

Submitted by	Organization	Date Submitted
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The DAME proposal is the most significant change to the market design since MRTU. SCE is unable to determine its position on the merits of the CAISO’s proposal at this time. SCE requests further understanding of the various products, proposed by the CAISO, how they will interact with each other, and how they are anticipated to help the CAISO realize better RT positioning.

1. Proposed Day-Ahead Market Structure

SCE requests that the CAISO provide numerical walkthroughs that detail need determination of the DA Flexible Ramping Product (FRP). These walkthroughs should further include examples of how resources are selected for either FRP, CC, Energy, or AS. Price formation should also be included in the walkthroughs.

SCE believes that such a walkthrough is the most appropriate tool to discover the efficacy of the proposed rules. SCE notes that prior walkthroughs have helped identify issues and rectify them before final design and implementation. For these reasons, SCE believes that a walkthrough should be a high priority.

Regarding E-tagging of inertie resources, SCE requests that the CAISO provide some analysis to determine which of the four options will result in sufficient liquidity at the interties without unduly constraining the CAISO’s flexibility. To understand this, it may be necessary to understand how much incremental inertie liquidity is expected to be brought by the Ph1 proposal of 15-minute granularity.

2. Day-Ahead Flexible Ramping Product

Since, by the CAISO’s own understanding, FRP and Corrective Capacity (CC) can both be provided by the same resources, there will exist resources that satisfy both needs. Given the interaction between the two similar products, and with the CAISO’s stated goal of treating both alike, there may be procurement of one that clearly satisfies the need for the other. This may, in turn, lead to issues such as over-procurement or artificial scarcity. SCE wishes to understand what incentives exist to motivate resources to be indifferent or show a demonstrable preference for the supply

of both or one of the products. In addition to the walkthrough requested earlier in these comments, the CAISO should explain how CC enters the optimization. For instance, the provided technical appendix does not include CC as a variable in any constraints. The constraints on page 7 of the appendix should include CC if there is to be any substitutability between CC and FRP.

3. Re-Optimization of Ancillary Services

Please provide your organization's feedback on the re-optimization of ancillary services as described in section 5 of the proposal. Please explain your rationale and include examples if applicable.

The proposal offers no bidding in real-time for spinning and non-spinning reserves. Does this mean that should any contingency occur in real-time and the level of procurement in the day-ahead market is insufficient to fulfil the additional real-time need, then scarcity pricing has to be triggered? SCE appreciates clarification on the how the situation will be resolved in the real-time market.

Further, SCE is concerned about Ancillary Service Marginal Price (ASMP) formation. ASMP for any particular AS type is the sum of the AS shadow prices (ASSP) for a particular type as well as the ASSP of any other types for which the particular AS type can substitute. Thus, Regulation shadow prices will influence the prices of spin and non-spin, which seems contrary to the CAISO proposal of having Energy opportunity cost establish the price. The CAISO should provide a detailed explanation and a numerical walkthrough of what it proposes.

Finally, SCE recommends that the motivations behind such changes may be easier understood by stakeholders if the CAISO provides its general vision. For instance, is the CAISO looking to move toward a market of easier substitutability between products with its proposal on energy and capacity usage? Does the CAISO envision a different role for Regulation, given that it is the only AS still bidding in RT? What is the CAISO's higher level view, based on its needs that are driving such a vision?

Please provide your organization's position on the re-optimization of ancillary services as described in section 5 of the proposal. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

SCE is unable to support the proposal until the CAISO addresses the questions raised above.

4. Energy Imbalance Market Governing Body Classification

Please provide your organization's feedback on the EIM Governing Body classification as described in section 6 of the proposal. Please explain your rationale and include examples if applicable.

The flexible ramping product is not driven by a problem that originates within the Energy Imbalance Market though the product is broadly applicable to the CAISO and EIM markets in real-time. SCE concurs with the CAISO's decision of an advisory role for the EIM Governing Body. In addition, the procurement of ancillary services is conducted within the day-ahead market in which EIM does not participate. Therefore, this aspect of the initiative should be assigned to the CAISO Board of Governors as the primary decision-making authority.

Please provide your organization's position on the EIM Governing Body classification as described in section 6 of the proposal. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

SCE supports the classification as proposed for the reasons noted within section 6 of the CAISO issue paper/straw proposal.

APPENDIX C: DRAFT TECHNICAL DESCRIPTION

5. Assumptions and Mathematical Formulations

Regarding the proposal of reserving capacity on transmission system for AS/FRP, the CAISO should clarify whether this proposal is limited to the BAA level and how it potentially impacts CRRs, given that the CRR modeling may not handle this type of constraint.