Comments on 2023 COSS

Cost of service study - 2023

Comment period

Jul 08, 2023, 08:00 am - Jul 19, 2023, 05:00 pm

Submitting organizations

- California Community Choice Association
- Six Cities

California Community Choice Association

Submitted on 07/19/2023, 02:09 pm

Contact

Shawn-Dai Linderman (shawndai@cal-cca.org)

1. Please provide your organization's comments on the 2023 Cost of Service Study

CalCCA has no comments at this time.

2. Please provide your organization's comments on the 2024-2026 Grid Management Charges Update

CalCCA has no comments at this time.

3. Please provide your organization's comments on the EDAM Transitional Ramp-In Model Proposal

The California Community Choice Association (CalCCA) appreciates the opportunity to comment on the Extended Day-Ahead Market (EDAM) Transitional Ramp-In Model. CalCCA is in full support of the California Independent System Operator's (ISO) efforts to implement EDAM and looks forward to robust day-ahead market participation across a wide footprint in the West. CalCCA is also in full support of Balancing Authority Areas (BAAs) outside of the ISO choosing to join EDAM when those BAAs find the benefits of joining EDAM exceed the costs.

While the cost-benefit assessment for EDAM BAAs should include all costs, including the Grid Management Charge (GMC), the ISO proposes the EDAM Transitional Ramp-In Model in which EDAM BAAs outside of California only pay a percentage of their portion of the GMC for the first four years of EDAM. This creates an unfair allocation of GMC costs because supply and California load would pay more than they would have if EDAM load paid their full share of the costs and EDAM

BAAs outside of California will pay less. This is despite all market participants receiving benefits from participating in the day-ahead market. Development and operation of an EDAM will require significant resources from the ISO, and only requiring a portion of market participants to pay their share of the costs associated to run the market creates a cost shift to California load.

CalCCA fully supports EDAM BAAs joining EDAM when they identify a benefit to them doing so. The EDAM Transitional Ramp-In Model unnecessarily skews the costs and benefits of EDAM. The ISO should instead require all EDAM load, including California load-serving entities and EDAM BAAs, to pay their full GMC upon day one of EDAM.

ISO RESPONSE:

The CAISO thanks CalCCA for their comments.

The costs incurred by the CAISO to onboard an EDAM entity will be reimbursed by the EDAM entity.

In regards to the operational costs, the supply-based charges will be fully recovered by EDAM entities and is similar in comparison to any resource inside the CAISO. Only the load-based charges are proposed to be ramped in over the first four-years of EDAM, in part because load is not exercising all the services California load is using. For example, by design, EDAM does not initially cover ancillary services, convergence bidding nor make use of congestion revenue rights and therefore EDAM entity load will not have the same access to all these services as the California load will. Finally, EDAM has not been tried before and is incremental to the WEIM. Therefore, the model was developed as a solution that scales the load-based costs with the expected growth in the use and benefits as a function over time as other EDAM entities join and participate growing the utility of the EDAM for California and early adopters of the EDAM.

This model incentivizes early adoption and immediately benefits all existing CAISO customers by reducing the costs of service for all Market Services and System Operations Real-Time Dispatch customers.

If the CAISO required all EDAM load to pay all load charges from year one then it may impede the early start-up of EDAM and doing so would ultimately deny or delay existing California entities early GMC cost reduction and operational benefits of EDAM.

Six Cities

Submitted on 07/19/2023, 03:52 pm

Submitted on behalf of

Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California

Contact

Margaret McNaul (mmcnaul@thompsoncoburn.com)

1. Please provide your organization’s comments on the 2023 Cost of Service Study

At this time, the Six Cities do not have comments on the Cost of Service Study.

2. Please provide your organization’s comments on the 2024-2026 Grid Management Charges Update

At this time, the Six Cities do not have comments on the Grid Management Charge Update.

3. Please provide your organization’s comments on the EDAM Transitional Ramp-In Model Proposal

The Six Cities do not oppose the EDAM Transitional Ramp-In Model, but do have concerns about whether it provides just and reasonable rates and reflects an appropriate rate design for CAISO entities. Under the proposed approach, the CAISO will limit the application of increased costs associated with its Grid Management Charges to new EDAM participants during an initial, four-year transition period ending in 2028. Under the Transitional Ramp-In, EDAM administrative fees (including the Market Services Charges and the new System Operations Real Time Dispatch Charges) applicable to load volumes are limited to increases over currently-applicable EIM administrative charges of 5% in 2025, 25% in 2026, 50% in 2027, and 75% in 2028, with fully-applicable charges applying in 2029 and no discounting of supply volumes during the transition period. Underpinning this proposal is a desire by the CAISO to remove a perceived disincentive to membership in the EDAM resulting from exposure to increased administrative charges; the CAISO explains that increases in administrative fees may materially impact the costs/benefits of EDAM for particular entities and serve as a barrier to participation. (*See generally* 2023 Cost of Service Study and 2024 GMC Update Draft at 73.) To make early participation commitments in EDAM more attractive, the CAISO states that it does not currently intend to extend this transition period Cbeyond the end of 2028. (*Id*. at 73-74.)

While the Six Cities understand and support the CAISO’s objective of encouraging early EDAM participation commitments, the Six Cities have reservations about whether it is reasonable for the CAISO footprint to effectively subsidize a transition period for EDAM participants by agreeing to relinquish a share of the reduction in Grid Management Charges that CAISO entities would otherwise have received if EDAM participants pay their full share of administrative charges. Presumably a rational cost/benefit analysis of EDAM membership would consider the potential for increased Grid Management Charges resulting from broader market participation. If the calculation of such costs/benefits is indeed sensitive to what are relatively modest impacts in administrative charges, then that would seem to reveal potentially significant issues with the costs and benefits of the overall market design, rather than a need for a temporary defrayal in these administrative costs. Moreover, with respect to PacifiCorp specifically, the Six Cities note that PacifiCorp has already recouped significant benefits from its participation in the EIM, with the CAISO reporting a cumulative total of more than $620 million in benefits to PacifiCorp since 2014. On a load-weighted basis, EIM benefits to PacifiCorp have substantially exceeded load-weighted benefits to the CAISO BAA, which has a much greater load and experienced $758 million in benefits over the same period. (*See* Western EIM Benefits, available at [Benefits - Western Energy Imbalance Market (westerneim.com)].) There is little reason to think that PacifiCorp’s relatively high benefits from regional market participation would diminish in a material way if it joined EDAM and did not receive a CAISO-funded Grid Management Charge subsidy for its participation. Given this, the EDAM Transitional Ramp-In Model strikes the Cities as a somewhat gratuitous benefit for potential EDAM participants that is unlikely to (and really should not) drive participation decisions or materially reduce the benefits of market participation.

While the Cities question the justifications for the policy choice being proposed, the Six Cities reluctantly do not oppose the proposed Transitional Ramp-In Model. However, their lack of opposition is contingent on the CAISO’s commitment not to later extend this discounting to other entities for future years, and, at this time, the Six Cities do not anticipate supporting any future extensions of the transition period. Given the CAISO's explanation that this Ramp-In is necessary to attract early EDAM participation commitments, it would not be reasonable or appropriate to later extend or revise this treatment to attract new participants in future years.

ISO RESPONSE:

The CAISO thanks the Six Cities for their comments and their lack of opposition to the proposed transitional load ramp-in model.

The CAISO believes the transitional load ramp-in model is a just and reasonable model for aligning the costs with benefits of the EDAM services that will grow with increased participation. As mentioned previously, EDAM does not initially cover ancillary services, convergence bidding nor make use of congestion revenue rights and therefore EDAM entity load will not have the same access to all these services as the California load will. Additionally, the incentive of the ramp-in model for early adoption increases the overall benefit for California entities.

Further, the CAISO believes that since the actual benefits of EDAM have not been measured from actual operation and the ultimate benefits that do accrue are a function of the number of those participating in EDAM, that the ramp in model provides incentives for early adoptions that will best align costs with benefits while providing immediate GMC cost reduction and operational benefits to existing California customers.

As the ramping of the WEIM benefits grew as WEIM participation grew, the CAISO believes the benefits of EDAM will grow as EDAM participation grows. As such, the CAISO doesn't view the transitional load ramp-in model as a subsidy but rather a mechanism for allowing the benefits to be understood and grow as function of time and additional participation.

The CAISO is in agreement with the Six Cities in keeping the ramp-in period fixed to only the initial four years of EDAM operations and will not be extended or stretched out once filed and approved.

California Public Utilities Commission

Wednesday, July 12, 2023 12:15 PM

Contact

Kyle Navis (Kyle.Navis@cpuc.ca.gov)

Hello,

This question should probably be directed to April Gordon or Ryan Seghesio. I have a follow up question related to today's stakeholder call on the CAISO Grid Management Charge (GMC).

Specifically, I'm looking Table 58 on p. 74 of the GMC Update (reproduced below).

Table 58 - Scenario Comparison

Projected Market Services (DA and RT) and System Operations (RTD) Revenue Contributions
($ in millions)

Scenario	2025	2026	2027	2028	2029
Base: No EDAM Participation					
CAISO (inclusive of RC funding requirement contribution impacts)	$ 160.5	$ 165.3	$ 170.3	$ 175.4	$ 180.7
PAC (existing WEIM and NPM Charges)	$ 12.9	$ 12.9	$ 13.3	$ 13.3	$ 13.3
Revenue Contributions	$ 173.4	$ 178.2	$ 183.6	$ 188.7	$ 194.0
Scenario 1a: Only CAISO and PAC (Yrs 1-5) w/o Load Volume Ramp-In					
CAISO's portion of the charges	$ 125.8	$ 129.5	$ 133.4	$ 137.4	$ 141.6
PAC's portion of the charges	$ 47.7	$ 49.1	$ 50.6	$ 52.1	$ 53.7
Revenue Contributions	$ 173.4	$ 178.6	$ 184.0	$ 189.5	$ 195.2
Scenario 1b: Only CAISO and PAC (Yrs 1-5) w/Load Volume Ramp-In					
EDAM Load Volume Ramp-In	5%	25%	50%	75%	100%
CAISO's portion of the charges	$ 139.4	$ 140.0	$ 140.1	$ 140.6	$ 141.6
PAC's portion of the charges	$ 34.0	$ 38.7	$ 43.9	$ 48.9	$ 53.7
Revenue Contributions	$ 173.4	$ 178.6	$ 184.0	$ 189.5	$ 195.2
Reduction in CAISO charges from Base	$ 21.1	$ 25.4	$ 30.2	$ 34.8	$ 39.1
PacifiCorp's Scenario 1b ramp-in compared to what they would be charged for full supply and load (Scenario 1a) from year 1.	29%	21%	13%	6%	0%

Could you clarify how these amounts would change if another participant were to opt to join EDAM? We're especially interested in Scenario 1b—how would the CAISO and PAC portion of the charges change with a third participant? And would the total Revenue Contribution baseline increase or remain constant?

ISO RESPONSE:

The CAISO does not project the need to increase its Revenue Requirement (the basis of the GMC rates per MWh) due to additional EDAM participants joining. However, with additional entities joining EDAM there will be an increase in the Day-Ahead Market volumes and that will be used to calculate the Market Services rate per MWh. In other words, the additional Day-Ahead Market volumes will drive the Market Services rate per MWh lower. The decreased rate will benefit the CAISO and PacifiCorp as their percentage of the RR to recover will decrease.