Background:

This document provides an opportunity for interested stakeholders to submit informal comments and perspectives on various topics discussed during the working group process. There is recognition that additional details are needed on these topics that will be developed throughout the initiative, and stakeholders will have opportunities to provide more comprehensive and formalized comments on these topics to the extent these become part of a formal proposal. Please be brief in any written responses to facilitate review, recognizing these represent informal reactions at this early stage.

Please submit your comments using this template to ISOStakeholderAffairs@caiso.com by end of day March 14, 2022.

Question:

For each question please identify whether you "generally support", are "neutral" or "generally oppose" the concepts based on the information discussed in the working groups to date, recognizing that additional detail will be provided through the straw that will allow you to consider the concepts in a more complete light. If desired, please provide additional context and/or identify additional aspects for consideration.

Bay Area Municipal Transmission Group (BAMx)[1] is pleased to submit these informal comments on EDAM Working Group 2 issues to help inform CAISO's development of the EDAM straw proposal.

1. Please share your perspective on the transmission "buckets" framework for supporting EDAM transfers.
   - ☒ Generally support
   - ☐ Neutral
   - ☐ Generally oppose

   Comments:

[1] BAMx comprises City of Palo Alto Utilities and City of Santa Clara, Silicon Valley Power.

2. Please share your perspective on whether Bucket 2 transmission should, aside from the voluntary nature of it, include use of unscheduled point-to-point transmission to maximize transmission available to EDAM for optimization of transfers.
   - ☒ Generally support
   - ☐ Neutral
   - ☐ Generally oppose

Comments: BAMx believes it is extremely important that any unscheduled transmission within each EDAM BAA be made available to EDAM for optimization of transfers. This is true for all three Buckets. Otherwise, there will be a misalignment between the day-ahead market and the real-time market results that is created by systematically excluding transmission from the day-ahead optimization. The Bucket 1 and Bucket 2 transmission should be made available without hurdle rates. CAISO experienced so-called phantom congestion when it initially held back transmission associated with existing transmission contracts and transmission ownership rights in case those rights were later utilized in real-time. This created a systematic modeling error that resulted in predictable distortions between day-ahead and real-time market prices. The approach was changed to make the unscheduled transmission available to the day-ahead market, while allowing parties with pre-existing real-time scheduling rights to exercise those rights. While this results in the system at times having to be redispatched to accommodate real-time schedule changes, the associated costs are outweighed by the benefits from more accurate system modeling. As CAISO has noted, the pro forma OATT requires firm point-to-point transmission to be scheduled by 10:00 am (or a reasonable time generally accepted in the region and is consistently adhered to by the Transmission Provider (TP)). Schedules submitted after 10:00 am will be accommodated, if practicable. The unscheduled transmission is then available to be released by the TP as non-firm transmission in real-time. Given that the unscheduled transmission would otherwise be released in real-time anyway, including it in the day-ahead optimization is appropriate and does not infringe on the customer's rights to use their transmission. If those customers subsequently exercise real-time rights (to the extent they have such rights), the redispatch costs can be allocated to the host BAA for reallocation to the transmission provider and/or transmission customer pursuant to their OATT. As noted during the March 10 working group discussion, the redispatch costs are not necessarily charges – they also can be credits, depending on what has changed between day-ahead and real-time.

3. Please share your perspective on the concept of the CAISO providing hurdle free transmission in the export direction reciprocal to the amount of hurdle free transmission provided by the adjoining EDAM BAA across the interface to support EDAM transfers and derive mutual benefit.
   - ☐ Generally support
   - ☐ Neutral
   - ☐ Generally oppose

   Undecided

Comments: BAMx believes that more discussion is needed before making a decision about whether CAISO (or any EDAM BAA) should make available hurdle free Bucket 2 transmission available in the export direction based on the amount of hurdle fee bucket 1 transmission made available in the EDAM RSE by the source BAA. Our initial concern is that there will be transmission rate pancaking, since presumably a party within the CAISO will either have obtained transmission from the source BAA or made a purchase at the sink BAA boundary from a third party that will have embedded the cost of the source BAA transmission into the price for the RS resource. In either case, the sink BAA LSE will end up paying for the sink BAA transmission and the source BAA transmission, and the source BAA will enjoy hurdle free use of the sink BAA transmission. It appears that the effect of this approach would be that net importers will pay pancaked transmission rates, while losing export fee revenues that previously would have been used to reduce their host BAA transmission charges. Conversely, net exporters would not only continue to receive contributions to their source BAA transmission revenue requirements from their transmission customers, but they also would receive hurdle-free transfer revenues. It isn't clear why such an approach would be limited to bucket 1 transmission made available to the RSE. By extension, would any transmission made available without a hurdle rate by any party suggest that the other party should also make its transmission available in both directions with no hurdle rate? If the underlying premise is that if the transmission has already been sold to either network service customers or point-to-point customers, should that transmission be made available for optimization in the EDAM with no hurdle rate? Each of these approaches has potential implications for transmission providers' overall revenues, and impacts on transmission customers, and these should be explored for each of these approaches.

4. Please share your perspective on the overall transmission compensation framework under the transmission buckets and the associated transfer revenue and congestion rent allocation method discussed:
   A. Congestion rents is associated with internal transmission within the EDAM Entity that is a component of the Locational Marginal Price. Transfer revenue, includes the congestion rent, and is the LMP difference between the import and export transfer. Transfer revenue may also include the hurdle rate depending upon the product.
      - ☒ Generally support
      - ☐ Neutral
      - ☐ Generally oppose

      Comments: BAMx notes that including a hurdle rate for Bucket 3 transmission could create mismatches between the Day-Ahead optimization and the real-time optimization similar to the phantom congestion described in response to Question 2 (assuming that the hurdle rate would be $0/MWh in the EIM), by economically withholding transmission from the EDAM in instances when its value is positive but less than the hurdle rate. While BAMx supports this framework, it is important to note that by applying this bifurcating structure, measures must be put in place to offset potential behavior that transfers the rents from one category to the other merely to increase the size of the pie for one side over the other. For example, adjustments to the settlement of CAISO's Intertie CRR's would need to be made to maintain their effectiveness. Otherwise, it could have unintended consequences by shifting of rents from one bucket to another while still using the same transmission path. This is further discussed in section 4.C. below.

B. Transfer revenue associated with EDAM transfers between EDAM BAAs are generally divided 50/50 between these BAAs.
- ☒ Generally support
- ☐ Neutral
- ☐ Generally oppose

Comments:

C. Transfer revenue associated with EDAM Transfers across an Intertie Constraint (ITC) at the boundary with the CAISO are allocated 100% to the CAISO or adjoining EDAM BAA depending upon the location of the congestion (if on the CAISO side or the adjoining EDAM BAA side).
- ☐ Generally support
- ☐ Neutral
- ☒ Generally oppose

Comments: BAMx is concerned that this approach fails to recognize that both BAAs are providing the transmission needed to facilitate the EDAM transfer and should therefore share the transfer revenues equally. Conversely, congestion associated with the Intertie Constraint is associated with schedules at the intertie that are not optimized as EDAM transfers and should thus not be shared. Linking the allocation on the basis of whether non-EDAM transactions at the intertie cause the ITC to bind is not appropriate on its face, since the transfers cannot take place without the transmission being made available from both BAAs. Further, doing so could create inappropriate incentives for intertie bidding that could impact the allocation of transfer revenues. Our expectation is that as more transmission is made available to the EDAM, the volume of Intertie transactions will decrease and the frequency of ITC binding will decrease. This will naturally shift most of the value to the ETSR constraint with a corresponding reduction in the amount of ITC congestion revenues. BAMx believes it is appropriate for both BAAs to share the ETSR transfer revenues, while leaving the ITC congestion revenues with the BAA that is managing the congestion.

BAMx also urges the CAISO to consider whether the manner in which CAISO Intertie CRRs are settled should be changed to align with the expected shift away from intertie scheduling to EDAM resource scheduling. While the same transmission that previously

has been used for Intertie transactions may be used for EDAM transactions, the underlying transmission that is being used is the same. One option would be to retain the current CRR allocation process, but to change the CRR settlements to use the weighted average value of the CAISO share of the ETSR revenues and the ITC congestion revenues to fund the Intertie CRRs. This would preserve the hedging value for Intertie CRR holders, without disrupting the allocation process.

5. Please share your perspective on intertie bidding:
   A. Self-schedules should continue to be permitted at the interfaces with the EDAM footprint

      ☒ Generally support
      ☐ Neutral
      ☐ Generally oppose

      Comments: BAMx believes that self-schedules within the EDAM footprint (between any EDAM BAAs) should only be allowed in instances in which the party submitting the balanced self-schedule has registered a complete path from a specific generator source to a registered sink, using contracted transmission rights. In all other instances, generation and load should bid into the EDAM optimization and the value of the ETSR should be determined by the EDAM optimization.

   B. Economic bidding is not permitted at interties on the boundary of the EDAM footprint, except at CAISO interties with non-EDAM BAAs.
      ☐ Generally support
      ☒ Neutral
      ☐ Generally oppose

      Comments: It seems strange to limit access to intertie bidding for the rest of the EDAM boundary, while non-EDAM entities continue their access. Could this create advantages for certain market participants over others or incentivize not participating in EDAM to maintain access to economic bidding? BAMx requests that CAISO provide an additional explanation of the pros/cons of allowing or prohibiting intertie bidding at the non-CAISO EDAM boundaries.