

California ISO 2019 Draft Three-Year Policy Initiatives Roadmap and Annual Plan

Comments of Public Interest Organizations:

Western Resource Advocates, Center for Energy Efficiency and Renewable Technologies, Natural Resources Defense Council, NW Energy Coalition, Renewable Northwest, Union of Concerned Scientists, Vote Solar, and Western Grid Group

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Submitted via email: initiativecomments@caiso.com

Western Resources Advocates (“WRA”), the Center for Energy Efficiency and Renewable Technologies (“CEERT”), Natural Resources Defense Council (“NRDC”), NW Energy Coalition, Renewable Northwest, Union of Concerned Scientists (“UCS”), Vote Solar, and Western Grid Group (collectively, Public Interest Organizations or “PIOs”) submit the following comments on CAISO’s [2019 Draft Three-Year Policy Initiatives Roadmap and Annual Plan](#) (“2019 Draft Roadmap”). PIOs submit these comments in the interest of accelerating the development and implementation of regional markets in the Western Interconnection necessary to decrease costs to consumers and reduce regional emissions of greenhouse gases and criteria pollutants.

In summary, PIOs recommend the following:

- CAISO should prioritize extending day-ahead market services to Energy Imbalance Market (“EIM”) Entities – i.e., the “EDAM” initiative.
- CAISO should provide additional information clarifying the steps necessary to develop and implement the day-ahead market enhancements now rather than waiting for formal implementation of the EDAM stakeholder process in nine months.
- We support EIM Entities conducting a study of the benefits from EDAM and encourage CAISO to play an active role in the design and execution of the study.
- We strongly recommend that CAISO make day-ahead market enhancements available to EIM Entities at the same time they are available to CAISO Participating Transmission Owners.

- PIOs reiterate the need to revisit EIM governance in light of making day-ahead market enhancements available to EIM Entities via the EDAM initiative.

Prioritization of EDAM

PIOs are encouraged by CAISO staff comments made during the September 18 webinar on the 2019 Draft Roadmap indicating that extending the day-ahead market to EIM Entities is a high priority for CAISO. Given the expected substantial economic and environmental benefits resulting from implementation of EDAM, we continue to urge CAISO to, wherever feasible, accelerate the implementation of EDAM.¹

Relatedly, PIOs are concerned that the schedule for the development of Phase 1 improvements to CAISO’s day-ahead market (i.e., fifteen-minute scheduling granularity) – a prerequisite for EDAM implementation – has been delayed since the 2019 Draft Roadmap was initially published on September 10. Specifically, on September 26, CAISO announced that it is delaying posting of the draft final Phase 1 proposal until it completes further internal assessments on the technical feasibility of changing day-ahead market scheduling from hourly to fifteen-minute granularity.² While PIOs are encouraged by CAISO’s clarification that this particular delay will not change the planned implementation date of fall 2020, we are concerned with additional delays arising later in the process, eventually pushing back the implementation date for not only day-ahead market enhancements, but also EDAM.

EDAM Whitepaper

PIOs recommend that CAISO develop a whitepaper clarifying the necessary next steps for EDAM implementation. Such a whitepaper will serve to effectively communicate to stakeholders how CAISO’s ongoing and planned policy initiatives will interact with the

¹ PIOs believe that the prioritization and accelerated implementation of EDAM should look no different than CAISO’s previous prioritization of major market changes, including the Market Redesign and Technology Upgrade (“MRTU”) and EIM initiatives.

² California ISO, Market Notice, “Day-Ahead Market Enhancements 15-Minute Granularity: Draft Final Proposal Postponed,” September 26, 2018, <http://www.aiso.com/Documents/Day-AheadMarketEnhancements15-MinuteGranularity-DraftFinalProposalPostponed.html>.

implementation of EDAM and further, will indicate how stakeholders can best engage in the various stakeholder processes associated with these initiatives.³ This whitepaper should be developed and released well in advance of the commencement of the EDAM stakeholder process – ideally, before the end of this year, but no later than early 2019.

CAISO Participation in EDAM Benefits Study

PIOs support the EIM Entities conducting a preliminary EDAM benefits study using the best currently available information about EDAM’s eventual market design and strongly recommend public sharing of those results as soon as possible. We also encourage CAISO to continue active engagement in the EIM Entities’ benefits study, particularly given CAISO’s extensive experience with regional markets benefits studies (including the SB 350 study work) that would be useful in designing the EDAM study’s parameters and assumptions.

PIOs also recommend that the EDAM benefits study include at least two additional scenarios (in addition to evaluating the potential benefits of EDAM using the existing Western EIM footprint): (1) a scenario evaluating an EDAM footprint including the entire Western Interconnection; and (2) at least one “high renewables” scenario.

A scenario including the entire Western Interconnection is warranted because of the recent efforts of certain Desert Southwest utilities to join the EIM (including Public Service Company of New Mexico and possibly others, such as El Paso Electric), as well as the ongoing uncertainty about the Mountain West Transmission Group (a group of utilities primarily located in Colorado and Wyoming) joining a regional market. Analyzing various sizes of market footprints also serves as an important input for stakeholders, with benefits expected to grow commensurate with the size of the EDAM footprint.

³ This stakeholder engagement is particularly important for a particular subset of stakeholder (i.e., state regulators and staff outside of California) as they try to better understand the EDAM concept by engaging in relevant CAISO stakeholder processes in advance of any potential state regulatory filings.

Additionally, because generation economics have changed dramatically in the Western Interconnection in recent years, PIOs believe that at least one studied scenario should examine EDAM benefits with very high levels of renewable energy penetration.⁴ Past studies have unfortunately failed to accurately capture these changing generation economics and have thus likely understated potential market benefits.⁵

Simultaneous Implementation of Phase 2 Day-Ahead Market Enhancements and EDAM

PIOs concur with the 2019 Draft Roadmap that Phase 2 day-ahead market enhancements (i.e., the day-ahead flexible ramping product) should be made available to EIM Entities (i.e., EDAM) at the same time they are made available to PTOs. It appears from the Draft Roadmap that Phase 2 day-ahead market enhancements are on the critical path for EDAM implementation. As previously noted, as soon as possible (and well in advance of the formal commencement of the EDAM stakeholder process in mid-2019), CAISO should clearly establish all elements of the critical path to developing and implementing EDAM as part of an EDAM whitepaper for stakeholders.

EIM Governance

As previously noted in CAISO's [Day-Ahead Market Enhancements Phase 1: Fifteen-Minute Granularity Second Revised Straw Proposal](#), the CAISO has proposed a "hybrid non-EIM specific" designation for the EIM Governing Body in approving day-ahead market enhancements. While PIOs acknowledge that the "hybrid non-EIM specific" designation is

⁴ For example, NREL's Renewable Electricity Futures study examined a number of future scenarios with varying levels of high renewable energy penetrations, including 40%, 50%, 60%, 70%, 80%, and 90% scenarios. *See* NATIONAL RENEWABLE ENERGY LABORATORY, RENEWABLE ELECTRICITY FUTURES STUDY – VOLUME 1 OF 4: EXPLORATION OF HIGH-PENETRATION RENEWABLE ELECTRICITY FUTURES (2012), <https://www.nrel.gov/analysis/re-futures.html>.

⁵ For example, CAISO's 2016 SB 350 study assumed solar prices in California and Arizona between \$45-\$59/MWh, while a 2017 Public Service Company of Colorado RFP yielded median RFP bid prices of \$18.10/MWh for wind, \$29.50/MWh for solar, and \$36/MWh for solar and battery storage. *See* CALIFORNIA ISO, SENATE BILL 350 STUDY: THE IMPACTS OF A REGIONAL ISO-OPERATED POWER MARKET ON CALIFORNIA (2016), https://www.caiso.com/Documents/SB350Study_AggregatedReport.pdf; and PUBLIC SERVICE COMPANY OF COLORADO, 2017 ALL-SOURCE SOLICITATION: RENEWABLE RESOURCES REQUEST FOR PROPOSALS (2017), <https://www.xcelenergy.com/staticfiles/xcel-responsive/Company/Rates%20&%20Regulations/Resource%20Plans/CO-All-Source-P11-Renewable-RFP.pdf>.

appropriate for the EIM Governing Body in the present instance, we also foresee the potential need to expand the EIM Governing Body's existing authority once day-ahead market enhancements are made available to EIM Entities via the EDAM offering. PIOs recommend that CAISO consider the creation of a separate stakeholder process to begin addressing these governance changes to run in tandem with its planned EDAM stakeholder initiative for 2019.

PIOs appreciate the opportunity to provide these comments and look forward to actively participating in the accelerated development and implementation of improvements to CAISO's day-ahead market and extension of the enhanced day-ahead market to EIM Entities.

Respectfully submitted,



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