

Comments on Inter-SC Trades in Regional Markets Straw Proposal

Department of Market Monitoring

August 30, 2024

Summary

The Department of Market Monitoring (DMM) appreciates the opportunity to comment on the *Inter-SC Trades in Regional Markets Straw Proposal*.¹ In this Straw Proposal, the ISO is proposing to extend the inter-SC trades of energy feature to other balancing areas in the Western Energy Imbalance Market (WEIM) and the Extended Day-Ahead Market (EDAM). DMM supports the extension of inter-SC trades to other balancing areas outside the California ISO balancing authority area (CAISO), as this will allow for better integration of bilateral markets across the West, and will provide additional transparency and visibility into these bilateral activities.

Comments

The CAISO facilitates three types of inter-SC trades: energy, ancillary services, and integrated forward market (IFM) load uplift obligations. Inter-SC trades serve as a settlement mechanism that can facilitate contractual arrangements between scheduling coordinators, such as bilateral power purchases, by offsetting ISO settlement charges against contractual payment responsibilities. Inter-SC trades do not have an impact on market optimization, market scheduling, or dispatch of resources, but are purely an optional settlement service between scheduling coordinators.

Currently, inter-SC trades are only supported within the CAISO balancing authority area. In this straw proposal, the CAISO proposes extending the functionality of inter-SC trades of energy to WEIM and EDAM areas. DMM supports allowing other WEIM and EDAM entities to conduct inter-SC trades of energy. Allowing other entities to utilize the inter-SC trading mechanism will help integrate bilateral markets in the West, and may also provide additional transparency and visibility into these bilateral activities.

During the August 20, 2024 presentation, the ISO discussed the ability of inter-SC trades of energy to be utilized as a tool for scheduling coordinators to balance their portfolios, so that balancing areas can more accurately allocate the surcharges associated with failing the resource sufficiency evaluation (RSE). DMM agrees this could be a useful utilization of the inter-SC trading mechanism. DMM believes that the financial consequences of failing the RSE should be allocated to entities whose actions contribute to the failure, and DMM supports additional functionality that would facilitate the allocation of RSE failure surcharges in alignment with causation.²

¹ *Inter-SC Trades in Regional Markets Straw Proposal*, California ISO, August 2, 2024: <https://stakeholdercenter.caiso.com/InitiativeDocuments/StrawProposal-InterSCTradesinRegionalMarkets-Aug22024.pdf>

² *Comments on Day-Ahead Sufficiency Straw Proposal*, Department of Market Monitoring, May 27, 2024, p 2: <https://www.caiso.com/documents/dmm-comments-on-day-ahead-sufficiency-straw-proposal-may-27-2024.pdf>