

Western Power Trading Forum Comments on the 2018 Stakeholder Policy Roadmap

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About 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 in order to facilitate transactions among market participants. The membership of WPTF includes load serving entities, energy service providers, scheduling coordinators, generators, power marketers, financial institutions, and public utilities, all of which participate actively in the California market, and other such markets in the West and across the country.

Comment Summary

WPTF appreciates the opportunity to provide comments on the Policy Initiatives Catalog posted on December 14, 2017. WPTF recognizes that the CAISO wishes to extend the DAM to the EIM entities and so has a three year plan that accommodates the resources and time needed to implement such a significant offering. Concurrently RA reform is being taken up by the CPUC and the CAISO has stated they will need to be coordinated with this effort. WPTF believes that both efforts are very large and worthwhile and therefore asks the CAISO to make transparent how they will allocate resources to each process.

Comments on resource adequacy (RA) initiatives

RA reform needs clear direction and leadership. At this point the CAISO is operating one of the most, if not the most, advanced energy markets in the world.¹ The CAISO's authority over the RA program on the other hand goes almost unacknowledged by CAISO leadership and Board of Governors. WPTF strongly urges the CAISO to take full responsibility for the RA program, which already holds the CAISO ultimately accountable for enforcing local and flexible RA requirements.

Further, all other ISOs have more advanced capacity programs and notably, executives and staff with primary responsibility over their capacity programs. The CAISO does not even have a resource adequacy department or executive with clear sole responsibility over the program operation. Given that 80% of generator costs at this point are expected to be covered by the resource adequacy program, the lack of cogency and agency surrounding the CAISO RA program is alarming. Therefore while WPTF strongly supports RA Enhancements being a CAISO priority, WPTF further believes that this should start with the CAISO ensuring it has sufficient staffing with capacity expertise dedicated to not only the policy design, but eventual operation of the reformed program.²

The CAISO should include Temporary Shutdown of Resource Operations in the RA Enhancement Initiative scope. At the November 2, 2017 CAISO Board Meeting WPTF made public comments on the importance of this initiative and the implications of ending it without

¹ Additionally the CAISO has a sophisticated transmission planning and interconnection processes that accommodate and account for high renewable, storage, and DER penetration.

² In particular expertise in multi-year forward, centralized procurement would help the CAISO consider move forward with these needed policy additions to the RA program.

coming to a resolution. CAISO Governor Dave Olsen stated that he recognized that the Resource Adequacy (RA) program was intrinsically broken and that the CAISO's efforts at RA reform would presumably include addressing this topic. WPTF urges the CAISO to do just that and include allowing non-RA resources to take temporary outages in the RA Enhancements scope.

Comments on EIM initiatives

Extending EIM to the Day-Ahead should be vetted legally and practically in a transparent manner throughout policy design and implementation. WPTF supports increasing services to EIM entities, including extending the day-ahead. However, like many stakeholders, WPTF is concerned that FERC may ultimately reject a CAISO proposal to extend the DAM to EIM entities due to the impact on the CAISO's ability to perform regional transmission operations and potential cost allocation issues.³ This would be extremely disappointing and therefore WPTF urges the CAISO to make transparent their work with FERC and legal from the onset so that stakeholders may benefit from understanding the FERC risks off different market design details.

The Hourly EIM Resource Sufficiency Evaluation initiative will only get more important as additional entities join the EIM and therefore should be prioritized in the roadmap. This initiative addresses fundamental issues such as ensuring proper accounting, leaning, consequences of leaning, transparency. WPTF fully supports this initiative being prioritized in the CAISO's three-year roadmap, especially given the many EIM entities that are slated to join in the upcoming years.

WPTF supports any CAISO efforts to improve Default Energy Bid options for all participants including EIM resources. WPTF supports EIM Default Energy Bid options as this would allow participants to better reflect their actual hourly costs. This could potentially be combined with the Commitment Cost and Default Energy Bid (CCDEB) initiative review after CCDEB has been in place for a year.

WPTF supports moving forward with a Day-Ahead Flexible Reserve Product that works for internal and future EIM participants. The current flexible ramping product has only provided \$20 million in revenues to generators and has additionally lowered the incidence of price spikes. While WPTF supports the enhanced optimization to account for uncertainty, as a product to incent flexible capacity, it has failed. Ancillary services make up less than .1% of generator revenues, to a point that the Department of Market Monitoring has stopped even discussing them within their net market revenues analysis and relegated them to a footnote.⁴ WPTF urges the CAISO to consider the financial importance and consequence of the new product in the design.⁵

Comments on other market initiatives

Both lowering the bid floor and increasing transmission constraint transparency are low-hanging fruit that will improve the market. WPTF's support of these initiatives is well documented and these positions have not changed. Both of these can be done outside a formal stakeholder policy process and therefore can be implemented without much effort and give significant benefits.

³ FERC rejected MISO's proposal to offer similar market services in an Order issued Feb 19, 2009.

⁴ <http://www.caiso.com/Documents/2016AnnualReportonMarketIssuesandPerformance.pdf>, page 52.

⁵ The CAISO should also remove the Load Bias Limiter, which artificially suppresses price spikes and WPTF supports the inclusion of this initiative within the three-year roadmap.

WPTF supports the CAISO's plan to move forward with the Storage as Transmission Facility initiative. The FERC January 2017 provided some openness for the CAISO to consider different payment streams for storage resources at cost and market based rates. WPTF supports therefore the consideration of roles, responsibilities, costs, and operation of storage as a transmission asset under the CAISO tariff.

Thank you for the consideration of these comments.