

## Western Power Trading Forum on the CAISO's Extended Day-Ahead Market Technical Workshop

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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 Market (EDAM) Technical Workshop that was held on February 11 and 12, 2020. WPTF commends the CAISO staff and EIM representatives for the significant amount of time, effort, and thought put into the effort thus far. The path to designing and implementing an EDAM is not a trivial feat and the complexity of issues that require addressing are not minimal.

WPTF supports full regionalization as there are market efficiencies that are naturally generated with increases in energy market diversity and the ability to plan for resource adequacy and transmission across a broader footprint. The discussions during the workshop made it clear that there are a lot of complex issues to work through – each topic could have justified its own two-day workshop. The comments provided below are intended to initiate additional discussion on elements raised during the technical workshop.

WPTF would also like to reiterate its ask that the CAISO and EIM Entities make public the EDAM Feasibility Assessment that ultimately led to the decision for the CAISO to move forward with designing an EDAM framework. Allowing all stakeholders to have a better understanding of the assumptions that went into the benefits study and the results will enable a more robust cost benefit analysis as each proposal element starts to take form.

### Key Principles

WPTF appreciates the thought and consideration around the key principles for the Extended Day-Ahead Market Design. Gaining consensus on the principles upfront will help facilitate a more robust market design process. WPTF supports two additional principles that should be explicitly stated as we move forward in these efforts.

1. First, WPTF believes the policy design should ensure fair and equitable access to the market and transmission.
2. Second, the CAISO should up-front commit to the principle of ensuring standardization. This principle comes directly from lesson learned from the current EIM market design. Currently it is extremely challenging for certain market participants to transact across EIM areas due to different rules and accounting across these entities. WPTF supports EDAM as a market whereby market participants are held to the same set of rules and accounting across the entire participating footprint.

In addition to adding these principles, WPTF believes it is vital to fully understand what is meant by a “voluntary market,” not only from the context of being able to opt in to the EDAM but also from the perspective of once in, what, if anything, remains “voluntary.” For example, once an entity opts to participate in EDAM, are they then required to offer in all of their generation and transmission 24x7 or, given the voluntary nature of the market, can they choose hour by hour or day by day which resources to make available to the EDAM market?

Lastly, the EDAM design will ultimately need to address all seams issues between it and four other markets – the bilateral market, the CAISO day-ahead market, the CAISO real-time market, and the EIM. Not properly addressing all seams issues can create situations whereby one market is being harmed due to the activity in another or full participation in one market is inappropriately hindered due to the design of another. Thus, WPTF encourages the CAISO to identify seams issues within each proposal element to ensure they are being appropriately addressed.

### **Resource Sufficiency Evaluation**

The ability for all entities to benefit from an extended day-ahead market relies in part on the assurance that all participating entities are ultimately able to reliably meet their own demand. To that end, WPTF supports the concept of having a test to ensure each BAA brings to the table sufficient resources to facilitate a more optimal use of generation and transmission across the system while also preventing any one BAA from unduly leaning on others. We greatly appreciate the time and effort that went into explaining the existing EIM resources sufficiency evaluation tests and how those designs may translate into something similar for EDAM. The discussion at the workshop highlighted for WPTF the complexities around designing an evaluation process that meets both the EIM Entities’ needs while balancing those needs with a simplified approach. We look forward to additional discussions around how the CAISO may design a simplified approach that will still ensure EIM entities are coming to the table with their adequate share of resources and transmission.

Regarding standardization, the resource sufficiency evaluation test is an area that WPTF believes should ensure each EIM Entity as well as the CAISO is held to the same standard and that the tests are performed in a transparent manner. WPTF envisions that this could be accomplished by all EIM Entities agreeing on using the same methodology with regards to how

they report their generation and transmission to the CAISO for evaluation. Additionally, the methodology by which the CAISO evaluates each resource sufficiency plan provided by the EIM Entities should be transparent to all stakeholders. For example, the EIM Entities presented on a new tradeable product; it was unclear to WPTF if this new tradeable product would have a price associated with it and corresponding delivery of a product in the EDAM, or if it was more of a product applicable to the way each EIM Entity would count their capacity to meet its resource sufficiency test.

### **Transmission Provision and Compensation**

Transmission provision and compensation issues for EDAM will require close consideration by the CAISO and all affected stakeholders. Rules regarding transmission provision and compensation should ensure that there is fair and equitable access to the market for all potential participants, including supply side resources. Additionally, consistent with WPTF's second proposed overarching EDAM design principle, it will be important to ensure standardization/consistency in the transmission provision and compensation rules and requirements that are established for EDAM and for those rules to be equally applied to each EIM Entity and to CAISO.

Consistency will also be critical between the transmission provision and compensation rules that are established for EDAM and the construct that is utilized for EIM. If there are different transmission provision and compensation rules for the day-ahead and real-time markets, there will be market inefficiencies and market transactions may be "pushed" from one timeframe to another due to transmission cost or availability differences. Thus, it appears important that, if a transmission cost is applied to transfers that occur in EDAM, it should equally apply to the EIM. WPTF would appreciate additional discussion and consideration on this front ahead of (or, at a minimum, within) the Straw Proposal.

WPTF is also interested in additional details regarding the implications of the three "buckets" of transmission that may be available for EDAM transfers. It will be important to understand the market pricing implications that will result from having a quantity of transmission available for market optimization free of charge and another quantity of transmission available for a cost (which also could vary from one BAA to another). This construct seems as though it is likely to lead to highly variable market prices when EDAM transfers are approaching the limits of the "free" transmission buckets. These issues should be explored in further detail in subsequent technical workshops and/or stakeholder meetings. CAISO should also consider if there are any unintended consequences or incentives created with the quantity of transmission capacity market participants provide in each bucket. Additional discussion of the method for calculating transmission rates in EDAM, when and if they apply, would be also appreciated.

Finally, with respect to transmission provision, the EIM Entities presentation highlighted a number of "other considerations" with respect to transmission in EDAM. Each of the issues raised by the EIM Entities in this section of the presentation will be incredibly complex to

resolve within the EDAM construct. WPTF would appreciate additional technical workshops addressing each of these topics.

### **Congestion Rents**

Allocation of congestion rents is another topic that could benefit from another full day technical workshop, especially given the potential for three categories, or buckets, of transmission that would be offered into the EDAM. WPTF appreciates the CAISO starting the discussion around (1) who has the rights to the congestion rents and (2) the appropriate allocation mechanism, but we should also think through the market implications of the potential solutions.

For example, if one of the buckets reflect a hurdle rate in the market, this will change incentives for entities and introduce market implications that warrant further consideration. As previously discussed, WPTF questions if under a hurdle rate construct, it would be the case that the market may see large variability in prices when it becomes economical to utilize bucket three transmission capacity. Also, would market participants be incented to limit bucket 2 transmission capacity for bucket 3 because they are guaranteed to recover a certain cost associated with that capacity? Lastly, without some form of standardization around how hurdle rates are set, would certain cost allocation designs create an incentive for entities to inflate the hurdle rates for their given bucket three transmission capacity?

WPTF thanks the CAISO for consideration of these questions and comments and looks forward to additional workshops and discussions around the topics raised herein.