

Stakeholder Comments

Extended Day-Ahead Market Workshop #1

Submitted by	Company	Date Submitted
<i>Mike Whitney 916-781-4205 Mike.whitney@ncpa.com</i>	<i>NCPA</i>	<i>3/6/2020</i>

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NCPA appreciates CAISO taking time to discuss key EDAM components in the workshop environment prior to issuing a straw proposal. NCPA's main takeaways from the workshops held on 2/11/2020 and 2/12/2002 are:

1. The terms diversity benefit and diversity credit must be defined.
2. Transmission provisions may not be compensating LSE's sufficiently and could reduce transmission available to LSEs.
3. Potentially excessive modifications to other market design: RA, DAME, others
4. Questionable timeline

Diversity Credits and Benefits:

Throughout the presentations, the terms diversity benefit and diversity credit were utilized, seemingly interchangeably, without any clear definition. Diversity benefit is a vague and general concept used to describe high level benefits associated with increasing the wholesale market's footprint. However, proposals now use the term as a component in Resource Sufficiency Evaluations. Page 15 of CAISO's proposal references "imbalance reserve up/down less diversity benefit". Page 7 of EIM's RSE presentation state that "Diversity Credit can be fairly allocated to reduce each BAA's RS requirement." This appears to be a key component and nowhere in the presentations or straw proposal are diversity credit or diversity benefit defined nor is there an explicit explanation as to how or why these concepts should reduce RS requirements. The primary concern is such ambiguity could facilitate gaming RS requirements and lead to market inefficiencies.

Transmission Provisions:

EIM and CAISO presented the transmission bucket concepts and explained how Buckets 1 and 2 represent sunk costs which leaves only Bucket 3 potentially subject to transmission access charges. We are still studying the mechanics of EDAM but are concerned that the Bucket concept does not expose enough EDAM energy to transmission charges which could result in insufficient compensation to the LSE's that pay for the transmission infrastructure. This is a particular concern since a misapplied diversity benefit could skew RS requirement one way or the other.

Another concern with the transmission provisions and transmission requirement associated with RSE is that an entity could potentially reserve excess transmission capacity for EDAM and perhaps result scarcity which would then drive up congestion costs. Concerns also exist that a BAA could effectively lean on a sub BAA within its area and unfairly impact entities that are not explicitly bidding into EDAM.

Excessive modifications to other market design: RA, DAME, etc.

NCPA understands that CAISO is developing multiple stakeholder processes that are intertwined with the EDAM concept. CAISO has explicitly stated that DAME, EDAM, and certain of RA updates such as MIC enhancements are all under development with a go live goal of fall 2021. NCPA is also of the understanding that Transmission Access Charge Enhancements are on hold pending EDAM developments. We are concerned that these initiatives could be negatively impacted due to hasty modifications associated with EDAM findings. For example, the EIM RSE presentation proposed a new product called the Replacement Reserve Product without going into much detail or evaluating what other initiatives it could impact.

We are concerned the RAE initiative is unfairly biased towards EDAM as evidenced by the resurgence of requiring specific resource IDs for RA imports despite the fact that CAISO's analysis shows that most imports are delivered as required which does not support such an onerous requirement.

Timeline:

At this point, it is safe to say that a fall 2021 go-live is infeasible. Perhaps the first bundle of components could be sorted out by then but that still leaves two more bundles along with extensive testing and refinements. Perhaps 2023 is a more realistic goal. It would make sense to phase in DAME, RA Enhancements, and EDAM sequentially in order to troubleshoot each release independently. Significant individual releases such as MRTU in 2009, FMM in 2014, and RAAIM after that are challenging enough and to release so many major initiatives all at once would result in nothing less than chaos. Releasing the other initiatives prior to EDAM would provide EDAM with a stronger foundation and a clearer understanding of market requirements.

General comments:

As with the rest of the western interconnection, NCPA is excited for the prospect of a regional market and it would surely generate tremendous savings. However, if the process is rushed, and if the RSE, transmission provisions, and impacts to other initiatives are not more carefully and deliberately vetted then we could wind up with at best a broken market subject to endless settlement reruns at best or a case study with severely injured players that would stunt regionalization for decades to come. NCPA also requests to see some estimates of implementation costs and how such will be allocated.