

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 by end of day March 15th, 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)

WPTF believes the west could benefit from having more transparency and organization around load serving entities reliability plans. However, this is beneficial for resource adequacy purposes rather than a measurement of resource sufficiency into a day-ahead market. As part of EDAM, we encourage the CAISO to find an inclusive mechanism that allows resource adequacy plan sharing and hopes that this is included as a section of the straw proposal. WPTF envisions this would be on an annual basis and allow some sort of translation of capacity into deliverable capacity values. While the 45-day advisory submission provides some elements of this vision because it is being discussed within the context of resource sufficiency, its use and market design flexibility is limited.

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)

WPTF observes there are three general failure consequences being considered: physical consequences, in-market financial consequences, and out-of-market financial consequences. We do not have a position on which of these is better, but stress that any in-market financial consequences should not negatively impact price formation by inappropriately adding an out-of-market estimate of capacity costs into LMPs.

Additionally, it seems like much of the conversation during the working group on this topic has been avoiding an elephant in the room – whether entities who rely on real-time spot market purchases to maintain reliability can effectively participate in EDAM. Although CAISO load serving entities are required to procure capacity in advance, it is very typical for power supply plans outside organized markets to explicitly rely on the spot market for a portion of reliability needs. And the CAISO itself – despite RA requirements – has for years relied on imports to maintain reliability during the summer, as shown in the last few Summer Load and Resource Assessment reports. This should be plainly discussed as it suggests that a buffer before consequences kick in may not be so unreasonable. Or maybe the world has changed enough that this is unreasonable, and everyone wants to move away from relying on their neighbor. Regardless, it should be discussed in practical, plain terms prior to the market design being finalized.

Finally, from a more holistic perspective, WPTF believes there needs to be some principles agreed prior to deciding the consequences for failure to pass the day-ahead resource sufficiency test. The CAISO has been treating EDAM in some ways as just a larger EIM. This is a fallacy. EIM provides an additional opportunity for the west to easily trade inter-hour energy. It is an *incremental* trading opportunity that benefits everyone. EDAM currently appears to be designed as a *replacement* market for a who-knows-how-many billion-dollar industry. It cannot simply be an extension of the CAISO's day-ahead market with some failure consequences tacked to it. The faster this is acknowledged within the holistic EDAM design, the better chance we have of a coherent market design that will benefit everyone.

3. Please share your organizations perspective on whether there is merit to creating 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)

This depends on how the RS test and failure consequences are designed and the intent of the EDAM market itself.

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)

Generally, WPTF believes that the CAISO should only create penalty structures outside the market in the event that price formation and in-market consequences fail to yield desirable behavior.

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)

The fact that this is a hot debate demonstrates our final point made in response to question 2. EDAM cannot simply be an extension of the CAISO's existing market design slightly enhanced by the inclusion of an imbalance product designed in a separate initiative. The EDAM market design should be built from the ground up and through this process maybe it is clear that RUC is needed, but without the logical walk-through of the benefits of EDAM and how to achieve the benefits through a market design, RUC is going to be a hard sell.

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)

WPTF generally supports convergence bidding but believes the inclusion should be decided based on evaluating the benefits of EDAM and asking how convergence bidding either supports or detracts from these benefits. At a very high level, it would seem that if convergence bidding detracts from EDAM benefits, something has gone wrong in the market design. Convergence bidding has been long recognized in established day-ahead markets to provide value in the following areas:

- Mitigating market power: Convergence bids can mitigate monopsony power exercised through underbidding load positions or supply-side withholding.
- Market efficiency: Persistent underbidding by demand or withholding by supply and its resultant impact to spot market pricing is detrimental to the long-term health of the market because these prices drive forward prices in over-the-counter and exchange markets.
- Risk management: Convergence bids allow entities to hedge day-ahead risk without being subject to volatile spot market prices. For example, a Load Serving Entity may submit a DEC bid to procure some portion of their load in the Day-Ahead Market up to a specified price and have the rest procured in real time at the real-time LMP; Or a generation owner may use a DEC in the Day-Ahead Market to hedge its risk of a unit tripping by purchasing out of a day-ahead commitment.

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)

No comments at this time.