groups within the CAISO that are already working at maximum capacity.

Ultimately WPTF is supportive of Western regionalization and hopes that the CAISO will be able to use EDAM as a step toward this goal. WPTF thanks the CAISO for consideration of these comments.