

INDEPENDENT ENERGY PRODUCERS

To: CAISO

From: Steven Kelly
Policy Director

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RE: EIM Expansion into CAISO DA Capacity Markets – Revised Straw Proposal

The CAISO released a Revised Straw Proposal related to Day-Ahead Market Enhancements (Revised Straw Proposal) on April 11, 2018. The Independent Energy Producers Association (IEP) is pleased to provide these comments on the latest proposal for Day-Ahead Market Enhancements.

The Revised Issue Paper proposes three primary changes to CAISO markets. First, DA hourly schedules will be disaggregated into 15-minute increments. Second, a new DA Imbalance Reserve market will be create in which capacity is committed with an obligation to submit economic bids in the real-time market. In effect, resources committed in the DA Imbalance Reserve market will be subject to a must-offer-obligation (MOO). Third, the CAISO proposes to enable participation in the DA energy and Imbalance Reserve market to Energy Imbalance Market (EIM) participants.

When commenting on the initial CAISO Straw Proposal, IEP indicated general support for the first two changes. On the other hand, we raised concerns regarding expanding the EIM into the day-ahead markets. For example, we raised concerns about comparable, non-discriminatory treatment for all resources located across the EIM footprint. It is not clear to us that EIM Participants have a comparable mechanism for identifying the need for DA Imbalance Reserves let along a mechanism for procuring such resources in an open, non-discriminatory

manner. Similarly, we raised concerns regarding the potential for for an unlevel, competitive playing field in the DA CAISO markets to the extent, for example, resources participating in the DA Imbalance Reserve market are not subject to equivalent, non-discriminatory deliverability standards. In light of these concerns, EP was pleased to see that the CAISO has committed to addressing in its next paper two critical subjects:

- (a) **Deliverability of imbalance reserves; and,**
- (b) **Procurement of ancillary services in the forward, Fifteen Minute Market (FMM).**

In addition to these issues, however, we urge the CAISO to further clarify the CAISO DA Enhancement proposal by addressing the following issues and specific questions:

- **Resource Certification/Eligibility.** The CAISO has determined that it is not necessary to have a certification process for Imbalance Reserve resources. Rather, the resources ramp-rate associated with providing energy will determine the eligible quantity of imbalance reserve that can be awarded. (p. 22).
 - Please describe in greater detail the certification process (referenced on p. 22).
 - Please describe in greater detail the Sufficiency Test (referenced on p. 23, 31)?
 - How is the Sufficiency Test different than the current process used to certify resources to provide AS products/services?
- **Deliverability.** Recognizing the that CAISO plans to address deliverability in detail in the next paper, please address the following as well:
 - Will all merchant generators physically located in the EIM footprint have comparable access to the imbalance reserve market?
 - What will merchant generators located in the EIM footprint need to show in order to prove deliverability?
- **Maximum Import Capability (MIC).** A Load-serving Entity (LSE) using an EIM resource for flexible capacity must demonstrate sufficient Maximum Import Capacity (MIC). A “Purely External Resource” also must demonstrate that it has sufficient MIC.
 - Must resources located in the EIM footprint (e.g. “merchant generators”) bidding directly into the Imbalance Reserve market also demonstrate sufficient MIC?
 - Can merchant generators located in the EIM footprint obtain MIC allocations or, alternatively, are MICs allocated solely to LSEs and/or BAAs?

- **CAISO Dispatch Control.**
 - What is the definition of a resource (p. 23) scheduled in the Imbalance Reserve market? Is a resource unit-contingent, a “pool” of specified resources, or system power?
 - If deliverability is determined via allocation of the MIC, how will the CAISO have direct dispatch control over specific units as it would for Dynamically Scheduled resources?
- **Coordination between CAISO Imbalance Reserve market and CPUC Resource Adequacy (RA) program.**
 - Are changes in the CPUC RA program a pre-condition for changes in the CPUC Tariff? For example, the CAISO indicates that unless RA resources obtain a day-ahead schedule, an ancillary service, or an imbalance reserve award, the RA resource will no longer have a real-time must-offer obligation (MOO). (p. 25).
 - Will CAISO “control” over RA resources procured by load-serving entities (LSEs) under the jurisdiction of the CPUC differ from the CAISO control over resources selected in the Imbalance Reserve market? If so, how?
- **Merchant Generator Access to CAISO DA Imbalance Reserve market**
 - Can merchant generators external to the CAISO BAA participate in the Imbalance Reserve market without forming a BAA or joining a BAA? If not, why not?
 - Can merchant generators external to the CAISO BAA form their own BAA? If so, can these entities join the EIM? If not, why not?
- **Size of Imbalance Reserve Market.**
 - What is the gross amount of capacity expected to bid cleared through the Imbalance Reserve market?
 - What is the gross amount of capacity that could be supplied by resources located in the EIM footprint given existing transfer capability between EIM Participants and the CAISO?