

# Comments on Day-Ahead Sufficiency Issue Paper

## Department of Market Monitoring

January 5, 2024

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Day-Ahead Sufficiency Issue Paper*.<sup>1</sup> The Day-Ahead Sufficiency initiative focuses on the resource sufficiency evaluation (RSE) that will be implemented in the Extended Day-Ahead Market (EDAM).

### ***The CAISO BAA advisory RSE will require estimates of bids not yet submitted to EDAM***

The binding day-ahead market RSE will run at 10:00 am when all bids are due. Waiting for the results of the binding RSE would not allow time for the CAISO BAA to address potential RSE shortfalls before the day-ahead market runs. An advisory RSE will run at 9:00 am. However, these advisory results will not account for any bids submitted after 9:00 am. According to the ISO, about 25 percent of bids from resource adequacy capacity are submitted after 9:00 am and would therefore not be reflected in the advisory RSE results.<sup>2</sup>

This initiative seeks ways to mitigate the shortcomings of the 9:00 am advisory RSE as a tool for the CAISO BAA to find and address potential RSE shortfalls. To address these shortcomings, the ISO proposes to estimate the volume of bids that will be submitted after 9:00 am, and account for emergency resources (reliability demand response resources and strategic reliability reserve resources) in the event of an advisory RSE shortfall. The initiative also seeks to properly incentivize timely tagging of day-ahead import awards.

### ***Can the ISO clarify when emergency resources will be committed?***

DMM agrees that in the absence of being able to consider all bids available to the market, the advisory RSE will need to estimate the significant volume of bids yet to be submitted. However, when a large portion of the bids are estimated, it is possible that the advisory RSE will determine that emergency resources are (are not) needed when they actually are not (are) needed. DMM asks the ISO to clarify whether emergency resources will be committed to cure the advisory shortfall, or whether commitment of these resources will be determined following the conclusion of the binding RSE and EDAM runs.

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<sup>1</sup> *Day-Ahead Sufficiency Issue paper*, California ISO, December 5, 2023:  
<https://www.caiso.com/InitiativeDocuments/IssuePaper-Day-AheadSufficiency.pdf>

<sup>2</sup> Ibid, p 6

***Will utility proxy demand response be included in bid estimates?***

The Issue Paper proposes using the shown resource adequacy values for proxy demand response as an estimate of proxy demand response capacity. Currently, only third-party demand response resources are shown on supply plans, while utility demand response resources are not. DMM requests the ISO clarify whether utility proxy demand response capacity will be included in expected hourly bid volumes.

***RUC adjustments for RDRR and SRR resources will affect LPT exports clearing RUC***

In addition to improving the advisory RSE results by estimating the expected volume of bids submitted after 9:00 am, the ISO also proposes several ways to account for emergency resources that may be called upon if the ISO forecasts emergency conditions. These include reliability demand response resources (RDRRs) and strategic reliability reserve (SRR) resources. For RDRRs specifically, the ISO discusses whether it should reduce the residual unit commitment (RUC) procurement target by an amount equal to the RSE reduction quantity associated with expected RDRR. DMM believes this particular proposal warrants further discussion.

Adjustments to RUC procurements may affect whether or not certain exports clear in the RUC process. Specifically, reducing RUC procurement targets may lead to more low priority (LPT) exports clearing the RUC process in the day-ahead timeframe. Because the proposed RUC adjustments would potentially allow more LPT exports to clear RUC on days that the ISO forecasts emergency conditions in real-time, these LPT exports may be at increased risk of real-time curtailment.

CAISO operations procedures specify that if time permits in real-time, operations staff should verify that LPT exports are being curtailed before RDRR is forced in an emergency.<sup>3</sup> However, there remains a possibility that RDRR must be committed in real-time while some LPT exports that cleared RUC are not curtailed. In this instance, RDRR may contribute to the real-time support of the potentially higher volume of LPT exports that cleared RUC.

In addition to clarifying proposed RUC procurement adjustments for RDRR, DMM requests clarification on whether the ISO is also proposing to reduce the RUC procurement targets by the RSE reduction quantity resulting from SRR resources.

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<sup>3</sup> *Operating Procedure 4420: System Emergency – Version No. 15.5*, p 14, California ISO, January 1, 2024:  
<https://www.caiso.com/Documents/4420.pdf>

### ***EDAM and WEIM RSE cost allocation***

The interim allocation of EDAM RSE surcharge costs and revenues is to metered demand. As the policy evolves, DMM believes that the cost allocation should move towards being based more on cost causation. To the extent possible, balancing areas should allocate EDAM RSE failure costs to those who can act to avoid or cause the costs.<sup>4</sup>

Similarly, the financial consequences of an EDAM BAA failing the pooled WEIM RSE should be allocated to entities whose actions contribute to the failure. As DMM has previously noted, in tight conditions the EDAM policy for tagging non-resource specific imports could result in a small quantity of imports untagged by the STUC run causing the entire EDAM balancing area to be removed from the EDAM pool for the WEIM RSE.<sup>5</sup> Identifying and appropriately allocating these financial consequences may provide important incentives to imports that count towards the EDAM RSE to tag prior to the STUC run.

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<sup>4</sup> *Comments on Extended Day-Ahead Market ISO Balancing Authority Area Participation Rules Track A1 Draft Final Proposal*, p 4, Department of Market Monitoring, August 14, 2023: <https://www.caiso.com/Documents/DMM-Comments-on-EDAM-ISO-Participation-Track-A1-Draft-Final-Proposal-Aug-14-2023.pdf>

<sup>5</sup> *Ibid*, p 6