



Stakeholder Comments Template

Day-Ahead Market Enhancements Phase 2 Initiative

This template has been created for submission of stakeholder comments on the issue paper and straw proposal that was published on February 28, 2019. The paper/proposal, Stakeholder meeting presentation, and other information related to this initiative may be found on the initiative webpage at:

<http://www.caiso.com/informed/Pages/StakeholderProcesses/Day-AheadMarketEnhancements.aspx>

Upon completion of this template, please submit it to initiativecomments@caiso.com. Submissions are requested by close of business on March 21, 2019.

Submitted by	Organization	Date Submitted
<i>Bonnie Blair</i>	<i>Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, CA ("Six Cities")</i>	<i>April 4, 2019</i>

Please provide your organization's comments on the following issues and questions.

INTRODUCTION: The Six Cities appreciate the opportunity to provide feedback on the Day-Ahead Market Enhancements ("DAME") framework described in the Issue Paper/Straw Proposal for DAME Phase 2 published on February 28, 2019 (the "DAME 2 Proposal"), as well as the work effort by the ISO Staff to develop the DAME 2 Proposal. As described in more detail, some aspects of the DAME 2 Proposal appear to be workable and desirable, but other aspects seem problematic. The DAME 2 Proposal would involve fundamental revisions to the current structure of the ISO's Day-Ahead Market, and there are numerous detailed elements of the proposal that have not yet been developed. Given the breadth of this initiative and the nature and number of implementation details that remain to be developed, any comments and position statements expressed below on behalf of the Six Cities are necessarily preliminary and subject to modification as this initiative evolves.

1. Proposed Day-Ahead Market Structure

Please provide your organization's feedback on the proposed day-ahead market structure topic as described in section 3 of the proposal. Please explain your rationale and include examples if applicable.

Six Cities' Comments: The Six Cities are concerned that elimination of the Residual Unit Commitment (“RUC”) process and use of the day-ahead reliability and deliverability assessment (“RDA”) as described in Section 3.2 of the DAME 2 Proposal could increase reliance on Exceptional Dispatch and thereby increase costs under the Capacity Procurement Mechanism (“CPM”) provisions of the Tariff, so long as resources issued an Exceptional Dispatch remain eligible for a minimum CPM designation of thirty or sixty days (depending on the reason for the Exceptional Dispatch). Has the ISO made a quantitative assessment of the costs that may result from the RDA approach versus the costs of RUC awards? If not, the Six Cities strongly recommend that the ISO make such an assessment and share the results with stakeholders.

Please provide your organization’s position on the proposed day-ahead market structure topic as described in section 3 of the proposal. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Six Cities' Response: Except as discussed above, the Six Cities express no position at this time with respect to the revised market structure outlined in the DAME 2 Proposal.

2. Day-Ahead Flexible Ramping Product

Please provide your organization’s feedback on the Day-Ahead Flexible Ramping Product as described in section 4 of the proposal. Please explain your rationale and include examples if applicable.

Six Cities' Comments:

With respect to Section 4.2 of the DAME 2 Proposal, the Six Cities on a preliminary basis would support a tiered penalty price for Flexible Ramping Product (“FRP”).

With respect to Section 4.4 of the DAME 2 Proposal, it does not seem realistic to require e-tag submission prior to the Day-Ahead market run to support a bid for FRP from imports. The Six Cities are concerned that such a requirement could discourage import bids into the Day-Ahead market for FRP. To ensure that FRP awards to import resources are likely to be delivered in Real-Time, it would make sense to require e-tag submission for FRP awards before the Real-Time market (*i.e.*, at T-40).

With respect to Section 4.5 of the DAME 2 Proposal, the Six Cities request that the ISO explain why it proposes not to allow self-provision of FRP capacity. In addition, the Six Cities request that the ISO clarify whether the revised market structure contemplated by the DAME 2 Proposal would allow a resource that has not made a commitment to provide Flexible Resource Adequacy (“Flexible RA”) capacity to submit an energy-only economic bid in the Day-Ahead market. The Cities note that Appendix C at page 9 does not appear to allow resources that submit energy bids in the Day-Ahead market to opt-out of selection for FRP. If the ISO intends that any economic bid submitted to the Day-Ahead market exposes the resource to an award for FRP, the Six Cities are concerned that this will discourage submission of bids by resources

that do not have a Flexible RA obligation and may not wish to receive an FRP award and complicate the development of reasonable performance standards and appropriate penalties for non-performance on FRP awards.

With respect to Sections 4.6 and 4.7 of the DAME 2 Proposal, disqualifying resources that fail to perform on Day-Ahead FRP awards would appear to be self-defeating (except perhaps for resources that have sold Flexible RA and would lose the capacity payments for the Flexible RA as a result of such disqualification). The Six Cities would prefer a non-performance penalty based on clawback of payments for Day-Ahead FRP if the resource awarded FRP in the Day-Ahead market fails to perform, with escalating multipliers applied to the clawback amounts for repetitive non-performance on awards. However, a non-performance penalty structure based on clawback of payments for Day-Ahead FRP plus application of a multiplier or scaled multipliers to claw back additional amounts would not be appropriate if a resource that has not committed to provide Flexible RA has no ability to opt-out of being awarded FRP in the Day-Ahead market.

With respect to Section 4.8 of the DAME 2 Proposal, the Six Cities support allocation of a portion of FRP costs to net virtual bids.

Please provide your organization's position on the Day-Ahead Flexible Ramping Product as described in section 4 of the proposal. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Six Cities' Response: Except as discussed above, the Six Cities express no position at this time with respect to the Day-Ahead FRP as described in Section 4 of the DAME 2 Proposal.

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.

Six Cities' Response: The Six Cities have no comments at this time on re-optimization of ancillary services as described in Section 5 of the DAME 2 Proposal.

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)

Six Cities' Response: The Six Cities express no position at this time on re-optimization of ancillary services as described in Section 5 of the DAME 2 Proposal.

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.

Six Cities' Response: The Six Cities have no comments at this time on the EIM Governing Body classification as described in Section 6 of the DAME 2 Proposal.

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)

Six Cities' Response: The Six Cities express no position at this time on the EIM Governing Body classification as described in Section 6 of the DAME 2 Proposal.

APPENDIX C: DRAFT TECHNICAL DESCRIPTION

5. Assumptions and Mathematical Formulations

Please provide your organization's feedback on the assumptions and mathematical formulations included in Appendix C. Please explain your rationale and include examples if applicable.

Six Cities' Response: The Six Cities have no comments at this time on the Draft Technical Description in Appendix C.

Please provide your organization's position on the assumptions and mathematical formulations included in Appendix C. (Please indicate Support, Support with caveats, Oppose, or Oppose with caveats)

Six Cities' Response: The Six Cities take no position at this time on the assumptions and mathematical formulations included in Appendix C.

Additional comments

Please offer any other feedback your organization would like to provide on the Day-Ahead Market Enhancements Phase 1 initiative third revised straw proposal.