



# 2019 Draft Three-Year Policy Initiatives Roadmap and Annual Plan

Stakeholder Web Conference

September 18, 2018

10 a.m. – 12 p.m.

Market and Infrastructure Policy

# Primary drivers of proposed three-year roadmap

- Operational challenges pointing to day-ahead market enhancements that will help manage net load in real time
- Continued improvements to EIM to meet the needs of an expanding market
- Extending day-ahead market enhancements to EIM balancing areas provides regional benefits
- Increasing risk of retirement leading to increase in RMR driving need to reform the RA program
- Lower barriers to DER and storage market participation

# Extending DAM to EIM Entities provides additional regional benefits

- Key benefits:
  - Allows EIM participants to take advantage of day-ahead market enhancements
  - Day-ahead unit commitment and scheduling across larger footprint improves market efficiency and more effectively integrates renewables
- Key principles:
  - Each balancing authority retains reliability responsibilities
  - States maintain control over integrated resource planning
    - Resource adequacy procurement decisions remain with local regulatory authority
    - Transmission planning and investment decisions remain with each balancing authority and local regulatory authority

# Scope of stakeholder initiative to extend day-ahead market to EIM Entities

- Transmission cost recovery
- Day-ahead resource sufficiency evaluation
- Mechanism to distribute congestion revenues
- Full network model enhancements
- Transferring bid range
- Day-ahead GHG attribution

# Emerging trends altering the California resource procurement and resource adequacy landscape

- Existing focus on summer peak demand is failing to secure the right resources and capabilities as the grid transforms
- Load migration is causing utilities to alter long-term contracting practices and minimize stranded procurement risk
- State policies promoting procurement of renewable and distributed energy resources is changing the fleet's attributes
- Certain gas resources needed for reliability are in need of significant maintenance and capital investment
- Lower energy market prices lead to revenue inadequacy and potential uneconomic retirements

# Collaborate with the CPUC to align resource adequacy with the transforming needs of the grid

## CAISO's Priorities for CPUC RA Track 2 (2020 RA)

- Establish multi-year resource adequacy framework with a central buyer for system, local and flexible capacity
- RA procurement by local area and sub-area
- Update “transitional” effective load carrying capability values for wind and solar resources
- Modify RA showing timeline to enable orderly retirement decisions

## CAISO's Priorities for CPUC RA Track 3 (2021 RA)

- Adopt a 1-in-5 year demand forecast during months with highest peak demand uncertainty
- Adopt effective load carrying capability methodology that accurately reflects reliability contribution of resources
- Address resource availability needs in local capacity areas

# Resource Adequacy enhancements to evolve program to align with operational needs

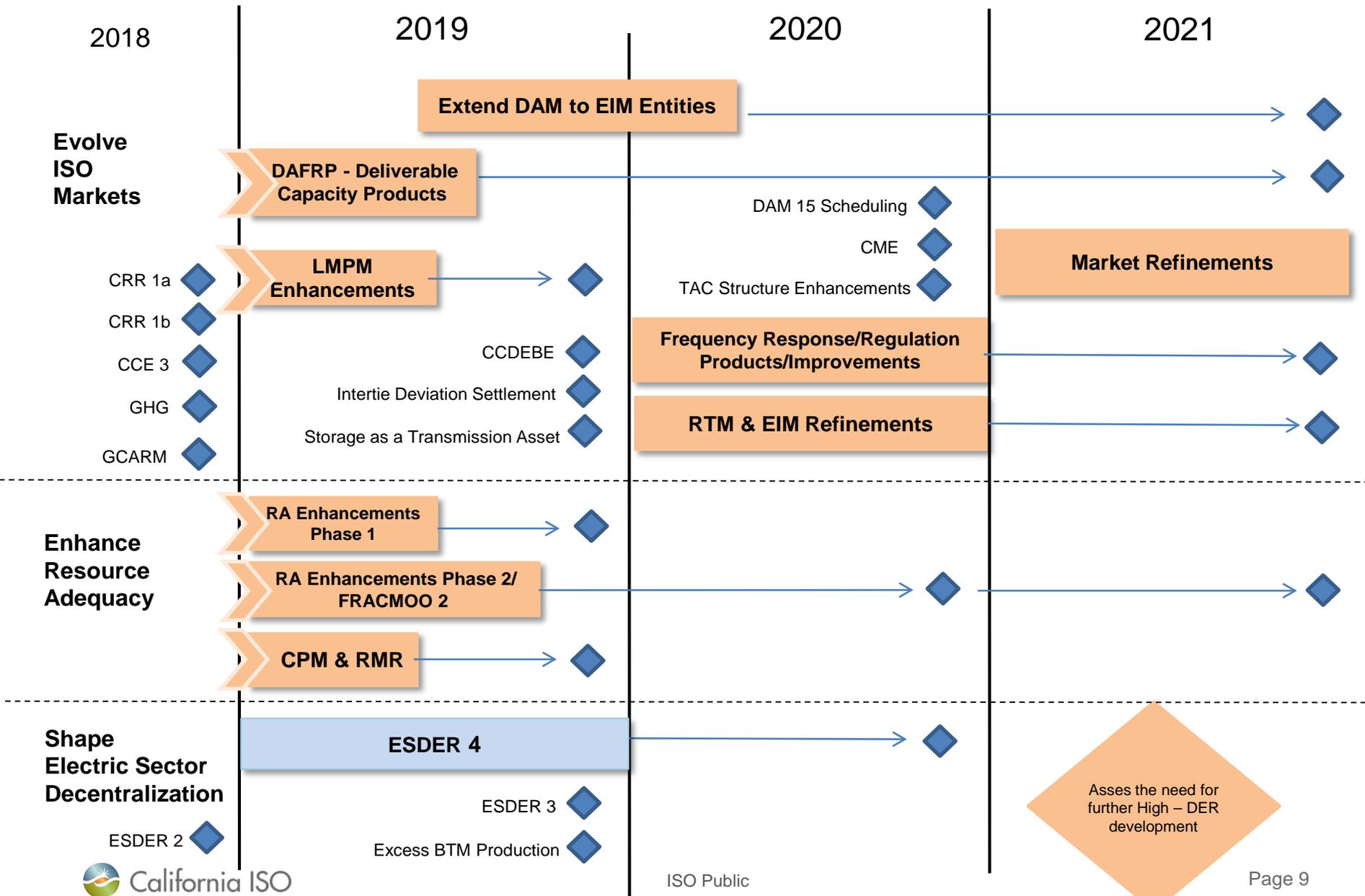
- RA Enhancements Phase 1 (Fall 2019 implementation)
  - Support CPUC RA Proceeding Track 2
    - Multi-year needs assessments/load forecasting
    - RA validation tools, portfolio analysis, production simulation
    - Revise RA timeline
- RA Enhancements Phase 2 (Fall 2020 implementation)
  - FRACMOO 2
  - Capacity valuation rules
  - Multi-year CPM and RMR
  - Local availability assessments
  - RA validation tools, portfolio analysis, production simulation
  - Slow response resources as local RA
  - Review of MIC
  - MOO review

## ESDER initiative will continue to refine DER and storage participation models and lower integration barriers

- Expand DER and storage modeling to optimally capture value and leverage resource design attributes that support grid reliability
- FERC Order No. 841 compliance
- Regulatory framework to address:
  - DER and storage resource adequacy qualification rules
  - Qualifying capacity counting of DERs, e.g. weather sensitive DR
- Clearly define multi-use applications to ensure sensible service and value stacking that supports reliability and optimizes resource value

# Proposed Three-year Policy Roadmap of Major Initiatives

◆ = Implementation

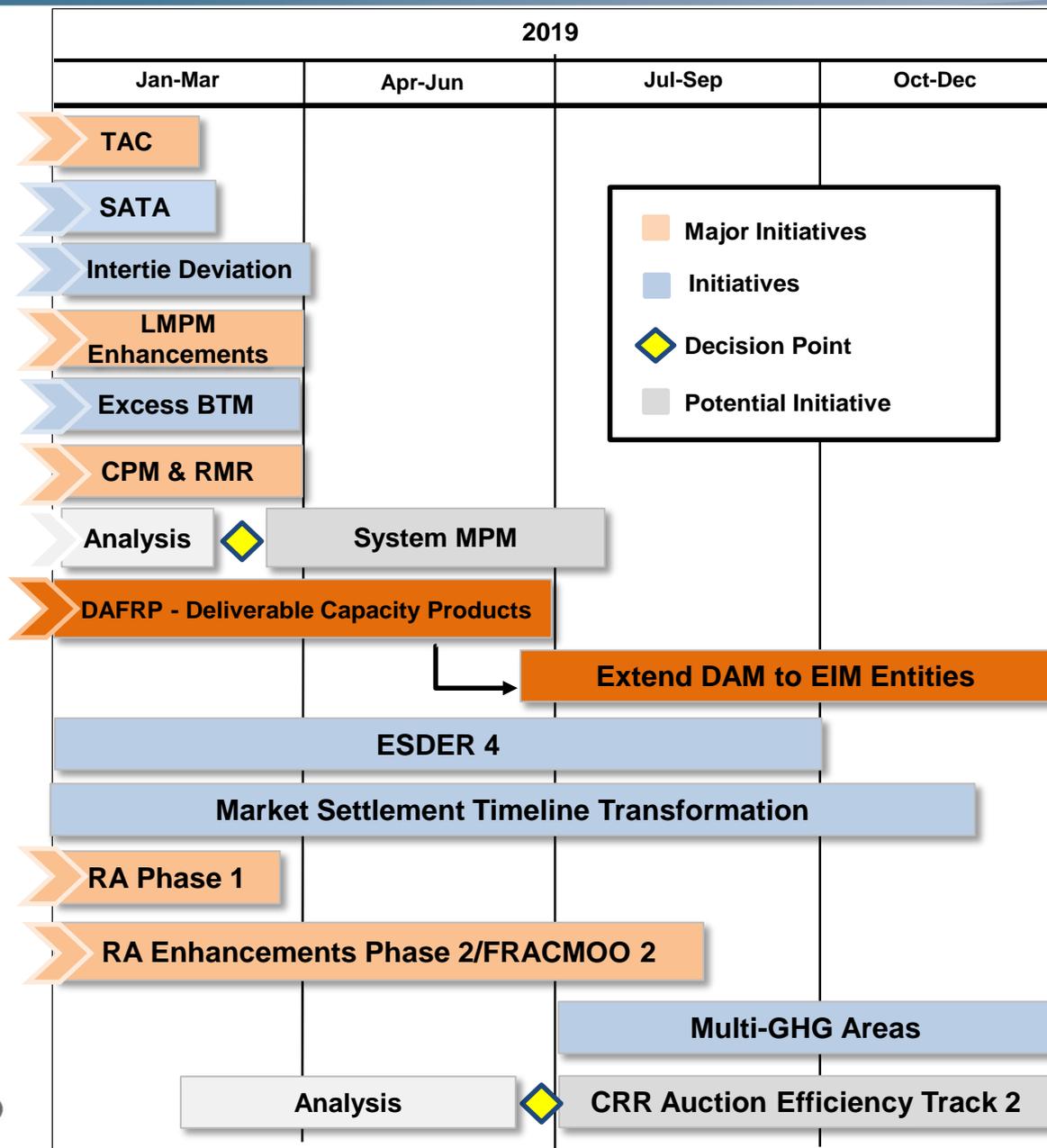


# Additional new initiatives on 2019 annual plan address important issues

- Multi-GHG Areas
  - Other states considering carbon reduction policies that will need to be incorporated into EIM
- Market Settlement Timeline Enhancements
  - Settlement timelines need to be updated with current market processes

# Potential initiatives based on results from analysis

- **System Market Power Mitigation**
  - DMM raised concerns in 2017 annual report
  - CAISO to perform analysis of market competitiveness within balancing area
  - Share analysis with stakeholders
  - Commence initiative to address any identified issues
- **Congestion Revenue Rights Auction Efficiency Track 2**
  - Analyze effectiveness of Track 1a and 1b measures
  - Share analysis with stakeholders
  - Commence initiative to address any remaining issues



## 2019 Policy Initiatives Roadmap process schedule

- Draft catalog posted – Aug 8
- Final catalog posted – Aug 29
  - Comments due Sep 10
- Draft 2019 roadmap and annual plan – Sep 11
  - Comments due Oct 3 ([initiativecomments@caiso.com](mailto:initiativecomments@caiso.com))
- Final roadmap and annual plan – Nov 19
- EIM Governing Body briefing – Nov 29
- CAISO Board of Governors briefing – Dec 13