California ISO

Stakeholder Comments Template

Day-Ahead Market Enhancements Phase 1 Initiative

This template has been created for submission of stakeholder comments on the straw proposal that was published on February 7, 2020. The proposal, February 10, 2020 Stakeholder meeting presentation, March 5, 2020 Stakeholder call presentation, and other information related to this initiative may be found on the initiative webpage at: http://www.caiso.com/StakeholderProcesses/Day-ahead-market-enhancements

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on March 26, 2019.

Submitted by	Organization	Date Submitted
Seth Cochran	*DC Energy*	*3/26/2020*

Please provide your organization's overall position on the DAME straw proposal:

- ☐ Support
- ☐ Support w/ caveats
- ☒ Oppose
- ☐ Oppose w/ caveats
- ☐ No position

Please provide written comments on each of the straw proposal topics listed below:

1. **New day-ahead market products, including reliability energy, reliability capacity, and imbalance reserves.**

   DC Energy supports the creation of an imbalance reserve product in the day-ahead market, however we are not certain that the proposed reliability capacity product would provide additional benefits. While we agree that it can theoretically shift Reliability Unit Commitment costs into the day-ahead market, this must be weighed against its impact to risk management and increased costs to serve energy.

- Today bids for energy clear against supply offers in the day-ahead market. This allows participants to procure their load exposure up to the market's supply and demand equilibrium. Under the CAISO's proposal this dynamic is altered by optimizing bid-in demand with its day-ahead load forecast. This can lead to a scenario where the load forecast can cap the amount of cleared demand. During the March 5th web conference this outcome was depicted in scenario 4 on page 10. In this example bid-in demand was not awarded with economic supply offers due to market awards being capped at the CAISO's load forecast. This outcome can prevent entities from hedging their expectation of load in real-time. Specifically, if the CAISO under-forecasted load then any unprocured load results in LSEs carrying this exposure to real-time. One way to prevent the issue is to systematically over-forecast load, but over time this would result in inflating the total costs of serving demand.
- Clearing load on the CAISO's forecast also hinders the ability for virtual demand to converge market prices. Improved convergence can lead to more efficient unit commitment and lower costs to end users. The CAISO has not shown that replacing the market's expectations with its forecast is more efficient. There needs to be more analysis provided beyond conceptual efficiencies or simple comparisons of correlations to system-wide load. Lastly, we request more information on the spatial granularity of the load forecast being used in the CAISO's proposal. It appears that it includes each settlement location, as the new imbalance and capacity up/down products are procured nodally. Will the CAISO confirm if this is the case? If it is, then more details on its performance at the nodal level would be helpful in assessing the efficiency of the proposal.
- We understand that one goal of the reliability capacity products is to shift out-of-market costs into the market, however the proposal to optimize capacity requirements with a load forecast in the IFM does not recognize that some commitments could be deferred and reassessed in a subsequent market process. The current sequential day-ahead processes preserve this flexibility. We submit that the CAISO should look into expanding the current day-ahead market platform instead of altering its core market design by creating separate energy and reliably LMPs. For example, the CAISO could reopen a market for resource commitment 'x' hours prior to its ramping needs for the day. The timing of this additional market run could be balanced with the start-up times of resources and the accuracy of the net load forecast. It would provide an avenue for the CAISO to defer resource commitments as start-up times permit and provide the market an opportunity to determine unit commitments with more accurate renewable and load forecasts.

2. **Settlement and cost allocations.**
   No opinion at this time

3. **Bidding rules and offer obligations.**
   No opinion at this time

4. **Scheduling rules for variable energy resources.**
   No opinion at this time

5. **Deliverability approach for reliability capacity and imbalance reserves.**
   DC Energy supports the objective to clear these products at the nodal level in order to help ensure deliverability to the extent feasible within the exiting day-ahead market timeline.

6. **Approach for congestion revenue rights.**
   DC Energy believes more time is needed to understand the impacts of the CAISO's proposal on the CRR market. On the March 5th web conference the CRR discussion was limited to less than 30-minutes. One specific topic that needs more consideration is the proposal's impact to CRR revenue inadequacy. The new reliability and imbalance constraints can exacerbate revenue inadequacy because they consume space on the day-ahead transmission network, but yet they do not contribute to congestion funding for CRR settlement. In addition, the proposed constraints for the new products will not be modeled in the CRR auction. The resultant overselling and lack of congestion funding could lead to significant CRR revenue inadequacy. This potential outcome deserves more attention as it can lead to degraded hedges and added friction in the process of valuing CRRs, which works cross purpose to achieving CRR market efficiency. In order to better understand and consider the potential impact on CRR efficiency we request that the CAISO develop examples highlighting the impacts and share them in the next iteration of the Day-Ahead Market Enhancements initiative.

7. **Approach for local market power mitigation.**
   No opinion at this time

8. **Regression approach to determine the imbalance reserve requirement.**
   No opinion at this time

9. **Additional comments:**