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Stakeholder Comments of the Northern California Power Agency

Day Ahead Market Enhancements

(June 19, 2018 Workshop)

Submitted: July 13, 2018

The Northern California Power Agency (NCPA) is pleased to provide the following comments in response to CAISO's Day Ahead Market Enhancements (DAME) initiative.

Stakeholder Process

The June 19, 2018 presentation made significant changes to the Revised Straw Proposal, and some details of the new proposal are unclear, while other elements of the proposal require additional explanation or justification. NCPA therefore believes it would be more appropriate for CAISO to issue a second revised straw proposal before proceeding to a draft final proposal. NCPA appreciates CAISO's expressed willingness to consider such a step.

If CAISO were to provide a fully fleshed-out written proposal, stakeholders would be able to provide meaningful feedback on the details of the DAME initiative. This initiative is complex and has several moving parts, so providing an additional round of stakeholder feedback now will avoid surprises later and will facilitate a more successful implementation.

Cost Allocation

NCPA operates as a Load-Following Metered Subsystem (LF-MSS) in the CAISO BAA. In our March 22, 2018 comments on the DAME Issue Paper and Straw Proposal, we described in detail how NCPA's load-following obligations require NCPA to manage its own variability and uncertainty, and we requested that CAISO recognize this unique obligation in the cost allocation for the day-ahead imbalance product.

CAISO's existing tariff provisions for the cost allocation of RUC and of the real-time Flexible Ramping Product already recognize that a LF-MSS self-manages its variability and uncertainty. Based on the June 19 presentation, NCPA understands that CAISO intends to follow those same principles for the allocation of upward/downward Reliability Capacity and upward/downward FRP Uncertainty. NCPA supports that approach.

The June 19 presentation also indicates that the Forecasted Movement component of the Flexible Ramping Product (which is currently allocated to metered demand) will now be replaced with a Scheduled Energy component. CAISO is proposing to allocate the Scheduled Energy costs to metered demand. CAISO has not adequately explained or justified this proposal. It appears that CAISO's rationale for paying Scheduled Energy the FRP price (i.e., $\rho + \sigma$) in addition to the LMP (i.e., λ) is that the Scheduled Energy contributes to meeting the uncertainty requirement. If that is correct, the costs of Scheduled Energy should be allocated similarly to the upward/downward Uncertainty Cost, not to metered demand.

CAISO should either reconsider its cost allocation for Scheduled Energy or provide additional explanation for its proposal. In either case, CAISO should recognize that a LF-MSS self-manages its uncertainty on a portfolio basis, so any cost allocation for Scheduled Energy should be allocated to LF-MSS net portfolio deviations.