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Comments of Northern California Power Agency

Day-Ahead Market Enhancements Phase 1 Second Revised Straw Proposal

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Northern California Power Agency (“NCPA”) appreciates the opportunity to provide the following comments on the CAISO’s Day-Ahead Market Enhancements Phase 1: Fifteen-Minute Granularity Second Revised Straw Proposal, published August 27, 2018.

NCPA appreciates that the CAISO has separated out this initiative into two phases addressing first the fifteen-minute granularity, and then subsequently the integration of IFM and RUC, and the development of a day-ahead flexible ramping product.

NCPA appreciates the need for and supports a change from hourly to fifteen-minute scheduling in the day-ahead market. We contend, however, that without significant more justification, the introduction of fifteen-minute bidding is an unnecessary complication. In terms of initial implementation, as well as ongoing processes for everything from bidding to settlements, this change will have extensive and costly impacts. The CAISO has not provided compelling arguments that this functionality is broadly useful, much less necessary.

A resource’s day-ahead marginal cost does not change on a fifteen-minute basis. Natural gas is purchased well before the close of the day-ahead market. Maintenance costs are incurred over a much longer horizon. Likewise, when bidding into the day-ahead market, anticipation of changes in operating conditions more frequently than hourly is unrealistic. For example, day-ahead ambient re-rates do not need to be more granular than they are today. Without any compelling reason for bids to change every fifteen-minutes, it is a costly and unnecessary burden on the market participants as well as the CAISO to implement such functionality.

The CAISO cites the need for some owners of variable energy resources to submit shaped fifteen-minute inter-SC trades to mitigate risk from forecast error. NCPA

contends that this is such a narrow application of this functionality that affects the entire market so profoundly that the benefits are not commensurate with the costs.

Finally, NCPA does not support moving the day-ahead market submission timeline from 10:00 AM to 9:00 AM. This has a detrimental impact to staff and processes, particularly for small agencies. In addition, the CAISO has not provided evidence that this additional hour is either necessary or sufficient to process fifteen-minute schedules.

Thank you for your consideration of these comments.