



January 25, 2023

CAISO Board of Governors & Western Energy Imbalance Market (WEIM) Governing Body:

Governor Ashutosh Bhagwat

Governor Severin Borenstein

Governor Angelina Galiteva

Governor Mary Leslie

Governor Jan Schori

Member Andrew Campbell

Member Anita Decker

Member Jennifer Gardner

Member Robert Kondziolka

Member John Prescott

Dear CAISO Board of Governors and WEIM Governing Body,

The American Clean Power Association (ACP) is the voice of companies from across the clean power sector that are providing cost-effective solutions to the climate crisis while creating jobs, spurring massive investment in the American economy, and driving high tech innovation across the United States. ACP's mission is to transform the U.S. power grid to a low-cost, reliable, and renewable power system. ACP-California is a state project of ACP, representing companies who develop, own, and operate utility-scale solar, storage, land-based wind, offshore wind, and transmission assets to power a clean and renewable economy for California and the West. ACP-California is active in a variety of CAISO initiatives, including the development of the market design and governance structure for the proposed Extended Day-Ahead Market (EDAM).

ACP-California supports the expansion of organized wholesale power markets in the West. The launch of EDAM marks a significant milestone in market advancement and integration, which will improve reliability and reduce costs across the region. While the day-ahead market construct offered by EDAM does not provide the full suite of benefits offered by a Regional Transmission Organization (RTO), it will provide meaningful benefits to a diverse set of existing and future clean energy resources across the footprint. Building on the success of the Energy Imbalance Market, we are confident that EDAM's implementation will deliver these benefits and help foster relationships and trust that can serve as building blocks for a future RTO, where even more benefits are possible.

We greatly appreciate the effort from CAISO's leadership, staff, and supporting stakeholders in developing EDAM's market design and governance structure, which will be before the CAISO



Board and Western Energy Imbalance Market (WEIM) Governing Body for consideration on February 1st. Over the course of the stakeholder process, the dedicated work of the CAISO team to incorporate stakeholder points of view and work collaboratively to find compromises, has vastly improved EDAM's proposed design.

While the final market design has room for improvement in the next phase of EDAM implementation, it represents a significant step forward and reflects a reasonable compromise on the part of many parties interested in furthering market development and ensuring reliable, clean electric service across the West. **We therefore support the approval of the EDAM market design and the Governance Review Committee (GRC) recommendations for governance modification.** As EDAM moves toward implementation, however, several important issues remain outstanding. Going forward, we request the CAISO Board of Governors and WEIM Governing Body direct staff to refine and improve the following key aspects of EDAM's market design:

1. With respect to the transmission requirements for EDAM participation within non-CAISO EDAM Entities:
 - a. Ensure consistent application of relevant transmission charges on an hourly basis (rather than a daily basis) by either (1) implementing a requirement in the CAISO tariff that EDAM Entities must have, or develop, an hourly firm transmission rate to go-live in EDAM; or (2) strongly encouraging EDAM Entities to develop an hourly transmission charge prior to going-live in EDAM; and
 - b. Host additional discussions on how this EDAM transmission charge, which would only be implemented in certain instances, might interact with the lack of such a charge in the WEIM, and how the charge should impact the Transmission Revenue Recovery amount for transmission providers that is proposed as part of EDAM's design.
2. Solicit further stakeholder discussion regarding the need to demonstrate delivery of resources to load/Balancing Authority Areas (BAAs), particularly for compliance with the Portfolio Content Category (PCC) #1 of the California Renewable Portfolio Standard (RPS).
3. Work with stakeholders to provide additional clarity on, and work through remaining details related to, the use of transmission rights to wheel out of or through the EDAM footprint, as confusion remains on this design element.
4. Remain involved in the EDAM Entity tariff development processes and provide periodic reports on their progress.
5. Work collaboratively with stakeholders across the region to begin considering seams issues and identify potential solutions.

Additional background on these requests is included in the appendix attached to this letter. While we urge CAISO and EDAM Entities to continue to work with stakeholders to address these issues as EDAM moves toward implementation, and as EDAM tariff structures and tariff filing



packages are developed, we are pleased to support EDAM's market design and the associated governance modifications when it comes before the Board and Governing Body on February 1.

Sincerely,

A handwritten signature in black ink, appearing to read "AJ", with a long horizontal line extending to the right.

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Appendix: Summary of ACP-California Outstanding Key Issues in EDAM Market Design

1. Transmission Requirements for EDAM Participation in EDAM Entity Areas Are Improved but Require Further Modifications, Which May Be Achievable Through the CAISO Tariff and/or the Tariffs of EDAM Entities

The EDAM Draft Final Proposal, released at the end of October 2022, included a new proposed requirement for all generators participating in EDAM to have procured certain transmission rights in order to offer their resources into EDAM. While the proposed transmission requirements are significantly improved in the Final Proposal, additional modifications are needed to ensure a workable and consistent implementation of EDAM.

In general, ACP-California does not support the inclusion of a transmission requirement within EDAM BAAs as part of the market design. But we recognize the lack of such a requirement led to concerns from potential EDAM Entities regarding transmission “freeriding” and cost shifts. Thus, we are willing to accept such a requirement as part of a compromise to successfully implement EDAM, so long as the ultimate requirement is reasonable and known ahead of time (such that generators can incorporate, when necessary, the appropriate costs within their bids). The initial requirements included in the Draft Final Proposal did not meet these conditions. They were overly restrictive and, if implemented, would have left some resources (including existing generators), unable to bid into EDAM or transact bilaterally (effectively stranding them). The Final Proposal’s market design is greatly improved on this front, but it still requires work, which we believe can be conducted through the CAISO tariff and/or EDAM Entity tariff development processes.

Stakeholders, including ACP-California, worked diligently with the CAISO team to modify the proposed transmission requirement in the Final Proposal to relax the overly burdensome transmission requirements and to develop a financial/transmission charge option for those resources that did not meet the other, longer-term transmission requirements. ACP-California greatly appreciates the work of CAISO’s team in this area.

However, while greatly improved, the transmission requirements in the Final Proposal remain problematic and, as designed, will result in inconsistent application of transmission charges within EDAM Balancing Authority Areas (BAAs). This is because, under the current proposal, EDAM transmission providers would charge generators that don’t meet other, longer-term transmission requirements, a transmission charge based on their *shortest duration* firm transmission service under their tariff. For some potential EDAM Entities this would be an hourly charge, but for others it would be a daily charge. This would result in different treatment and application of transmission charges across EDAM.



ACP-California is concerned that there are still unanswered questions regarding how the different granularity of transmission rates (with some being hourly and others daily) between the various entity's OATTs could impact bidding practices and the potential to create inefficient market outcomes. There is also an increased potential for unintended consequences and the application of daily transmission charges raises many questions related to how generators can incorporate these costs into hourly bids.

As a compromise position, ACP-California supports the use of an hourly transmission charge in EDAM (when it needs to be assessed), rather than a daily one. An hourly charge can be known in advance and can be incorporated into bids. Additionally consistent application of an hourly charge, when appropriate, will create a more harmonized market and reduce the possibility of inefficiencies and unintended consequences. To address these concerns and improve EDAM's design, we recommend further work in the tariff development processes for EDAM. ACP-California believes this concern can be addressed through the upcoming development to the CAISO tariff provisions for EDAM (ideally) or through the EDAM Entity tariff processes. We urge the CAISO Board and WEIM Governing Body to direct further consideration of this issue in the EDAM tariff development process, as discussed below.

We recommend that the Board and Governing Body direct CAISO staff to work to ensure consistent, predictable application of relevant transmission charges in EDAM by either:

- 1. Implementing a requirement in the CAISO tariff that EDAM Entities must have, or develop, an hourly firm transmission rate in order to go-live in the market; or***
- 2. Strongly encouraging EDAM Entities to develop an hourly transmission charge that would apply to generators that do not meet other transmission requirements prior to going-live in EDAM.***

Additionally, ***we urge the CAISO Board to encourage CAISO staff to facilitate additional discussions on how the new transmission charge might interact with the lack of a similar transmission charge in WEIM, and on how the charge should impact the Transmission Revenue Recovery amount for transmission providers*** (provided under Bucket 3 of the EDAM proposal). Because this proposed requirement for transmission within an EDAM BAA was not surfaced until late in the stakeholder process, sufficient discussions have not taken place on these topics and there is a need for further consideration. On the first item, it is imperative to ensure that differences in transmission requirements between EDAM and the WEIM are adequately considered in implementing this charge. On the second item, it is important to ensure that any costs recovered through this transmission mechanisms are not "double recovered" as lost revenue under bucket 3.

Again, ACP-California does not believe this issue should delay approval of the EDAM market design. Rather, this issue should warrant further consideration as the specifics of the EDAM



tariffs are developed. And we request the Board and Governing Body provide the direction discussed above to inform the next stages of EDAM.

2. Further Discussion Is Needed Around Demonstration of Delivery Under the California Renewable Portfolio Standard (RPS) Requirements

In comments throughout the EDAM initiative, ACP-California has raised questions regarding the impact of EDAM on existing contracts, rules, and regulations. Most notably, we highlighted the need to for a mechanism within EDAM to demonstrate delivery of resources to loads to meet existing contractual commitments and California law. This type of functionality is critical for renewable resources located outside of California that deliver to California LSEs under Portfolio Content Category (PCC) #1 of the California RPS. These resources will continue to be required to demonstrate delivery to CAISO in an EDAM paradigm. As written, the Final Proposal does not have sufficient detail for ACP-California to understand the specific mechanisms that might be used for existing contracts to continue to meet their RPS PCC #1 delivery requirements once EDAM is functional. While important, this issue does not need to delay the approval of EDAM's design. Rather, *we request that the CAISO Board of Governors and WEIM Governing Body direct CAISO staff to include this issue in the next set of EDAM discussion, whether that be the tariff language or another EDAM stakeholder process.*

3. Use Of Transmission Rights, Particularly Third-Party Rights, To Move Out of Or Wheel Through EDAM

The use of and prioritization of existing Open Access Transmission tariff (OATT) rights within EDAM are important topic areas which are critical to maximizing EDAM's benefits and designing a market that can work in concert with the OATT framework. Addressing the use and prioritization of OATT rights will require striking the right balance between efficient market optimization and respecting OATTs. As such, there will need to be compromises in transmission use within and through EDAM. And while these compromises have been discussed during the stakeholder process there remains uncertainty on how OATT rights, particularly those owned by third-parties (non-Transmission Providers) will be treated in EDAM. Thus, additional discussions are required to ensure the appropriate balance is included within the initialization of EDAM.

ACP-California supports the transition to flow-based use of transmission and the transition away from the OATT construct over time. EDAM makes strides in both areas. While work remains on the appropriate balance between OATT right use and market optimization in EDAM, we greatly appreciate the compromises and evolution of the market design that has already occurred on this matter. We sincerely appreciate that CAISO has included, within the Final Proposal, language that would require EDAM Entities, to the extent feasible, to use transfer and congestion revenues to hold Transmission Customers financially harmless for exercising their transmission rights between the day-ahead market run and real-time. Additional work will be required to ensure this



policy can be implemented, but ACP-California appreciates its inclusion in the market design and believe this step is an important element to the balance between the market and the continuation of OATT rights (and the need for transmission) within the EDAM construct.

Despite this positive progress, we note that there remains significant uncertainty and confusion, as highlighted during the January 18th Regional Issues Forum (RIF) discussion, around how third party (Transmission Customer) with existing transmission rights will be treated by the EDAM market design. While ACP-California is not advocating for any particular resolution on this topic at this time, we wish to highlight the uncertainty and ask the Board to ***direct CAISO staff to work with stakeholders to provide additional clarity and work through remaining details related to use of transmission rights to wheel out of or through the EDAM footprint.***

4. EDAM Entity Tariff Provisions Will Be Critical (Including on Congestion Rents)

ACP-California is cognizant that the EDAM design and tariff provisions specific to CAISO, which will be before the CAISO Board and WEIM Governing Body, do not represent the complete set of rules for EDAM's implementation. Key elements of EDAM's design will be incorporated into the tariffs of individual EDAM Entities. For instance, most congestion and transfer revenue allocation to customers will be determined by individual EDAM Entities (presumably in their tariffs). Ultimately, the allocation of congestion revenues will be crucial to the market's efficiency, fairness, and equitability. This highlights the crucial nature of the tariff provisions that are developed by EDAM Entities in the implementation and success of EDAM.

ACP-California has continuously advocated for consistent rules across the EDAM footprint and has also supported a role for the WEIM Governing Body in reviewing EDAM tariff provisions to ensure they are generally consistent with the overall market design. While we are disappointed these provisions were not included in either the governance proposal or the market design, we understand the decision to exclude this type of requirement from these proposals.

However, the interconnected nature of the CAISO EDAM design and the provisions in the EDAM Entities tariffs lead us to ***request that the Board and Governing Body direct CAISO staff to remain involved in the EDAM Entity tariff development processes and to provide periodic reports on their progress.*** ACP-California will continue, to the extent possible, to support working toward a standardized EDAM Entity tariff, such that the impacts of EDAM are consistent across the footprint and are well understood. But having CAISO staff participate in these processes and report to the Board and WEIM Governing Body on their progress will provide notable benefits.

5. Attention Will Be Needed on Potential Seams

While a single RTO covering the West would provide the most benefits to the region, the current market development efforts in the West appear to be leaving open a strong possibility that there



will be multiple market types and/or multiple market operators across the interconnection. It is possible that seams between EDAM and other markets (including a different day-ahead option and/or an RTO) may exist. Again, this outcome is likely to result in inefficiencies. Due to the emerging participant commitments to EDAM and the Southwest Power Pool's RTO and Markets+ construct, we urge CAISO to begin discussing different types of potential seams in the appropriate forums. Ultimately, it behooves CAISO to ensure that seams which cannot be avoided are managed as effectively as possible. ***Thus, we request that the Board and WEIM Governing Body direct CAISO staff to work collaboratively with stakeholders across the region to begin considering seams issues and identifying potential solutions.***