

**Stakeholder Comments Template
Day-Ahead Market Enhancements Initiative**

This template has been created for submission of comments on proposed market design options discussed with stakeholders during the August 13, 2019 Day-Ahead Market Enhancements working group meeting. Information related to this initiative is available on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/Day-AheadMarketEnhancements.aspx>.

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on August 27, 2019.

Submitted by	Organization	Date Submitted
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Please provide comments on the preferred market structures that were discussed during the August 13, 2019 working group meeting. Include the pros and cons for each option.

- At this time, does your organization support moving forward with **Option 1: Financial**, **Option 2: Financial + Forecast**, or **undecided**. Provide supportive comments (in favor of, or in opposition to) below.

Please double click on check box below to select your position:

<p><u>Option 1:</u></p> <p><input type="checkbox"/> Support</p> <p><input type="checkbox"/> Support with caveats</p> <p><input checked="" type="checkbox"/> Oppose</p> <p><input type="checkbox"/> Uncdecided</p>	<p><u>Option 2:</u></p> <p><input type="checkbox"/> Support</p> <p><input checked="" type="checkbox"/> Support with caveats</p> <p><input type="checkbox"/> Oppose</p> <p><input type="checkbox"/> Uncdecided</p>
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Chelan PUD, a consumer-owned utility in Washington, is an active participant in the bilateral, wholesale power markets in the West and a NERC-registered balancing authority. Chelan operates three FERC-licensed hydropower projects generating approximately 10 million megawatt hours of clean, renewable, low-cost electricity annually.

Chelan PUD believes that equitably compensating all resources for the services they provide to the electric grid should be a foundational objective for any organized energy market. Achieving this objective results in the market sending appropriate investment signals to resource owners and operators, thus ensuring that in the long run the right resource mix is in place to provide consumers with a reliable, affordable modern electric grid. Chelan evaluates CAISO's Day Ahead Market Enhancements options through this lens.

Option 1: Financial

- Co-optimizes bid-in demand, ancillary services and imbalance reserves
- Imbalance reserves cover historical uncertainty between IFM cleared net load and FMM net load
- Exceptional dispatch if IFM clears inconsistent with operational needs

Please provide comments to explain your position on option #1:

See response to Option #2.

Option 2: Financial + Forecast

- Co-optimizes bid-in demand, ISO reliability capacity, ancillary services and imbalance reserves
- Imbalance reserves cover historical uncertainty between ISO's day-ahead net load forecast and FMM net load
- Reliability capacity covers differences between ISO net load and cleared net load
- Exceptional dispatch if IFM/RUC clears inconsistent with operational needs

Please provide comments to explain your position on option #2:

In concept, Chelan PUD supports CAISO adopting a day ahead imbalance reserve product as a means to address CAISO's net load uncertainty. Compared to the status quo of increasingly relying on operator out-of-market actions to procure capacity, use of a biddable imbalance reserve product would be a more equitable way to secure and compensate flexible resources. Cooptimizing procurement of this product with other day

ahead products would also result in enhanced market efficiency and lower overall production costs compared to the status quo sequential approach.

Although both proposed options include adoption of a day ahead imbalance reserve product, Option #1 continues to rely on operator out-of-market actions to procure capacity that is needed to make up for the virtual and non-firm physical supply that is selected by the market solution. By doing so, Option #1 does not financially recognize the capacity contribution of firm physical supply that is included in the market solution, even though that firm physical supply reduces the need for out-of-market procurement actions. If CAISO is relying on the capacity contribution of firm physical supply that clears the market, it should compensate those resources accordingly.

Chelan PUD believes Option #2's addition of a cooptimized hourly "reliability capacity" product is a step in the right direction of ensuring physical supply is appropriately compensated for its capacity contribution. However, Option #2 does not appear to meaningfully distinguish among different types of physical supply that have different capacity attributes. Chelan PUD recommends that CAISO proceed with further evaluating and refining Option 2, including developing a mechanism that recognizes the varying capacity contributions of different types of physical supply for purposes of the reliability capacity product.

Chelan PUD also requests that if CAISO moves forward with exploring extending the day ahead market to EIM Entities, CAISO carefully consider how best to conduct a comprehensive stakeholder process that will holistically consider day ahead market enhancements in the context of a regional market and that will solicit broad engagement from impacted stakeholders both internal and external to California.